

3 RECONSTRUCTION UPDATE



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Afghan women participate in a United Nations Assistance Mission in Afghanistan education and leadership program in Bamyan Province. (UNAMA photo by Fardin Waezi)

RECONSTRUCTION UPDATE

OVERVIEW

Delegations from the Afghan government and the Afghan Taliban met in Pakistan on July 7 in what the Afghan Ministry of Foreign Affairs labeled the “first meeting of formal peace negotiations.” Senior leaders of the Taliban and the Haqqani network reportedly took part in the meeting. President Ashraf Ghani indicated a second round would likely occur between late July and early August. There were indications that the Taliban is divided on the talks. For example, a front-page editorial on the Taliban’s website initially decried the talks, but was later removed from the site without explanation. On July 15, however, Taliban leader Mullah Omar reportedly hailed the peace talks as “political endeavors” and “peaceful pathways” which are legitimate means to “bring an end to the occupation.”

Despite a constitutional requirement for elections 30–60 days prior to the expiration of the term of the lower house, the continuing disagreement between President Ghani and Chief Executive Officer Abdullah Abdullah on election reforms has delayed the scheduling of parliamentary elections. Although the lower house’s term expired on June 22, 2015, no elections were held. On June 19, Ghani announced that the lower house would continue its work until elections are held and the results are known. The president also said a date for elections would be announced within one month.

United States Forces-Afghanistan (USFOR-A) informed SIGAR last quarter that the Department of Defense’s (DOD) preferred term for the Afghan National Security Forces (ANSF) is now the Afghan National Defense and Security Forces (ANDSF). SIGAR has adopted the new DOD term in this quarterly report.

In June, the United Nations (UN) Secretary-General reported conflict-related violence increased in Afghanistan as the ANDSF sought to contain intensifying insurgent activity that resulted in record-high levels of civilian casualties. Insurgents demonstrated their willingness to target civilians even during the holy month of Ramadan. The UN representative in Afghanistan called for the immediate stop of attacks targeting civilians.

This quarter, DOD and Resolute Support (RS) officials acknowledged that the Islamic State in Iraq and the Levant (ISIL) had spread into

RECONSTRUCTION UPDATE

Afghanistan, although they added that the group was “nascent and relatively small.” DOD officials characterize ISIL’s presence in Afghanistan primarily as disgruntled Taliban members rebranding themselves. The UN reported that despite the initial attribution of several attacks to ISIL, including an April 18 suicide bombing in Jalalabad, “there remained a lack of clarity on any operational presence by ISIL.”

At the end of the quarter, the Ministry of Defense (MOD) remained without a confirmed minister. The MOD has been without a confirmed minister since September 29, 2014, when Ghani was sworn in as president.

This quarter, based on SIGAR analysis of the Monthly ANDSF Assessment Report (MAAR), the ANDSF was assessed as less capable than last quarter. Due to the classified status of ANDSF unit-level assessments, this determination was derived based on the number of categories assessed at the “capable” or higher rating. RS also revised its forecasts for Afghan ministries by lowering the expected capacity levels ministerial offices could achieve by the end 2016.

Afghanistan began fiscal year (FY) 1394 (December 22, 2014–December 21, 2015) with weak cash reserves and significant arrears, while revenue-collection reforms stalled in parliament. In the first four months of FY 1394, domestic revenue collection missed budgetary targets by 5.9%, but improved 7.5% from the same period in FY 1393. Domestic revenues paid for 48% or \$576 million of Afghanistan’s total budget expenditures of \$1.2 billion so far, with donor contributions making up the difference.

This quarter, the U.S. Treasury began developing technical assistance and capacity-building programs for the Ministry of Finance (MOF) to strengthen Afghanistan’s public financial-management systems and oversight of its financial sector. In addition, the International Monetary Fund began monitoring Afghanistan’s macroeconomic policies and structural-reform agenda through the nine-month, Staff Monitoring Program agreement reached last quarter with the Afghan government.

The United Nations Office on Drugs and Crime (UNODC) reported this quarter in the *World Drug Report 2015* that Afghanistan’s record opium cultivation levels remain a formidable challenge for the country and the international community. State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) also released the Afghanistan *National Drug Use Survey 2015*. The survey found that 11% of the population—approximately 13% of adults and 9% of children—tested positive for one or more drugs. By comparison, the UNODC global estimate for the prevalence of drug use in adults is 5.2%. A third-party monitoring report for INL this quarter found that no program would succeed in the near term in assisting farmers to reduce opium cultivation, although programs that promote income growth could lay the groundwork for lower levels of opium cultivation in the long term.

RECONSTRUCTION UPDATE

As of June 30, 2015, approximately \$109.7 billion had been appropriated for Afghanistan relief and reconstruction since 2002. Nearly \$92.38 billion of this total was appropriated for the seven major reconstruction funds, and approximately \$11.89 billion remained in the pipeline for potential disbursement. Cumulative reconstruction funding decreased slightly from the amount reported last quarter due to a planned reprogramming of FY 2015 funding for DOD Drug Interdiction and Counter-Drug Activities (DOD CN) for Afghanistan.

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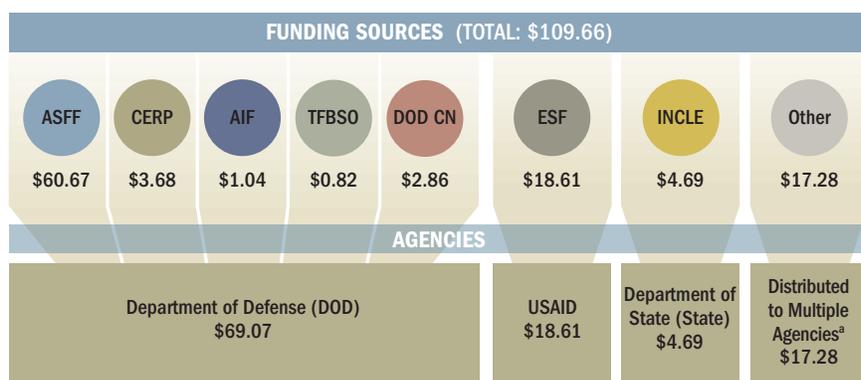
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of June 30, 2015, the United States had appropriated approximately \$109.66 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$65.04 billion for security (\$4.43 billion for counternarcotics initiatives)
- \$31.85 billion for governance and development (\$3.77 billion for counternarcotics initiatives)
- \$2.90 billion for humanitarian aid
- \$9.87 billion for civilian operations

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

FIGURE 3.1

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



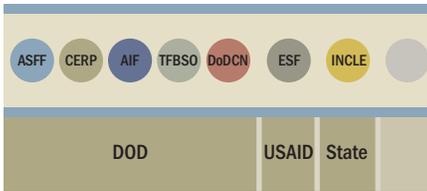
- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander’s Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-Drug Activities
- ESF:** Economic Support Fund
- INCLE:** International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

Note: Numbers have been rounded. FY 2015 appropriation amounts for most State and USAID accounts reflect draft allocations for Afghanistan and are subject to final Congressional approval.

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

Source: DOD, response to SIGAR data calls, 7/17/2015, 7/13/2015, 7/8/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 7/14/2015, 6/25/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 7/16/2015, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 7/14/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2015," 7/17/2015; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, and 111-118.

STATUS OF FUNDS



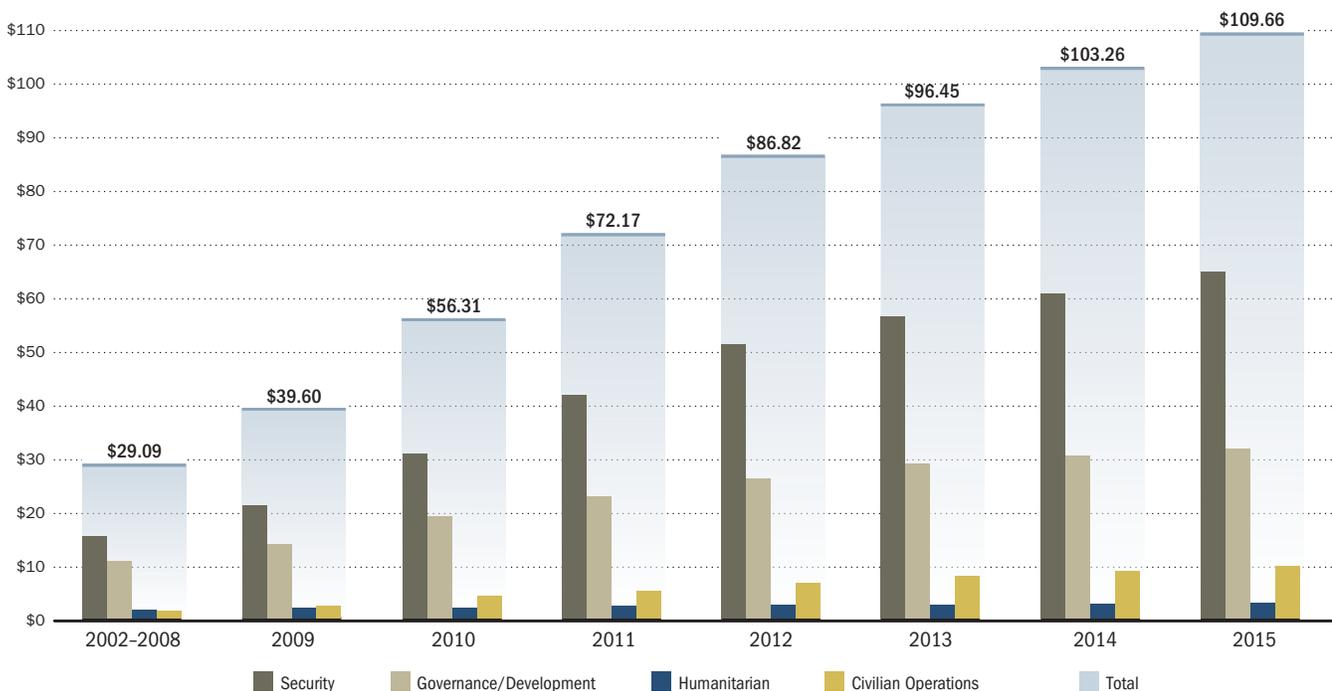
The amount provided to the seven major U.S. funds represents more than 84.2% (nearly \$92.38 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 88.8% (more than \$82.02 billion) has been obligated, and over 82.6% (more than \$76.32 billion) has been disbursed. An estimated \$4.16 billion of the amount appropriated these funds has expired.

U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of June 30, 2015, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$109.66 billion, as shown in Figure 3.2. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately \$8.21 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.43 billion) and governance and development (\$3.77 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

The Consolidated and Further Continuing Appropriations Act, 2015, provided an additional \$6.40 billion for FY 2015, as shown in Figure 3.3. Security remains the largest appropriation category. Appropriations to train, equip, and support the Afghan National Defense and Security Forces (ANDSF) make up more than all other categories of reconstruction funding combined—more than 64.2% of FY 2015 funding.

FIGURE 3.2
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JUNE 30, 2015 (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. Pub. L. No. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD reprogrammed \$1.78 million from FY 2013 ASFF. Pub. L. No. 113-235 rescinded \$764.38 million from FY 2014 ASFF. DOD transferred \$101 million from FY 2011 AIF and \$179.5 million from FY 2013 AIF to the ESF to fund infrastructure projects implemented by USAID. FY 2015 appropriation amounts for most State and USAID accounts reflect draft allocations for Afghanistan and are subject to final Congressional approval.

Source: DOD, response to SIGAR data calls, 7/17/2015, 7/13/2015, 7/8/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 7/14/2015, 6/25/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 7/16/2015, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 7/14/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2015," 7/17/2015; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, and 111-118.

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The United States aims to channel at least 50% of its development assistance on-budget to the government of Afghanistan.⁵³ This assistance is provided either directly to Afghan government entities or via contributions to multilateral trust funds that also support the Afghan government's budget.⁵⁴ Since 2002, the United States has provided nearly \$9.55 billion in on-budget assistance. This includes about \$5.49 billion to Afghan government ministries and institutions, and nearly \$4.06 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 disbursed to the Afghan government and multilateral trust funds.

TABLE 3.1

U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-to-Government	
DOD	\$4,946
State	92
USAID	454
Multilateral Trust Funds	
LOTFA	\$1,519
ARTF	2,433
AITF	105

Note: Numbers have been rounded. Figures reflect amounts the United States has disbursed in on-budget assistance to Afghan government entities and multilateral trust funds. As of June 30, 2015, USAID had obligated approximately \$1.2 billion for government-to-government assistance.

Source: DOD, response to SIGAR data call, 6/25/2015; USAID, response to SIGAR data call, 7/12/2015; World Bank, "ARTF: Administrator's Report on Financial Status as of June 21, 2015 (end of 6th month of FY 1394)", p. 5; UNDP, "Law and Order Trust Fund for Afghanistan (LOTFA) Annual Project Progress Report 2014," 4/1/2015, p. 66; SIGAR, analysis of UNDP's quarterly and annual LOTFA reports, 7/19/2015.

FIGURE 3.3
APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. Pub. L. No. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD reprogrammed \$178 million from FY 2013 ASFF. Pub. L. No. 113-235 rescinded \$764.38 million from FY 2014 ASFF. DOD transferred \$101 million from FY 2011 AIF and \$179.5 million from FY 2013 AIF to the ESF to fund infrastructure projects implemented by USAID. FY 2015 appropriation amounts for most State and USAID accounts reflect draft allocations for Afghanistan and are subject to final Congressional approval.

Source: DOD, response to SIGAR data calls, 7/17/2015, 7/13/2015, 7/8/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 7/14/2015, 6/25/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 7/16/2015, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 7/14/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2015," 7/17/2015; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, and 111-118.

STATUS OF FUNDS

AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated nearly \$109.66 billion for Afghanistan relief and reconstruction. Of this amount, \$92.38 billion (84.2%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

FIGURE 3.4

CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

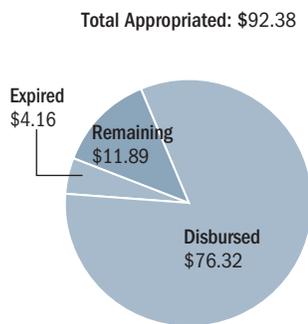


TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2015 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$60.67	\$55.15	\$53.48	\$5.46
Commander's Emergency Response Program (CERP)	3.68	2.28	2.27	0.02
Afghanistan Infrastructure Fund (AIF)	1.04	0.84	0.43	0.48
Task Force for Business & Stability Operations (TFBSO)	0.82	0.77	0.61	0.17
DOD Drug Interdiction and Counter-Drug Activities (DOD CN)	2.86	2.75	2.75	0.11
Economic Support Fund (ESF)	18.61	16.12	13.34	4.53
International Narcotics Control & Law Enforcement (INCLE)	4.69	4.12	3.45	1.13
Total 7 Major Funds	\$92.38	\$82.02	\$76.32	\$11.89
Other Reconstruction Funds	7.42			
Civilian Operations	9.87			
Total	\$109.66			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.2 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. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/19/2015.

TABLE 3.3

FY 2015 AMOUNTS APPROPRIATED (\$ MILLIONS)	
	Appropriated
ASFF	\$4,109.33
CERP	10.00
ESF	900.00
INCLE	250.00
Total 4 Major Funds	\$5,269.33

Note: Numbers have been rounded. ESF and INCLE reflect draft allocation amounts for Afghanistan and are subject to final Congressional approval. ESF and INCLE reflect draft allocation amounts for Afghanistan and are subject to final Congressional approval.

Source: DOD, response to SIGAR data call, 7/13/2015; State, response to SIGAR data call, 4/15/2015; Pub. L. No. 113-235.

As of June 30, 2015, approximately \$11.89 billion of the amount appropriated to the seven major reconstruction funds remained for possible disbursement, as shown in Figure 3.4. These funds will be used to train, equip, and sustain the ANDSF; complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; combat narcotics production and trafficking; and advance the rule of law, strengthen the justice sector, and promote human rights.

On December 16, 2014, President Obama signed the Consolidated and Further Continuing Appropriations Act, 2015, funding the U.S. government for the rest of the fiscal year and providing an additional \$5.27 billion to four of the seven major funds, as shown in Table 3.3 in the margin. The AIF and TFBSO received no additional funding for new projects. As of June 30, 2015, more than \$883.49 million of FY 2015 funding had been obligated and over \$439.29 million of that amount had been disbursed. Nearly all of this activity was from ASFF.

STATUS OF FUNDS

Congress appropriated more than \$8.08 billion to the seven major reconstruction funds for FY 2013. Of that amount, nearly \$2.01 billion remained for possible disbursement as of June 30, 2015, as shown in Table 3.4 and Figure 3.5.

TABLE 3.4

FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$4,946.20	\$4,800.74	\$4,625.42	\$175.32
CERP	200.00	42.07	37.33	4.74
AIF	145.50	130.31	69.09	61.22
TFBSO	138.20	134.08	79.15	54.93
DOD CN	255.81	255.81	255.81	0.00
ESF	1,802.65	1,705.37	399.43	1,305.94
INCLE	593.81	579.87	176.98	402.89
Total 7 Major Funds	\$8,082.17	\$7,648.24	\$5,643.20	\$2,005.04

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$434 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. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/19/2015.

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$2.44 billion remained for possible disbursement as of June 30, 2015, as shown in Table 3.5 and Figure 3.6.

TABLE 3.5

FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,962.34	\$3,400.88	\$2,933.76	\$1,028.58
CERP	30.00	6.65	6.29	0.36
AIF	199.00	135.45	3.22	195.78
TFBSO	122.24	106.87	82.26	39.99
DOD CN	238.96	127.55	127.55	111.41
ESF	852.00	3.49	0.18	851.82
INCLE	225.00	16.60	11.50	213.51
Total 7 Major Funds	\$5,629.54	\$3,797.48	\$3,164.75	\$2,441.43

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. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/19/2015.

FIGURE 3.5

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

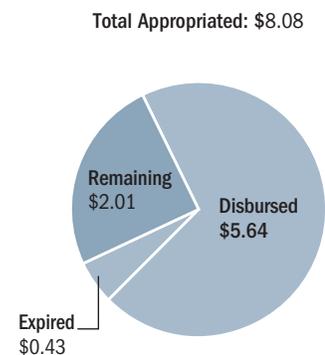
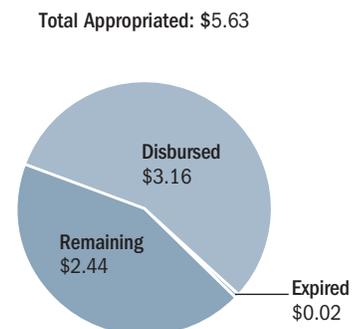
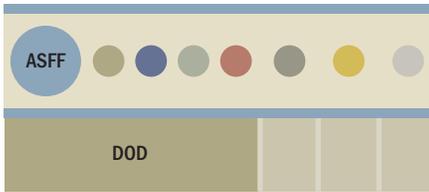


FIGURE 3.6

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



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 ANDSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.⁵⁵ The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.⁵⁶ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.⁵⁷

The Consolidated and Further Continuing Appropriations Act, 2015, appropriated nearly \$4.11 billion for the ASFF for FY 2015, increasing total cumulative funding to more than \$60.67 billion.⁵⁸ As of June 30, 2015, more than \$55.15 billion of total ASFF funding had been obligated, of which more than \$53.48 billion had been disbursed.⁵⁹ Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by more than \$2.07 billion over the quarter, and cumulative disbursements increased by nearly \$1.89 billion.⁶⁰ Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

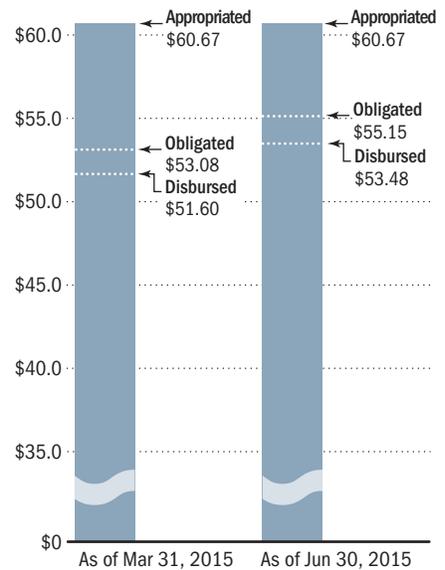
FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR (\$ BILLIONS)



FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Note: Numbers have been rounded.

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

^b DOD reprogrammed \$1 billion of FY 2012 ASFF; another \$1 billion was rescinded in Pub. L. No. 113-6.

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

^d \$764.38 million of FY 2014 ASFF was rescinded in Pub. L. No. 113-235.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2015," 7/17/2015; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2015," 4/17/2015; Pub. L. Nos. 113-235, 113-76, and 113-6.

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.⁶¹ 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.⁶²

As of June 30, 2015, DOD had disbursed more than \$53.48 billion for ANDSF initiatives. Of this amount, nearly \$35.77 billion was disbursed for the ANA, and nearly \$17.34 billion was disbursed for the ANP; the remaining nearly \$370.66 million was directed to related activities.⁶³

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—more than \$14.29 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$7.01 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.⁶⁴

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–JUN 30, 2015 (\$ BILLIONS)

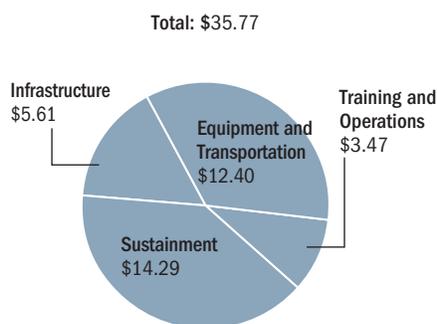
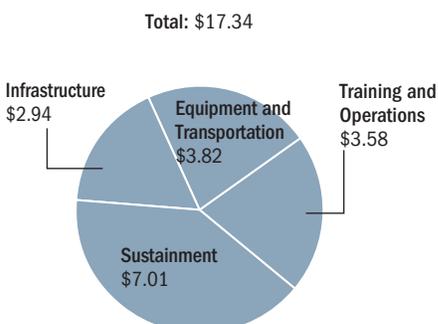


FIGURE 3.10

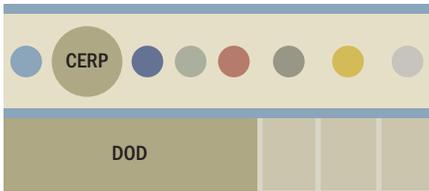
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005–JUN 30, 2015 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2015," 7/17/2015.

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.⁶⁵ CERP-funded projects may not exceed \$2 million each.⁶⁶

The Consolidated and Further Continuing Appropriations Act, 2015, appropriated \$10 million for CERP, increasing total cumulative funding to nearly \$3.68 billion.⁶⁷ Of this amount, DOD reported that more than \$2.28 billion had been obligated, of which nearly \$2.27 billion had been disbursed as of June 30, 2015.⁶⁸ 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)

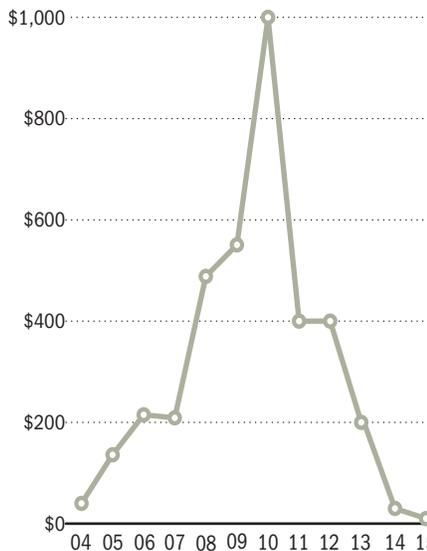


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include interagency transfers.

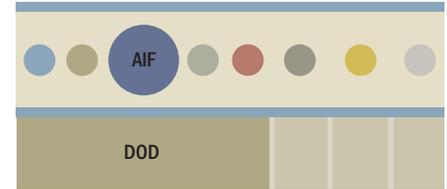
Source: DOD, response to SIGAR data calls, 7/17/2015 and 4/17/2015; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 113-235, 113-76, 113-6, 112-74, and 112-10.

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 AIF received appropriations from FY 2011 through FY 2014. DOD did not request funds for the AIF for FY 2015. Each AIF-funded project is required to have a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.⁶⁹

The AIF received cumulative appropriations of over \$1.32 billion; however, \$280.5 million of these funds were transferred to the Economic Support Fund (ESF) for USAID's Northeast Power System transmission lines projects, bringing the cumulative amount remaining in the AIF to \$1.04 billion.⁷⁰ Figure 3.13 shows AIF appropriations by fiscal year.

As of June 30, 2015, nearly \$840.03 million of total AIF funding had been obligated. Although the AIF will not receive additional funding, many AIF projects are still in progress—nearly 51% of obligated AIF funds and all \$280.5 million of the funds transferred to the ESF remain to be disbursed.⁷¹ Only \$425.82 million of AIF funds had been disbursed, as shown in Figure 3.14.



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)

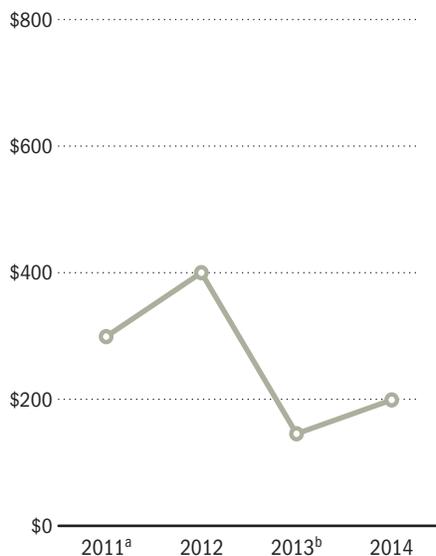
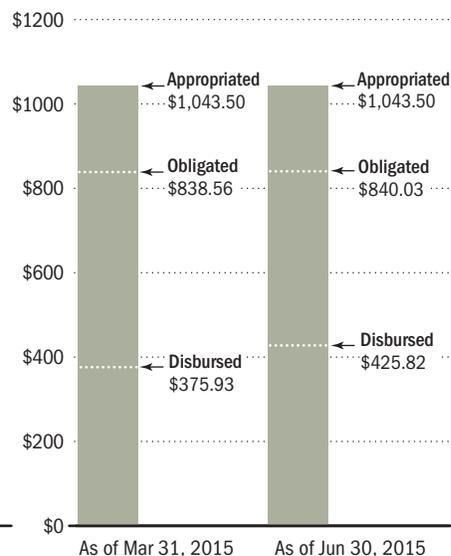


FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



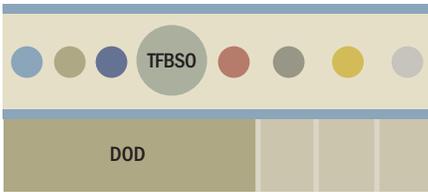
Note: Numbers have been rounded.

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

^b 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 June 2015," 7/17/2015; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2015," 4/17/2015; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

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 authorities expired on December 31, 2014, and TFBSO concluded its operations on March 31, 2015. TFBSO projects included activities intended to facilitate private investment, industrial development, banking and financial-system development, agricultural diversification and revitalization, and energy development.⁷²

Although DOD was not authorized additional funding for TFBSO projects in the FY 2015 National Defense Authorization Act, 2015, TFBSO did continue to receive a nominal amount of funding from the Operations and Maintenance, Army, account for costs associated with administrative shut-down.⁷³ Through June 30, 2015, TFBSO had been appropriated more than \$822.85 million since FY 2009. Of this amount, more than \$765.78 million had been obligated and more than \$612.53 million had been disbursed.⁷⁴ Figure 3.15 displays the amounts appropriated for TFBSO by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for TFBSO and its projects.

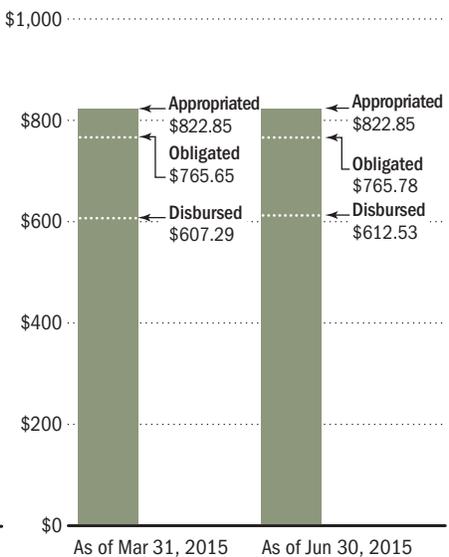
FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Note: Numbers have been rounded. Of the \$822.85 million appropriated to TFBSO, \$366.05 million was from the Operations and Maintenance, Army, account to pay for the sustainment of U.S. assets, civilian employees, travel, security, and other operational costs; all FY 2015 funding was from this account.

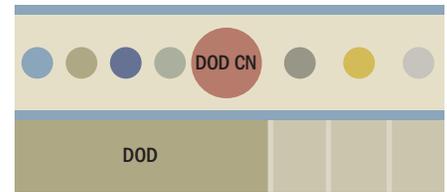
Source: DOD, response to SIGAR data calls, 7/8/2015 and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD's Drug Interdiction and Counter-Drug Activities fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law-enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁷⁵

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.⁷⁶

This quarter, DOD reported that DOD CN funds appropriated for FY 2015 would not be executed this fiscal year due to a significant reduction in operational requirements. These funds will be reprogrammed to resource other DOD requirements. The reprogramming activity reduces cumulative appropriations for the DOD CN to \$2.86 billion. Of this amount, nearly \$2.75 billion had been transferred to the military services and defense agencies for DOD CN projects as of June 30, 2015.⁷⁷ 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.

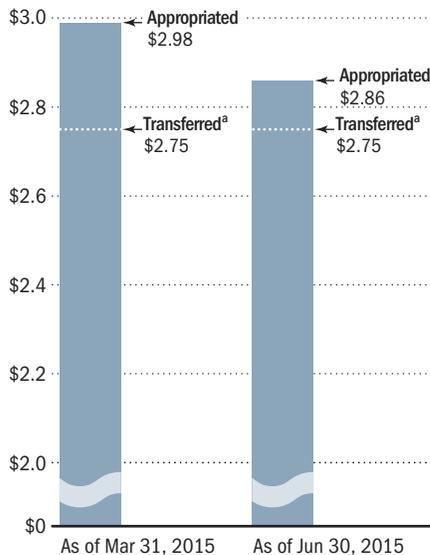
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

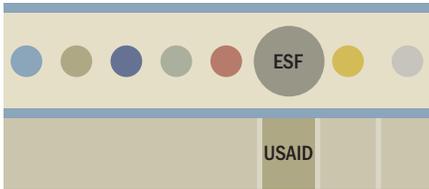


Note: Numbers have been rounded. Prior-year adjustments are done periodically to reflect deobligation and/or realignment of multi-year procurement funding. FY 2015 appropriated DOD CN funds for Overseas Contingency Operations are unable to be executed this fiscal year due to a significant reduction in operational requirements. The DOD Comptroller is in the process of requesting prior approval from the U.S. Congress to reprogram the funds to resource emergent DOD requirements.

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

Source: DOD, response to SIGAR data calls, 7/13/2015 and 4/10/2015.

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.⁷⁸

The ESF was appropriated \$900 million for FY 2015, bringing cumulative funding for the ESF to more than \$18.61 billion, including amounts transferred from the AIF to the ESF for USAID’s Northeast Power System transmission lines projects. Of this amount, more than \$16.12 billion had been obligated, of which nearly \$13.34 billion had been disbursed.⁷⁹ Figure 3.19 shows ESF appropriations by fiscal year. Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of June 30, 2015, decreased by more than \$184.62 million and cumulative disbursements increased by nearly \$253.15 million from the amounts reported last quarter.⁸⁰ 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)

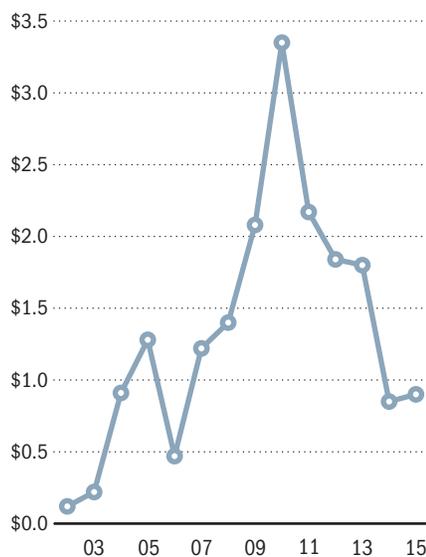
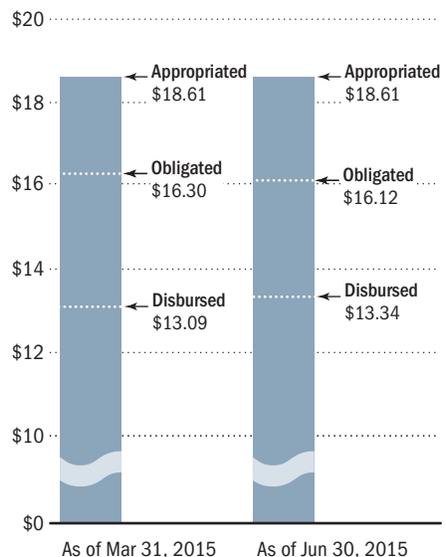


FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower obligated figure than reported last quarter. FY 2011 figure includes \$101 million that was transferred to the ESF from the AIF. FY 2013 figure includes \$179.5 million that was transferred to the ESF from the AIF. FY 2015 figure reflects draft allocation amount for Afghanistan and is subject to final Congressional approval.

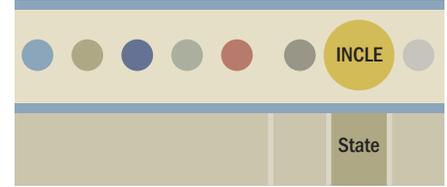
Source: USAID, response to SIGAR data calls, 7/16/2015 and 4/9/2015; State, response to SIGAR data calls, 4/15/2015 and 4/15/2014.

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.⁸¹

State reported that INCLE was appropriated \$250 million for FY 2015, bringing cumulative funding for INCLE to more than \$4.69 billion. Of this amount, more than \$4.12 billion had been obligated, of which, more than \$3.45 billion had been disbursed.⁸² Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of June 30, 2015, decreased by nearly \$41.65 million compared to cumulative obligations as of March 31, 2015. Cumulative disbursements as of June 30, 2015, increased by nearly \$113.37 million over cumulative disbursements as of March 31, 2015.⁸³ 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.

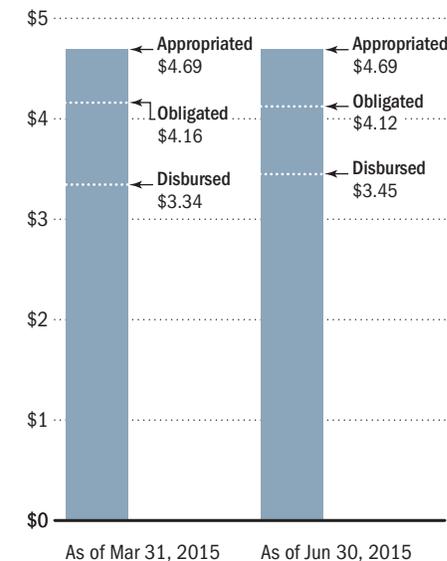
FIGURE 3.21

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include interagency transfers. Updated data resulted in a lower obligated figure than reported last quarter. FY 2015 figure reflects draft allocation amount for Afghanistan and is subject to final Congressional approval. Source: State, response to SIGAR data calls, 7/14/2015 and 4/15/2015.

STATUS OF FUNDS

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

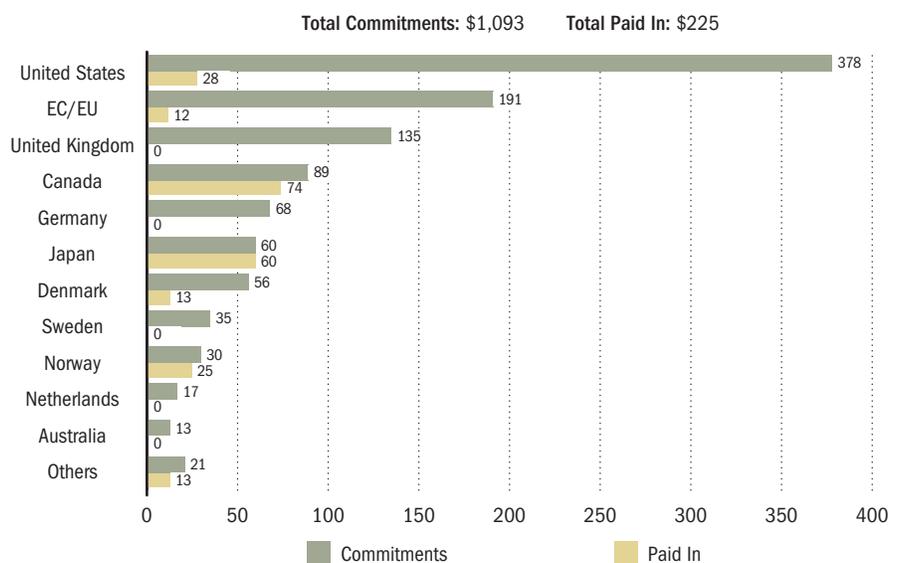
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust 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).⁸⁴

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, 2015, the World Bank reported that 34 donors had pledged nearly \$9.03 billion, of which nearly \$8.16 billion had been paid in.⁸⁵ According to the World Bank, donors had pledged more than \$1.09 billion to the ARTF for Afghan fiscal year 1394, which runs from December 22, 2014 to December 21, 2015.⁸⁶ Figure 3.23 shows the 11 largest donors to the ARTF for FY 1394.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1394 BY DONOR, AS OF JUNE 21, 2015 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1394 = 12/22/2014–12/21/2015.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of June 21, 2015 (end of 6th month of FY1394)," p. 1.

STATUS OF FUNDS

As of June 21, 2015, the United States had pledged more than \$2.78 billion and paid in more than \$2.43 billion since 2002.⁸⁷ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 47% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁸⁸ As of June 21, 2015, according to the World Bank, more than \$3.48 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.⁸⁹ 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.⁹⁰

The Investment Window supports the costs of development programs. As of June 21, 2015, according to the World Bank, nearly \$3.89 billion had been committed for projects funded through the Investment Window, of which more than \$3.00 billion had been disbursed. The World Bank reported 20 active projects with a combined commitment value of more than \$2.56 billion, of which nearly \$1.68 billion had been disbursed.⁹¹

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.⁹² Since 2002, donors have pledged more than \$3.86 billion to the LOTFA, of which over \$3.79 billion had been paid in, as of December 31, 2014—the most recent LOTFA data available.⁹³ The United States had committed more than \$1.52 billion since the fund’s inception and had paid in all but \$3.89 million of the commitment.⁹⁴ Figure 3.25 shows the four largest donors to the LOTFA since 2002.

The LOTFA’s seventh support phase began on January 1, 2015, and ended on June 30, 2015. The phase had a total estimated budget of \$293.07 million. As of April 30, 2015—the most recent bi-monthly progress report available—more than \$149.87 million had been expended to cover ANP and Central Prisons Directorate staff remunerations. Aside from payroll and related expenses, \$1.29 million had been expended on various capacity building initiatives, and \$847,590 went toward the UNDP’s Programme Management Unit.⁹⁵

The LOTFA’s eighth phase began on July 1, 2015. The phase has an initial estimated budget of \$883.56 million and is planned to run through December 31, 2016.⁹⁶

FIGURE 3.24

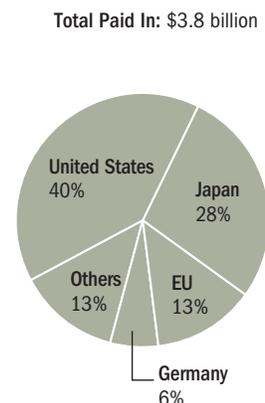
ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–JUNE 21, 2015



Note: Numbers have been rounded. “Others” includes 28 donors.
Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of June 21, 2015 (end of 6th month of FY1394),” p. 5.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF DECEMBER 31, 2014



Note: Numbers have been rounded. EU = European Union. “Others” includes 18 donors.
Source: UNDP, “Law and Order Trust Fund for Afghanistan (LOTFA) Annual Project Progress Report 2014,” 4/1/2015, pp. 65–66; SIGAR, analysis of UNDP’s quarterly and annual LOTFA reports, 7/19/2015.

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SECURITY

As of June 30, 2015, the U.S. Congress had appropriated more than \$65 billion to support the **Afghan National Defense and Security Forces (ANDSF)**. Congress established the Afghanistan Security Forces Fund (ASFF) to build, equip, train, and sustain the ANDSF, which comprises all security forces under the Ministry of Defense (MOD) and the Ministry of Interior (MOI).

Most U.S.-provided funds were channeled through the ASFF and obligated by either the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. Of the \$60.7 billion appropriated for the ASFF, approximately \$55.2 billion had been obligated and \$53.5 billion disbursed as of June 30, 2015.⁹⁷

This section discusses assessments of the Afghan National Army (ANA) and Afghan National Police (ANP) and the MOD and MOI; gives an overview of how U.S. funds are used to build, equip, train, and sustain the Afghan security forces; and provides an update on efforts to combat the cultivation of and commerce in illicit narcotics in Afghanistan.

KEY ISSUES AND EVENTS

UN Reports Record-High Levels of Civilian Casualties as Security Incidents Increase

Conflict-related violence increased in Afghanistan as the ANDSF sought to contain insurgent activity whose intensification resulted in record-high levels of civilian casualties, according to the United Nations Assistance Mission in Afghanistan (UNAMA).⁹⁸ For example, the UN reported a 45% increase in armed clashes the week after the start of the Taliban spring offensive on April 24, 2015, and a 23% increase in civilian casualties over the same period in 2014.⁹⁹ According to the UN, more than 10,000 civilians were killed or injured during 2014, as compared to 8,615 in 2013, and a UNAMA representative predicted an increase in civilian casualties this year in Afghanistan.¹⁰⁰

Insurgents continued to demonstrate their willingness to target civilians even during the holy month of Ramadan. On July 12, 2015, a vehicle-borne

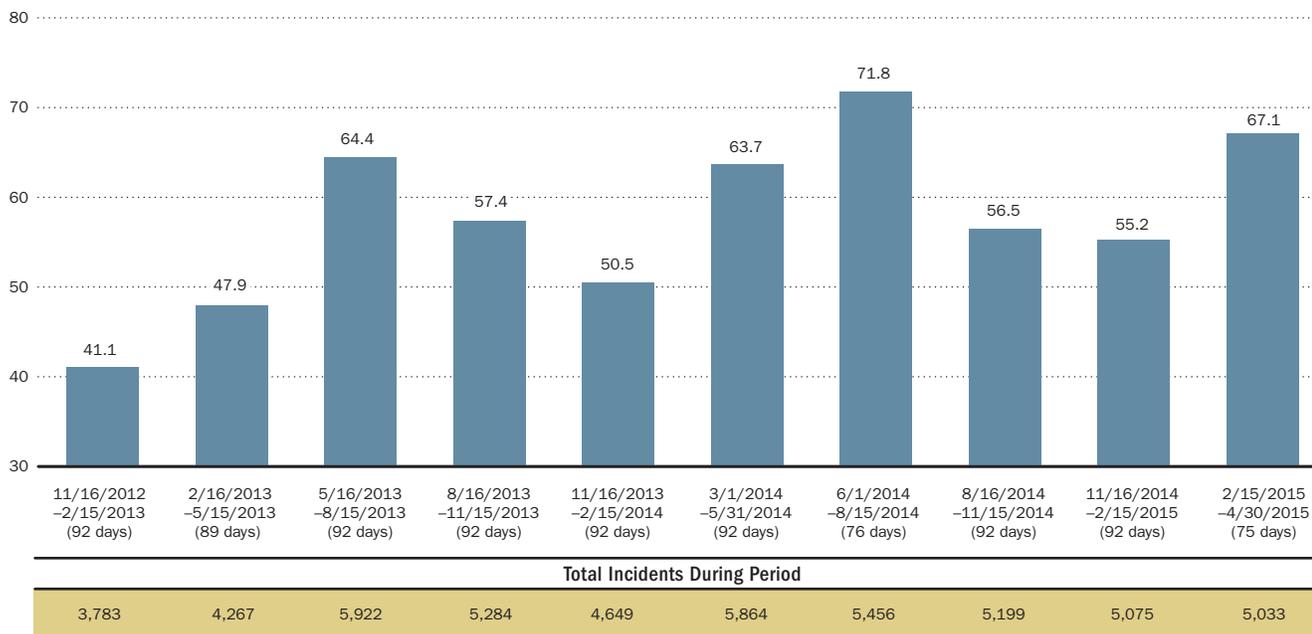
Afghan National Defense and Security Forces (ANDSF): the security forces of the MOD and MOI. MOD forces comprise the Afghan National Army (ANA)—including the Afghan Air Force (AAF), ANA Special Operations Command (ANASOC), and the Special Mission Wing (SMW)—and the new Facilities Protection Force (FPF). MOI forces comprise the Afghan National Police (ANP)—including the Afghan Uniformed Police (AUP), Afghan Border Police (ABP), Afghan National Civil Order Police (ANCOP), the Counternarcotics Police of Afghanistan (CNPA), and the General Command of Police Special Units (GCPSU)—the Afghan Local Police (ALP), and the Afghan Public Protection Force (APPF). Personnel in the FPF, ALP, CNPA, and the APPF are not counted toward the ANDSF's authorized force strength of 352,000.

Source: OSD-P, email correspondence with SIGAR, 4/13/2015.

SECURITY

FIGURE 3.26

AVERAGE NUMBER OF REPORTED SECURITY INCIDENTS PER DAY



Note: Not all reported incidents are verified.

Source: UN, report of the Secretary-General, *The situation in Afghanistan and its implications for international peace and security*, 6/10/2015, p. 4; 2/27/2015, p. 4; 12/9/2014, p. 5; 9/9/2014, p. 6; 6/18/2014, p. 5; 3/7/2014, p. 5; 12/6/2013, p. 6; 9/6/2013, p. 6; 6/13/2013, p. 5; and 3/5/2013, p. 5.

explosive device detonated at an Afghan security forces checkpoint near a village bazaar in Khowst killed 27 civilians and wounded at least 10.¹⁰¹ On July 13, 2015, explosives set off at a mosque in Baghlan wounded more than 40 civilians gathered for dinner and for government-sponsored distribution of oil and rice.¹⁰² The UN representative in Afghanistan called for an immediate halt to attacks targeting civilians, and said “The perpetrators of this war crime must be held accountable.”¹⁰³

While fewer **security incidents** were reported than last quarter, as reflected in Figure 3.26, there were fewer days in the latest reporting period, so the incidents-per-day average was higher this period than in the same periods in 2014 or 2013.¹⁰⁴ The UN reported the southern, southeastern, and eastern regions continued to endure most of the security incidents. But even the relatively safe northern and northeastern regions saw security incidents increase by 12% compared with the same period in 2014.¹⁰⁵ A UNAMA representative reported that Kunduz Province experienced 250 civilian casualties, the highest of the northeast-region provinces.¹⁰⁶

Security Incidents: reported incidents that include armed clashes, improvised explosive devices, targeted killings, abductions, suicide attacks, criminal acts, and intimidation. Reported incidents are not necessarily actual incidents.

Source: SIGAR, analysis of the United Nations report, 12/9/2014.

The UN recorded 5,033 security incidents from February 15, 2015, through April 30, 2015. The count included 160 assassinations and 40 attempted assassinations, and an increase of 21.3% in abductions over the same period in 2014. Armed clashes (54%) and IED events (28%) accounted for 82% of all security incidents.¹⁰⁷ Although the Taliban announced their main targets would be “foreign occupiers” as well as government offices and Afghan security forces, the UN reported that less than 1% of the incidents were directed against Coalition bases. During one incident, a June 9, 2015, rocket attack on Bagram Airfield, however, a Department of Defense (DOD) civilian was killed.¹⁰⁸ The majority of the Taliban offenses were directed against the ANDSF and Afghan government officials and facilities.¹⁰⁹

A spokesman for an Afghan advocacy group for NGOs reported 26 humanitarian aid workers had been killed this year, and an additional 17 wounded and 40 abducted.¹¹⁰ One attack targeted a Czech aid group in Balkh, killing nine workers.¹¹¹

NATO Defense Ministers Meet

NATO defense ministers met in closed session in Brussels in late June to address the progress of the Resolute Support (RS) mission and determine how to best support the ANDSF through capacity building and institutional development.¹¹² Attendees included Secretary of Defense Ashton Carter, RS commander General John Campbell, and acting Afghan Minister of Defense Mohammed Masoom Stanekzai.¹¹³ NATO Secretary-General Jens Stoltenberg said the ministers reaffirmed NATO’s commitment to Afghanistan.¹¹⁴



The NATO Defense Ministers conference with acting Afghan Defense Minister Mohammed Masoom Stanekzai meeting with NATO Secretary-General Jens Stoltenberg and RS commander General John Campbell, June 25, 2015. (NATO photo)

“At this period of increased need, it is particularly disturbing to note that humanitarian aid workers are increasingly becoming targets themselves.”

—Mark Bowden, *UN Secretary-General’s Deputy Special Representative for Afghanistan*

Source: UNAMA, “Press Release: Afghan conflict resulting in thousands of casualties, says UN official,” 6/7/2015.

The Taliban's Spring Offensive

On April 24, the Taliban launched its first spring offensive since the NATO combat mission ended in December 2014.¹¹⁵ Afghan security forces are being spread increasingly thin as they respond to security threats throughout the country.¹¹⁶ The ANDSF has experienced higher casualty rates since the Taliban's spring offensive began; May 2015 casualties were 33% higher than in the previous month.¹¹⁷

The MOD reported in June that 40 to 50 districts throughout Afghanistan are facing security threats, noting that most insurgents are based in areas with a limited ANDSF presence. The MOD added that they had ongoing counterinsurgency operations in 14 of 34 provinces.¹¹⁸ Local media reported that in the first six months of 2015, insurgents carried out attacks in larger groups of fighters, resulting in the capture of several districts.¹¹⁹ In its spring offensive, the Taliban has been attacking Afghan police and soldiers at security posts in provinces including Paktiya, Badakhshan, Kandahar, and Helmand.¹²⁰

Insurgents demonstrated the continued ability to launch high-profile attacks in Kabul, but the ANDSF was able to respond to these incidents. On June 22, the Taliban attacked the Afghan parliament on the day members were to vote on the minister of defense nominee.¹²¹ Seven gunmen attempted to enter the parliament building following a vehicle-borne suicide attack against the entrance. Afghan security forces repelled and eventually killed the attackers.¹²² No parliamentarians were hurt, but the attackers killed a woman and a 10-year-old child and injured 31 other civilians.¹²³ In May, the Taliban detonated a car bomb in the parking lot outside Afghanistan's Ministry of Justice as civil servants were leaving to go home.¹²⁴ The attack killed five people and injured at least 42.¹²⁵

The Islamic State in Iraq and the Levant in Afghanistan

This quarter, DOD and RS officials acknowledged that the Islamic State in Iraq and the Levant (ISIL) had spread into Afghanistan, although they added that the group was "nascent and relatively small."¹²⁶ The acknowledgement came after a NATO drone strike in Helmand killed a former Taliban member and released Guantanamo Bay detainee, Abdul Rauf, who had become an ISIL leader and recruiter in Afghanistan.¹²⁷ The Afghan National Directorate of Security (NDS) also announced the drone-strike killing of Mawlawi Shahidullah Shahid, an ISIL commander, on July 7, 2015, along with two of his deputies and five others. Shahid, a former Pakistani Taliban spokesman who was sacked after claiming allegiance to ISIL, was the second most senior ISIL commander in Afghanistan killed in a week and the third over the past few months.¹²⁸ Four days later, the NDS announced the drone-strike killing of Hafez Saeed, who they described as the leader of ISIL in Afghanistan and Pakistan.¹²⁹ Saeed, also a former Pakistani Taliban who had switched allegiance to ISIL, was killed in Nangarhar.¹³⁰

In a March 2015 briefing, UNAMA officials were concerned over reports that ISIL had established a foothold in Afghanistan, because of its “potential to offer an alternative flagpole to which otherwise isolated insurgent splinter groups can rally.”¹³¹

The Taliban addressed ISIL’s growing prominence in Afghanistan at the May 2015 Pugwash Conference in Qatar, an informal meeting designed to facilitate peace talks between the Taliban and Afghan government officials. Taliban officials called ISIL “alien to the tradition and the desires of the Afghan people.”¹³² Additionally, in June, the Taliban issued an open letter to ISIL leader, Abu Bakr Al-Baghdadi, warning that ISIL interference would create undesired divisions within Afghanistan.¹³³

DOD officials characterize ISIL’s presence in Afghanistan primarily as disgruntled Taliban members rebranding themselves.¹³⁴ This is emblematic of a larger problem in Afghanistan of fractured insurgencies and an influx of foreign fighters with disparate goals.¹³⁵ These numerous groups and fighters not only affect stability and security, but may also strain any future peace processes with the Taliban, as there is increasingly no single entity with which to negotiate.¹³⁶

The UN reported that despite the initial attribution of several attacks to ISIL, including an April 18 suicide bombing in Jalalabad, “there remained a lack of clarity on any operational presence by ISIL.”¹³⁷

MOD Remains Without a Minister

At the end of the quarter, MOD remained without a confirmed minister. On July 4, 2015, the Afghan parliament rejected President Ghani’s third nominee for minister of defense, Masoom Stanekzai, who had been serving in an acting capacity since May.¹³⁸ The second nominee for minister of defense withdrew his nomination on April 8, 2015, before the parliament scheduled the vote. Ghani had nominated General Mohammad Afzal Ludin, a military advisor in the National Security Council, on April 6.¹³⁹ However, General Ludin said he did not wish his nomination to prove divisive for the country.¹⁴⁰ Earlier, Afghan parliamentarians rejected Ghani’s nomination of then-acting Defense Minister General Sher Mohammad Karimi to lead the country’s military forces in January. The MOD has been without a confirmed minister since September 29, 2014, when Ghani was sworn in as president.¹⁴¹

U.S. FORCES IN AFGHANISTAN

According to U.S. Forces-Afghanistan (USFOR-A), some 9,000 U.S. forces were serving in Afghanistan as of May 31, 2015, a count holding steady since February 28, 2015. Another 7,000 personnel from other Coalition nations were also serving.¹⁴² Approximately 67% of the U.S. service members are from the Army, 28% from the Air Force, 3% from the Navy, and 1% from the

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Marine Corps.¹⁴³ Of the U.S. forces serving in Afghanistan, approximately 4.5% are assigned to the Essential Function directorates that assist Afghan forces in functions such as intelligence and communications.¹⁴⁴

Since military operations began in 2001, a total of 2,217 U.S. military personnel have died in Afghanistan—82.7% of whom were killed in action—and 20,055 were wounded as of July 7, 2015.¹⁴⁵ Since the RS mission began, two U.S. military personnel and one DOD civilian have been killed in service and 25 wounded.¹⁴⁶ This reporting does not include the casualty rates for U.S. contractors or other citizens.

Seven insider attacks against U.S. forces during 2014 resulted in four deaths and 15 personnel wounded.¹⁴⁷ Three insider attacks against U.S. forces have occurred in 2015, killing one soldier and wounding 11 others. Additionally during 2015 three U.S. civilian contractors were killed and one was wounded as a result of an insider attack.¹⁴⁸

ANDSF STRENGTH CONTINUES TO GROW THIS YEAR

This quarter, ANDSF's assigned force strength was 331,944 (including civilians), according to USFOR-A. As reflected in Table 3.6, this is 92.2% of the ANDSF target force strength of 360,004, counting civilian employees. (The commonly cited end-strength goal of 352,000 does not count civilians). The new assigned-strength number reflects an increase of 3,139 since February 2015 and 6,302 since November 2014.¹⁴⁹ This quarter the ANA increased by 2,642, while the ANP increased by 497, as shown in Table 3.7.¹⁵⁰ Last quarter, SIGAR took an in-depth look at why having accurate, reliable force strength numbers for the ANDSF matters. To read this analysis, see Section 1 of SIGAR's April 2015 *Quarterly Report to the United States Congress*, page 3.

This quarter, details of ANDSF force strength at corps level and below remained classified. SIGAR will therefore report on them in a classified annex to this report.

TABLE 3.6

ANDSF ASSIGNED FORCE STRENGTH, MAY 2015						
ANDSF Component	Approved End-Strength Goal	Target Date	Current Assigned as of May 2015	% of Target Authorization	Difference Between Current Assigned and Approved End-Strength Goals	Difference (%)
ANA including AAF	195,000	December 2014	169,726	87.0%	(25,274)	(13.0%)
ANA and AAF Civilians	8,004	-	7,036	87.9%	(968)	(12.1%)
ANA + AAF Total	203,004		176,762	87.1%	(26,242)	(12.9%)
Afghan National Police	157,000	February 2013	155,182	98.8%	(1,818)	(1.2%)
ANDSF Total with Civilians	360,004		331,944	92.2%	(28,060)	(7.8%)

Note: AAF = Afghan Air Force.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; USFOR-A, response to SIGAR data call, 6/29/2015; USFOR-A, response to SIGAR vetting, 7/12/2015.

TABLE 3.7

ANDSF ASSIGNED FORCE STRENGTH, FEB 2014–MAY 2015						
	2/2014	5/2014	8/2014	11/2014	2/2015	5/2015
ANA including AAF	184,839	177,489	171,601	169,203	174,120	176,762
ANP	153,269	152,123	153,317	156,439*	154,685	155,182
Total ANDSF	338,108	329,612	324,918	325,642	328,805	331,944

Note: ANA = Afghan National Army; AAF = Afghan Air Force; ANP = Afghan National Police; ANDSF = Afghan National Defense and Security Forces. Afghan Army and Air Force numbers include civilians; available data for ANP do not indicate whether civilians are included.

* Reported November 2014 ANP number appears to double-count some Afghan Uniformed Police; actual number may be 151,272.

Source: CSTC-A response to SIGAR data calls, 3/31/2014, 7/1/2014, and 10/6/2014; RSM, response to SIGAR request for clarification, 3/14/2015; USFOR-A, response to SIGAR vetting, 4/10/2015 and 7/12/2015; USFOR-A, response to SIGAR data calls, 12/28/2014, 3/24/2015, and 6/29/2015.

ANDSF Attrition Declines

ANDSF attrition rates are declining, according to reporting provided to RS by the MOD and MOI, although neither the ANA nor the ANP has attained the ANDSF-established goal of a 1.4% average monthly attrition. The ANA had a monthly average attrition rate of 2.3% in May 2015, down from 2.55% in January.¹⁵¹ This was a more than one percentage-point decline from the average monthly attrition rates the ANA endured in 2013 of 3.52% and 2014 of 3.62%.¹⁵² The ANP's monthly average attrition rate declined slightly to 1.56% in May, compared to 1.64% in January.¹⁵³

To assist the MOD and MOI in mitigating attrition, RS identified five areas for the Afghans to evaluate.¹⁵⁴ These focused on fairly assigning, promoting, and paying soldiers and patrolmen; providing improved quality of life conditions, such as leave and casualty care; and holding leaders accountable.¹⁵⁵

ANDSF Assessed as Less Capable in April

This quarter the ANDSF was assessed as less capable than last quarter under the new Monthly ANDSF Assessment Report (MAAR). The first MAAR, conducted in January 2015, assessed 21 ANDSF components from the ANA, Afghan Uniformed Police (AUP), and Afghan Border Police (ABP) in six functional categories and seven **Operations Coordination Centers—Regional (OCC-Rs)** in seven functional categories for a total of 175 component category ratings. SIGAR analysis of the January MAAR determined that 93% of those component categories were rated “capable,” “fully capable,” or “sustaining”—the highest three of five rating levels, in ascending order.¹⁵⁶ However, the breakdown by rating level showed that only a handful had achieved the highest rating. Of the 175 component categories assessed:

- 7 were “sustaining” (4%)
- 50 were “fully capable” (29%)
- 106 were “capable” (61%)
- 11 were “partially capable” (6%)

Operations Coordination Centers

(OCCs): regional and provincial OCCs are responsible for the coordination of both security operations and civil response to developing situations in their respective areas of responsibility. The focus of OCC activities will be coordination of security operations.

Source: ISAF/SFA, RS Security Force Assistance Guide 3.1, p. G-6, 7/1/2014.

- 0 were “in development” (0%)
- 1 was not assessed (less than 0.6%)

This quarter, USFOR-A reported the April 2015 MAAR was expanded to include the Afghan Air Force (AAF), which increased the total number of component categories to 181 (22 ANDSF components from the ANA, AUP, and ABP in six functional categories and seven OCC-Rs in seven functional categories). This quarter, SIGAR analysis of the April 2015 MAAR determined that 83% component categories were rated as “capable,” “fully capable,” or “sustaining.”¹⁵⁷ Fewer component categories assessed in the April 2015 MAAR had achieved the highest rating levels than in the January 2015 MAAR, although more component categories were not rated in the April 2015 MAAR, which could partly account for the decrease.

USFOR-A reports the decrease in capability ratings are largely attributable to the stresses imposed on ANDSF units at the beginning of the 2015 fighting season, in particular with command and control and the coordination of joint-force operations.¹⁵⁸ DOD also cited fighting-season stresses, noted that Afghans now have the lead in combat operations, and questioned whether, given the recent addition of the AAF to the MAAR, an overall capability decrease had actually occurred.¹⁵⁹ However, Afghan forces are not new to leading security operations. According to an April 2013 DOD response to SIGAR, Afghan security forces began the process of assuming the lead in security operations in July 2011. DOD noted that, as of February 2013, “87% of the Afghan population now lives in areas under transition, where the Afghan National Security Forces (ANSF) have the security lead.”¹⁶⁰ (For more information, see SIGAR’s April 2013 *Quarterly Report to the United States Congress*, pages 86–87.)

Of the 181 component categories assessed in the April 2015 MAAR:¹⁶¹

- 2 were “sustaining” (1%)
- 35 were “fully capable” (19%)
- 114 were “capable” (63%)
- 14 were “partially capable” (8%)
- 2 were “in development” (1%)
- 14 were not assessed (8%)

NATO changed the method of assessing the ANDSF to align with the RS train, advise, and assist mission on January 1, 2015. The MAAR superseded the Regional ANSF Status Report (RASR) that was used since August 2013.¹⁶² The MAAR assesses aggregate ANDSF capability and effectiveness for eight essential functions related to the unit’s capacity to perform such functions as force generation, resource management, sustainment, intelligence, and strategic communications. The MAAR evaluates the capabilities of the corps and provincial headquarters and assesses how well they support their forces in defeating the insurgency and securing Afghanistan.¹⁶³

TABLE 3.8

MONTHLY ANDSF ASSESSMENT RATINGS, JANUARY AND APRIL 2015								
Six ANA Corps, the 111th Capital Division, and AAF (specific ratings classified)								
Command Assessment	January	●	●	●	●	●	●	N/A
	April	●	●	●	●	●	●	●
Leadership	January	●	●	●	●	●	●	N/A
	April	●	●	●	●	●	●	●
Combined Arms	January	●	●	●	●	●	●	N/A
	April	●	●	●	●	●	●	●
Command & Control	January	●	●	●	●	●	●	N/A
	April	●	●	●	●	●	●	●
Personnel & Training	January	●	●	●	●	●	●	N/A
	April	●	●	●	●	●	●	●
Sustainment	January	●	●	●	●	●	●	N/A
	April	●	●	●	●	●	●	●
ANP Regions (specific ratings classified)								
AUP Command Assessment	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
AUP Leadership	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
AUP Integration	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
AUP Command & Control	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
AUP Personnel & Training	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
AUP Sustainment	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
ABP Command Assessment	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
ABP Leadership	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
ABP Integration	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
ABP Command & Control	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
ABP Personnel & Training	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
ABP Sustainment	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
OCC-Rs (specific ratings classified)								
Command Assessment	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
Leadership	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
Intra-ANDSF Command & Control	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
Enabler Coordination	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
Intel Sharing	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
Logistics Coordination	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
ICT	January	●	●	●	●	●	●	●
	April	●	●	●	●	●	●	●
Color Key								
● Sustaining ● Fully Capable ● Capable ● Partially Capable ● Developing ● Not Assessed								

Note: Each dot is a rating of one unit or region. Specific units and regions not identified due to classification. AAF = Afghan Air Force; AUP = Afghan Uniformed Police; ABP = Afghan Border Police; OCC-R = Operations Coordination Centers-Regional; ICT = Information, Communications, and Technology. N/A = Not applicable: unit not included in January MAAR.

Source: USFOR-A, response to SIGAR data call, 6/6/2015.

There are essentially four separate MAARs that assess ANA, AUP, ABP, and OCC-Rs capabilities, as shown in Table 3.8 on the previous page.¹⁶⁴ One MAAR combines all six ANA corps, the 111th Capital Division, and the AAF into a single assessment. Another MAAR combines all seven OCC-Rs into a single assessment. The last two MAARs assess two ANP components: one combines the seven AUP zones and another combines the seven ABP zones. The assessment of the ANP's elite Afghan National Civil Order Police (ANCOP), headquartered in Kabul, is discussed in the classified annex to this report.

There are six assessment categories for the ANA and ANP and seven categories for the OCC-Rs to address operational and sustainment effectiveness. Every ANDSF component is assessed on command and leadership; the ANA, AUP, and ABP are also assessed on command and control, personnel and training, and sustainment. The ANA corps/division and the AAF are further assessed on combined arms, while the AUP and ABP are assessed on integration with other ANDSF units. The remaining five categories for the OCC-Rs are intra-ANDSF command and control, enabler coordination, intelligence sharing, logistics coordination, and information, communications, and technology.¹⁶⁵

The assessment ratings are similar to the previous assessment process, the RASR process ratings: sustaining, fully capable/effective, capable/effective, partially capable/effective, in development, or not rated.¹⁶⁶

SIGAR analysis of the April ANA assessment, which now includes the AAF, determined the percentage of the units as either capable or fully capable in 83.3% of the categories, down from 97.6% in January. No unit obtained the highest rating of sustaining in any category in either the April or January 2015 MAAR.¹⁶⁷ This quarter, the ANA was assessed as less capable in every category except for executing combined arms, in which they held steady.¹⁶⁸

SIGAR analysis of the ANP MAAR, which includes only the AUP and the ABP, determined the percentage of the categories in which the units were assessed as capable, fully capable, or sustaining as 86.9%, down from 91.7% in January. No capability assessment was reported for eight of the 84 ANP categories which could, in part, account for the decrease.¹⁶⁹

SIGAR analysis determined the percentage of the categories in which the OCC-R units were assessed as sustaining, fully capable, or capable decreased from 91.8% to 77.6%. However, no capability assessment was reported for six of the 49 OCC-R categories which could, in part, account for the decrease.¹⁷⁰ The OCC-Rs serve as a coordinating authority between the ANDSF, provincial government officials, and other government officials.¹⁷¹ The OCC-Rs coordinate intelligence gathering, joint operations planning, disaster relief, and incident response at the ANA corps level with the provincial chief of police and provincial governor.¹⁷² ANDSF units use OCC-Rs for communication sharing between units as well as between regional and

provincial OCCs. The Afghan National Security Council is developing a proposal for President Ghani to reform the OCC that will include:¹⁷³

- creating a clear chain of command
- installing a merit-based senior leadership selection process
- updating the OCC standard operating procedure to update roles, functions, authorities, manning, and training

According to a statement released by Chief Executive Officer Abdullah Abdullah's office, USFOR-A commander General John F. Campbell said Afghan security forces had developed better coordination to thwart attacks, but require strong leadership and effective command and control to spearhead their operations.¹⁷⁴

Major General Todd Semonite told SIGAR one area the Afghans need to improve is learning how to cross-level resources and equipment between the ANDSF components. Cross-leveling, or transferring excess resources or equipment from one component to another, allows the force to avoid the need for additional funding to purchase those items for particular units when the overall level of supply is adequate.

Source: SIGAR, Interview with CSTC-A commander Major General Todd Semonite, 7/1/2015.

RS LOWERS EXPECTATIONS FOR MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR

This quarter, the second in which RS used the new ministry-assessment process, RS revised its forecasts by lowering the expected capacity levels ministerial offices will achieve by the end 2016.¹⁷⁵

RS now forecasts that by the end of its mission in 2016, only 74% of MOD functions are expected to be sustaining or fully capable (the highest and second-highest ratings), a drop from the 90% forecast last quarter. Similarly lowered expectations were forecast for the MOI, where 68% of functions are predicted to be sustaining or fully capable, down from last quarter's forecast of 86%.¹⁷⁶ The medical corps is one function not expected to achieve sustaining capability for many years due to Afghanistan's lack of fully trained medical professionals.¹⁷⁷ RS attributes the reduction of expectations in their forecasts to two primary reasons:

- lack of leadership during the time without a confirmed minister
- RS's better understanding of the operational environment¹⁷⁸

The five ratings reflect the degree to which Afghan systems are in place, functioning, and being used effectively. The highest rating, "sustaining capability," indicates an Afghan ministry can perform a specific function without Coalition advice or involvement.¹⁷⁹ As of this quarter, no essential function of either the MOD or MOI had achieved a rating of "sustaining capability" and only one has achieved a rating of "fully capable," as shown in Table 3.9 on the following page.¹⁸⁰

According to the current RS assessment, 18 of the 84 milestones (21%) have not reached the "initiated" stage, including all gender-advisor milestones.¹⁸¹ Despite fewer milestones being assessed, the MOD has increased the percentage of its "partially capable" development milestones from 28.6% last quarter to 37%. The MOI also increased its ratings, with 36.8% of its

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TABLE 3.9

MINISTRY MILESTONES ASSESSMENT USING NATO SYSTEM, AS OF JUNE 1, 2015																																							
RATING MEANING	EF1			EF2			EF3			EF4			EF5			EF6			EF7			EF8			Gender ^a			Total											
	Q1	Q2	+/-	Q1	Q2	+/-	Q1	Q2	+/-	Q1	Q2	+/-	Q1	Q2	+/-	Q1	Q2	+/-	Q1	Q2	+/-																		
Ministry of Defense Milestones Assessment																																							
Rating 5 Sustaining Capability	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=			
Rating 4 Fully Capable/Effective	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=
Rating 3 Partially Capable/Effective	1	1	=	0	0	=	2	3	+	0	2	+	6	8	+	2	1	-	0	2	+	3	0	-				0			14	17	+						
Rating 2 Initiated (In Development)	3	3	=	2	3	+	1	1	=	5	4	-	7	4	-	2	2	=	5	1	-	3	0	-				0			28	18	-						
Rating 1 Scoped/Agreed	2	2	=	3	2	-	1	0	-	1	0	-	0	0	=	0	0	=	0	0	=	0	3	+				1			7	8	+						
Rating 0 Not Scoped/Agreed	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	1	+	0	0	=				2			0	3	+						
EF Total	6	6	=	5	5	=	4	4	=	6	6	=	13	12	-	4	3	-	5	4	-	6	3	-	0	3	=	49	46	-									
Ministry of Interior Milestones Assessment																																							
Rating 5 Sustaining Capability	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=			
Rating 4 Fully Capable/Effective	0	0	=	0	0	=	0	0	=	0	1	+	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	1	+	0	1	+			
Rating 3 Partially Capable/Effective	1	1	=	0	0	=	0	0	=	1	2	+	6	8	+	4	2	-	0	0	=	0	0	=	0	0	=	0	0	=	12	13	+						
Rating 2 Initiated (In Development)	3	4	+	0	1	+	2	4	+	3	1	-	7	4	-	0	0	=	4	3	-	0	0	=	0	0	=	0	0	=	19	17	-						
Rating 1 Scoped/Agreed	2	1	-	4	3	-	2	0	-	1	0	-	0	0	=	0	0	=	0	0	=	3	0	-				2			12	6	-						
Rating 0 Not Scoped/Agreed	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	1	0	-	0	1	+	0	1	+			
EF Total	6	6	=	4	4	=	4	4	=	5	4	-	13	12	-	4	2	-	4	3	-	3	0	-	0	3	=	43	38	-									

Note: EF = Essential Function; ASI = Afghan Security Institutions; EF1 = Multi-Year Budgeting and Execution; EF2 = Transparency, Accountability, and Oversight; EF3 = Civilian Governance of the ASI; EF4 = Force Generation; EF5 = Sustainment; EF6 = Strategy and Policy, Planning, Resourcing, and Execution; EF7 = Intelligence; EF8 = Strategic Communications. Q1 = February/March 2015; Q2 = June 2015; Q1 - EF1 & EF7 assessments as of 3/1/2015; EF2 & EF5 - as of 2/26/2015; EF3 & EF6 - as of 2/12/2015; EF4 - as of 2/17/2015; EF8 - as of 2/20/2015.

^a Gender Advisor milestones and tasks were not assessed in Q1.

Source: USFOR-A, response to SIGAR data calls, 3/11/2015 and 6/6/2015.

development milestones at “fully capable” or “partially capable” compared to 27.9% last quarter.¹⁸²

RS also changed the milestones required to develop ministry capacity and core competencies under the assessment process. This quarter the ministry assessments were expanded to include three gender-affairs-related milestones being added to both the MOD and MOI assessments.¹⁸³ Additionally, six (MOD) and eight (MOI) unidentified milestones were eliminated, reducing the total number of assessment milestones from 49 to 46 for MOD, and from 43 to 38 for MOI.¹⁸⁴ Each RS essential-function

directorates and the Gender Affairs office use the Essential Function Plan of Action and Milestones (POAM) to assess the essential-function capabilities of the offices in each ministry.¹⁸⁵ The milestones are assessed based on the five-stage rating system displayed in Table 3.9.¹⁸⁶ Milestone assessments are then combined to determine the overall assessment of that department. All department assessments, in turn, are combined to determine the assessment of the ministry as a whole.¹⁸⁷

There are 311 U.S. personnel advising or mentoring the MOD and MOI, and an additional 111 Coalition advisors.¹⁸⁸ CSTC-A reports they will maintain three training-and-mentoring support contracts, totaling \$183.4 million in 2015, until a single omnibus contract is fielded in the first quarter of FY 2016.¹⁸⁹ The Coalition assesses that the ANDSF will require ministerial-development, logistics, professionalization, and acquisition-management support through 2017.¹⁹⁰

RS, building upon an existing program which used Afghan civilians to train police personnel, worked with the MOI to instead create civilian positions for functional areas, such as financial management, logistics, procurement, human resources, and information technology.¹⁹¹ Currently 138 civilians have been hired for the 363 positions the MOI has approved. These civilian positions are expected to provide continuity and the technical expertise to sustain the ministry into the future.¹⁹² CSTC-A is funding this subject-matter-expert program with on-budget funding provided to the MOI. To allow for tracking of the funds and to reduce corruption, a unique budget line was created in the Afghan Financial Management Information System and all the civilian employees are paid electronically.¹⁹³

MOD and MOI Continuing Literacy Training

This quarter, USFOR-A reported the MOD and MOI are continuing programs to train the trainers, whose graduates are the literacy-class instructors at all regional training areas.¹⁹⁴ The 2014 literacy rate for new recruits, before attending Afghan basic warrior training, was reported as 36%.¹⁹⁵

AFGHAN LOCAL POLICE

Afghan Local Police (ALP) members, known as “guardians,” are local citizens selected by village elders or local power brokers to protect their communities against insurgent attack, guard facilities, and conduct local counterinsurgency missions.¹⁹⁶ Effective June 15, 2015, the ALP transitioned to align under the command and control of the AUP. However, the ALP will not be absorbed into the AUP *tashkil* (organizational strength) and even though the AUP is one of the ANP components, the ALP *tashkil* will remain independent of the ANP’s total authorized strength.¹⁹⁷ As of May 24, 2015, however, the ALP has not reached its target of 30,000 guardians. According to the NATO Special Operations Component

Tashkil: the list of personnel and equipment requirements used by the MOD and MOI. The word means “organization” in Dari.

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

Command-Afghanistan (NSOCC-A), the ALP comprised 28,356 personnel, 25,179 of whom were fully trained.¹⁹⁸ This is a reduction of 20 since April 4, 2015, when the ALP comprised 28,376 personnel.¹⁹⁹ During the first quarter of 2015, the ALP saw a dramatic increase in the number of its members killed or wounded in action, with 2.63% of its members killed or wounded compared to 1.41% reported for the same time period in 2014.²⁰⁰ In one recent incident, Taliban insurgents attacked the ALP in the Jalrez District of Wardak Province, on July 2, 2015, capturing nine police posts.²⁰¹ The ALP and other reinforcements clashed with the insurgents until the security forces reclaimed all nine posts on July 4, 2015.²⁰² Local officials reported 24 ALP were killed—some of them beheaded—as well as 40 insurgents in the clashes, while two police officers and 18 insurgents were injured.²⁰³

NSOCC-A reduced the estimated cost to sustain the ALP target strength from \$121 million to \$117 million per year.²⁰⁴ The funding is authorized for items such as salary, food, maintenance, and training.²⁰⁵ The United States has obligated \$274.2 million of ASFF funds to support the ALP from 2012 through June 1, 2015, and had expended \$206.3 million of those funds by that date.²⁰⁶

According to NSOCC-A, 93% of ALP members renew their contracts. Despite challenges in verifying the attrition rate due to the drawdown in U.S. forces, NSOCC-A reported a low monthly attrition rate of 1–2%.²⁰⁷

According to an independent assessment conducted by NSOCC-A based on data provided by Eureka Research and Evaluation focus-group surveys in ALP districts, the majority of Afghans surveyed perceived the ALP as an effective security element and stabilizing force.²⁰⁸ NSOCC-A also found that the extent to which a community perceives itself to be secure relates to the extent to which community leaders were involved in selecting ALP members. In its update on the status of recommendations from the December 2014 report, NSOCC-A highlighted the significance of staff visits. These visits allow the ALP to interact with community leaders and also provide opportunities for oversight. The ALP Special Operations Advisory Group prepares those carrying out the visits by emphasizing the importance of community leaders in selecting ALP members.²⁰⁹

This quarter the Brussels-based International Crisis Group (ICG) released a report that found the ALP has a mixed record of contributing to security in some areas but has either not improved security or has exacerbated the conflict in a number of districts among ethnicities, tribes, and families.²¹⁰ Villagers' expectations often determine how locals perceive acceptable ALP behavior.²¹¹ While ICG assessed that only one-third of the ALP is functioning correctly, NSOCC-A claims that the statement cannot be substantiated and contradicts the Eureka survey.²¹²

The group claims the cost of an ALP member is about one-fourth that of an ANDSF soldier or policeman.²¹³ However, they contend while the ALP and pro-government militias cost less, they are dangerous and Kabul should

not expand such groups.²¹⁴ NSOCC-A argues, however, that the ALP should not be compared with pro-government militias.

The group made three recommendations, along with actions for the United Nations, the Afghan government, the United States government, and donor nations to:²¹⁵

- strengthen ALP oversight and identify units that worsen security
- integrate remaining ALP into the regular police forces
- disband abusive ALP along with the militias

The group also recommended foreign donors guarantee that the salaries of the ALP units not disbanded continue to be paid after 2018 through the same funding and accountability mechanisms that support the ANP.²¹⁶

Among the recommendations the International Crisis Group had for the United States:²¹⁷

- publish clear, measurable criteria so funding conditions are transparent, and restrict funding if criteria are not met
- generously fund demilitarization of abusive ALP units
- refrain from supporting new progovernment militias
- support professional civilian law enforcement

SIGAR AUDIT

In an ongoing audit, SIGAR is reviewing DOD's support to the ALP program, the extent to which the ALP is achieving its security goals, oversight and controls of ALP salary payments, and future planning for the ALP.

SECURITY PROTECTION FORCES

Afghan Public Protection Force Transition Awaits Presidential Action

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the MOI, was established to provide contract-based facility and convoy-security services. In 2013, it was ordered to be dissolved and its guard functions transitioned to the ANP.²¹⁸ However, USFOR-A reports the APPF is still operating and providing limited site and convoy-escort security. The APPF charter continues to await presidential signature before being presented to the Council of Ministers.²¹⁹

Facilities Protection Force

On September 13, 2014, ISAF commander General John F. Campbell and the Afghan National Security Advisor signed a memorandum of understanding (MOU) regarding the security of Afghan and U.S./NATO security facilities. According to the MOU, the MOD will field a Facilities Protection Force (FPF) of 5,030 personnel to provide security for select forward operating bases being turned over to the MOD.²²⁰ The FPF will be employed by the MOD, but will not be part of the regular ANA. The MOU calls for USFOR-A to fund FPF salaries the first year at \$13.7 million, with the option for the United States to fund the force for an additional year.²²¹ However, USFOR-A reports that no additional FPF funding is likely as the Afghan government

failed to complete an infrastructure transition and sustainment plan as required under the agreement.²²²

According to the MOU, the MOD will allow CSTC-A “to inspect and audit financial records” and ensure that “funds will be auditable by all U.S. Government agencies responsible for oversight of CSTC-A and U.S. Forces-Afghanistan.”²²³

The MOU also provides for Afghan force protection of the perimeter of U.S./NATO facilities and authorizes U.S./NATO forces “to utilize contracted armed security services inside NATO/U.S. agreed facilities.”²²⁴

AFGHAN NATIONAL ARMY

As of June 30, 2015, the United States had obligated \$36.8 billion and disbursed \$35.8 billion of ASFF funds to build, train, equip, and sustain the ANA.²²⁵

ANA Personnel Increases for the Second Quarter

As of May 20, 2015, the overall assigned end strength of the ANA, including the AAF and civilians, was 176,762 personnel, according to RS.²²⁶ This is an increase of 2,642 ANA personnel since last quarter, when the February 2015 assigned end strength was reported at 174,120. The period also marked a second quarter of increasing numbers, ending the 2014 trend of decreases.²²⁷ USFOR-A reports that MOD provides ANA personnel data.²²⁸ Until Afghanistan completes installation of its human-resource information systems and inputs the data, however, RS will not be able to validate MOD’s strength numbers.²²⁹ Even then, SIGAR believes it is unlikely RS will have the personnel and resources to validate ANA personnel numbers other than by analyzing reports based on Afghan inputs into the new system.

This quarter, some details of ANA troop strength at corps level remained classified. SIGAR will report on these in a classified annex to this report.

ANA Attrition

This quarter, details of ANA attrition at corps level and below remained classified. SIGAR will therefore report on them in a classified annex to this report.

ANA Sustainment

As of June 30, 2015, the United States had obligated \$14.7 billion and disbursed \$14.3 billion of ASFF funds for ANA sustainment.²³⁰ The most prominent use of ASFF sustainment funding is for salaries and incentive payments; other uses include items such as ammunition replenishment and fuel purchases. Funding for food ceased on December 21, 2013, after CSTC-A suspected widespread fraud by the MOD.²³¹

SIGAR AUDIT

An audit SIGAR released last quarter on the reliability and usefulness of the ANA personnel and payroll data found no assurance of that data being valid, that controls and oversight are weak, and that computer systems possess inherent weaknesses and are not fully integrated. For more information, see SIGAR’s April 2015 *Quarterly Report to the United States Congress*, p. 23.

The U.S. Congress appropriates funds to the ASFF for the training, equipping, sustaining, and funding the ANDSF, as well as for facility repair and construction. DOD is authorized to use ASFF to provide funds directly (on budget) to the Afghan government.²³² To ensure U.S. funds are used as intended, CSTC-A, the MOD, and the Ministry of Finance (MOF) signed a Bilateral Financial Commitment Letter.²³³ The Afghan FY 1394 financial-commitment letter requires the MOD to document fuel consumption and deliveries. CSTC-A is to set the following month's fuel allocation based on the sufficiency of the fuel documentation. Further reductions in fuel allocations are to occur if the documentation quality does not improve and if required audits and corrective actions are not performed within the agreed-to time frame.²³⁴ For information on the investigation of corruption in MOD fuel contracts, see pages 142–143 of this section.

ANA Salaries and Incentives

As of June 30, 2015, CSTC-A reported that the United States had provided \$2.8 billion through the ASFF to pay for ANA salaries, food, and incentives since FY 2009.²³⁵ CSTC-A reported the funding required for ANA base salaries, bonuses, and incentives will average \$690 million annually over the next five years.²³⁶

Incentives are used to retain high-quality soldiers and airmen. ANA personnel are eligible for various incentives in addition to their base salaries. Examples include occupational incentives (such as aviation, medical, engineering/explosive-ordnance disposal), hazard-pay incentives, and longevity-pay incentives for every three additional years of continuous service.²³⁷

CSTC-A noted that funding is provided on the basis of 100% of the ANA's authorized, not assigned, strength. However, any unspent funds carry forward into the following fiscal year to support the requirements in the next year.²³⁸ To encourage the MOD to use electronic-payment systems, CSTC-A plans to provide 100% funding only for those authorized tashkil positions being paid electronically; pay for other positions will be 80% funded.²³⁹ Additionally, all ANA personnel records are required to be input into the Afghan Human Resources Information Management System and all personnel must be assigned a tashkil position.²⁴⁰ However, CSTC-A does not plan to enforce the penalty on the ANA until the automated pay system is ready for use in 2016 or later.²⁴¹

ANA Equipment and Transportation

As of June 30, 2015, the United States had obligated \$12.6 billion and disbursed \$12.4 billion of the ASFF for ANA equipment and transportation.²⁴² Most of these funds were used to purchase vehicles, aircraft, communication equipment, weapons, and related equipment. Approximately 50% of

SIGAR AUDIT

An ongoing SIGAR audit will focus on DOD's procurement, maintenance, and oversight of occupational clothing and individual equipment (OCIE) purchases for the ANDSF. For more information, see SIGAR's April 2015 *Quarterly Report to the United States Congress*, p. 28.

SECURITY

TABLE 3.10

COST OF U.S.-FUNDED ANA EQUIPMENT, AS OF JUNE 9, 2015			
Type of Equipment	Procured	Procured and Fielded to the ANA	Remaining to be Procured
Weapons	\$616,737,933	\$522,336,282	\$1,700,000
Vehicles	5,873,297,131	4,767,803,280	TBD
Communications	787,857,101	688,157,101	TBD
Aircraft	1,091,376,104	649,861,508	441,514,596
Ammunition	1,700,016,556	1,589,000,535	TBD
Transportation Services	40,000,000	13,459,569	26,540,431
C-IEDs	330,656,219	296,489,871	2,700,000
Other	883,706,984	773,658,682	1,005,377
Total	\$11,323,648,028	\$9,300,766,828	\$473,460,404

Note: C-IED = Counter-improvised explosive devices. TBD = To be determined; amount depends on how much damaged and destroyed equipment is turned in for replacement.

Source: CSTC-A, response to SIGAR data call, 6/15/2015.

TABLE 3.11

U.S.-PURCHASED EQUIPMENT NOT TRANSFERRED TO ANA (\$ MILLIONS)		
	Scrap	To DOD Stock
Vehicles	\$7.9	\$5.4
Troop Enclosure	9.0	
HMMWVs	3.5	
Aircraft	136.0	3.1
Office Equip		1.7
Crane/Forklifts	1.1	
Body Armor		0.3
Weapons		1.1
GPS/NVG		0.1
Communications Equip		4.4
Total	\$157.4	\$16.1

Note: Dollar amounts rounded. Already-owned C-208s became a suitable training aircraft substitute, resulting in the transfer to DOD stock of six C-182 aircraft. A troop enclosure is an add-on to a HMMWV or other vehicle that allows a soldier to stand up through a roof hatch with some degree of protection. HMMWV = high-mobility, multipurpose wheeled vehicles. GPS/NVG = global positioning system and night vision goggle items. The disposition of \$2,134,785 worth of communications equipment was not specified.

Source: CSTC-A, response to SIGAR data calls, 1/14/2015, 3/24/2015, and 6/9/2015; RS, response to SIGAR request for clarification, 2/3/2015; OSD-P, response to SIGAR data call, 3/27/2015.

U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Table 3.10.²⁴³

This quarter, DOD reported an increase in most equipment categories. DOD said the increase was due in part to replenishment purchases required to replace current and projected battlefield damage and other losses, as well as the cost of supplying a new special-operations *kandak* (battalion).²⁴⁴ CSTC-A reported the replenishment purchases cost approximately \$5 million.²⁴⁵ CSTC-A reported more than 426,000 weapons, 104,000 communication devices, and 60,000 vehicles had been procured for the ANA.²⁴⁶ Other equipment provided included clothing, such as uniforms, and individual equipment. Equipment purchased for the ANA that was later determined to no longer be required by the ANDSF can be transferred to DOD for disposition, after the U.S. Congress is notified; as shown in Table 3.11.²⁴⁷

The Office of the Secretary of Defense (OSD) led a team of DOD subject-matter experts to develop a simple and Afghan-sustainable, demand-based supply process that would allow the ANA and ANP to determine material requirements and develop a budget based on those requirements.²⁴⁸ Since 2002, the Coalition ordered and provided (or “pushed”) supplies and parts to the Afghans to ensure adequate levels to meet the needs of active operations. According to the OSD-led team, the push of material resulted in two unintended consequences:

- no record of orders at Afghan national or regional warehouses
- no record of supply usage that could be used for future planning²⁴⁹

The OSD-led team made recommendations to transition the Afghans to a demand-based order process in which the ANDSF will submit the supply

and part orders, create a professional logistics corps in both supply and maintenance, change the tashkil to include necessary logistics positions, and provide logistics-management education for senior- and middle-level ANDSF leaders as well as for logistic officers and item managers.²⁵⁰

The OSD-led team also sought to develop an Afghan-sustainable life-cycle management structure and process whereby they can forecast, budget, and manage the supplies and spare parts needed for the ANDSF.²⁵¹ The ANDSF's current computer system does not perform some critical logistics functions; which in part explains why the ANDSF has continued to rely on the U.S. and Coalition forces and contractors. The OSD-led team recommended several enhancements such as maintaining a catalog of all parts, automatically calculating re-order levels for both the regional depots (to the national supply warehouse) and the national supply warehouse (to the suppliers), tracking when material is estimated to arrive, and using hand-held scanners to record receipt of material.²⁵² USFOR-A reported the computer software changes are in progress, with testing planned in July and system fielding in August 2015.²⁵³ However, the OSD-led team reports the existing computer system cannot adequately support other required functionality and recommends a more robust system for the ANDSF in the future.²⁵⁴

The OSD-led team estimated the FY 2015–2020 cost to provide the computer hardware and software enhancements, training, and Coalition advisors is \$16.2 million over the six-year period.²⁵⁵

The financial-commitment letter providing funds to the MOD for Afghan FY 1394 requires the MOD to determine the types and the number of vehicles it needs, ensure that maintenance is done following standard practices, and ensure that vehicles are used as intended prior to CSTC-A providing additional vehicle funding.²⁵⁶

ANA Infrastructure

As of June 30, 2015, the United States had obligated \$6 billion and disbursed \$5.6 billion of the ASFF for ANA infrastructure such as military headquarters, schoolhouses, barracks, police checkpoint structures, and air fields, as well as roads.²⁵⁷

As of May 31, 2015, the United States had completed 366 infrastructure projects valued at \$5 billion, with another 16 projects valued at \$397.4 million ongoing, according to CSTC-A.²⁵⁸

The largest ongoing ANA infrastructure projects this quarter continue to be the brigade garrisons for the 2nd Brigade of the 201st Corps in Kunar (at a cost of \$115.7 million), and phase three of the MOD headquarters and garrisons (which had costs increase from \$58.6 million to \$61.3 million); rounding out these projects, is the second phase of the Marshal Fahim National Defense University (\$72.2 million).²⁵⁹ In addition, one project was awarded this quarter at a cost of \$72.2 million, and nine projects were

SIGAR AUDIT

An ongoing SIGAR audit will review DOD's support to the ANA's Technical Equipment Maintenance Program (A-TEMP). Specifically, SIGAR plans to determine (1) the extent to which the ANA A-TEMP is meeting its stated goals, and (2) whether key ANA A-TEMP contract requirements are being met.



Marshal Fahim National Defense University in Qargha, Afghanistan. (CSTC-A photo)

completed at a cost of \$228.1 million, including the garrison for the 2nd Brigade of the 215th Corps in Nimroz (\$78.7 million).²⁶⁰

CSTC-A reports of the 17 projects (\$105.3 million) in the planning stage, four projects (\$30.1 million) are to construct female training, dining, and living facilities.²⁶¹

According to CSTC-A, the projected operations-and-maintenance (O&M), sustainment, restoration, and minor-construction costs (less than \$750,000 per project) for ANA infrastructure for FY 2015 through FY 2019 is \$228 million a year. The ANA has authorized 3,100 positions to maintain these facilities.²⁶² The U.S. funding contribution of \$188.6 million a year, for a five-year total of \$943 million, provides funding for 22 ANA facilities.²⁶³ The United States does not provide funding to maintain excess facilities (facilities CSTC-A has determined the Afghan government should divest from the ANA).²⁶⁴

The FY 1394 MOD financial-commitment letter requires the Afghan government to provide CSTC-A a transition and sustainment plan, including infrastructure security, for the facilities constructed with U.S. funding and transferred to the Afghan government.²⁶⁵ CSTC-A received a draft, but found the plan inadequate and withheld \$29 million until acceptable plans are developed.²⁶⁶

ANA and MOD Training and Operations

As of June 30, 2015, the United States had obligated and disbursed \$3.5 billion of the ASFF for ANA and MOD operations and training.²⁶⁷

CSTC-A reported 28 ongoing U.S.-funded technical training programs.²⁶⁸ Additionally, USFOR-A reported two contracts for training, advising, and

assisting the ANA Training and Education Command at Marshal Fahim National Defense University that require RS to perform and report monthly contractor-performance observations.²⁶⁹ U.S.-funded training contracts include special operations, counter improvised-explosive-device and explosive-ordnance disposal, and intelligence training.²⁷⁰

Afghan Air Force and the Special Mission Wing

The United States has a considerable investment in the AAF. CSTC-A reported that between FY 2010 and FY 2015, the United States has obligated more than \$2.2 billion to support and develop the AAF, including over \$930 million for equipment and aircraft. This is an update to the numbers SIGAR reported last quarter, which were the initial budget justification amounts.²⁷¹ In FY 2015, DOD has requested more than \$925 million, including \$21 million for equipment and aircraft for the AAF. However, the majority of the funding requested is for sustainment and training.²⁷²

According to USFOR-A, this quarter, the AAF aircraft inventory includes:

- 12 Mi-35 helicopters
- 56 Mi-17 helicopters
- 18 MD-530 helicopters
- 26 C-208 airplanes
- 4 C-130 airplanes²⁷³

Additionally, 20 A-29 Super Tucanos, a light attack aircraft for counterinsurgency, close air support, and aerial reconnaissance, have been purchased but are not yet delivered.²⁷⁴

USFOR-A assesses that the AAF's fleet of Mi-35 attack helicopters is aging and plans to augment aerial-attack support primarily through fielding a fleet of armed MD-530 helicopters until the arrival of the A-29 Super Tucanos.²⁷⁵ At the end of last quarter, the first of the MD-530 rotary-wing helicopters, some armed and others unarmed, were delivered to the AAF.²⁷⁶ This quarter, training is ongoing to qualify pilots on the armed configuration of the MD-530.²⁷⁷ Additionally, DOD reported Afghan pilot training is ongoing in the United States on the A-29 Super Tucanos. The first class will graduate in December; which aligns with the first delivery of A-29 Super Tucanos in the fourth quarter of 2015.²⁷⁸

USFOR-A reports that the RS Train, Advise, and Assist Command–Air (TAAC-Air) is investigating the feasibility of adding rockets to some Mi-17 aircraft. The Mi-17 version 5 aircraft is designed to fire the Soviet-developed S-8 rocket. TAAC-Air is currently procuring S-8 rockets through the foreign military sales process. However, this procurement is subject to interference due to potential Russian influence in Kazakhstan, the supplier of in-stock rockets.²⁷⁹ If those rockets cannot be obtained, S-8 rockets would be purchased from an allied European country.²⁸⁰

SIGAR INSPECTION

SIGAR has an ongoing 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.

“We need to support more troops, moving them as soon as possible from one point to another, getting them into the fight faster. Getting commandos from the north to the south by helicopter would take days, but by C-130 it will take only a few hours.”

—*Afghan Air Force C-130 pilot*
Capt. Muhammad Azimy

Source: *Defense World*, “US delivers C-130H Hercules to Afghan Air Force,” 6/23/2015.

When the AAF determined already-owned aircraft were suitable for training, six T-182 aircraft, which cost \$3.1 million when purchased in 2011, were transferred to DOD stock. DOD announced the planes were classified as “excess defense articles,” and after successful Federal Aviation Administration recertification, will be transferred to the Civil Air Patrol.

Source: OSD-Comptroller, response to SIGAR data call, 6/24/2015; OSD-P, response to SIGAR data call, 3/27/2015.

Beginning in 2014, TAAC-Air initiated Afghan Tactical Air Coordinator (ATAC) training for both ANA and AAF personnel. ATACs operate on the battlefield to support the ground force commander by integrating AAF aircraft through direct communication with aircraft and ground forces. The initial cadre of ATACs completed training in late fall 2014 and began training new ATACs in November 2014. To assist in the ATACs’ mission, TAAC-Air procured 540 Harris tactical radios. Last month, Afghan Harris subcontractors began teaching an operator-focused course for select ATACs to operate the radios.²⁸¹

MOI, MOD, and NDS leaders signed the Special Mission Wing (SMW) air charter on May 14, 2014, outlining the creation of a new Joint Command and Control Coordination Center (JCCC) to facilitate priority SMW missions. Both MOD and MOI special-operations forces will have liaison officers to the JCCC. The AAF is to provide personnel, recruiting, and other administrative (nonoperational) support to SMW. The SMW commander meets weekly with special-operations unit leaders to discuss pending operations and synchronize requirements and priorities.²⁸² Currently, all 456 personnel of the SMW are part of the MOD.²⁸³

According to CSTC-A, the SMW fleet is made up of Mi-17 helicopters and PC-12 turboprop planes for intelligence, surveillance, and reconnaissance, totaling 48 aircraft.²⁸⁴ According to NSOCC-A, the Afghans currently perform approximately 15% of the scheduled maintenance to the Mi-17 fleet. All PC-12 maintenance is performed by third-party contractors. In July 2015, 10 Afghan students were slated for PC-12 maintenance training after completing English-language training; it takes 60 months to fully train Mi-17 and PC-12 mechanics. The earliest the SMW will have full maintenance and repair capability is summer of 2020.²⁸⁵

For the next five years, funding for the SMW will come from a combination of ASFF and funding from the Office of the Secretary of Defense-Counter-Narcotics (OSD-CN). This breaks down into ASFF funding roughly 60% of the program and OSD-CN the remaining 40%. The SMW has flown 15 counternarcotics missions for FY 2015, or 1% of the total SMW missions.²⁸⁶

AFGHAN NATIONAL POLICE

As of June 30, 2015, the United States had obligated \$17.9 billion and disbursed \$17.3 billion of ASFF funds to build, equip, train, and sustain the ANP.²⁸⁷

ANP Strength Reporting Continues to Raise Questions About Data Reliability

SIGAR has long questioned the validity of Afghan security personnel numbers for several reasons (see “Questionable ANSF Numbers Thicken Fog of

War in Afghanistan” in SIGAR’s April 2015 *Quarterly Report to the United States Congress*, pages 3–15). Recent reporting of ANP personnel strength data shows no indication that data is becoming more reliable.

This quarter, USFOR-A initially reported the overall strength of the ANP totaled 160,250 personnel. However, in response to a vetting draft of this report, USFOR-A revised the ANP’s strength to 155,182.²⁸⁸ According to USFOR-A, only personnel assigned to the AUP, ABP, and Afghan National Civil Order Police (ANCOP)—as well as personnel assigned to MOI Headquarters and Institutional Support (MOI HQ & IS)—are included in the ANP’s assigned strength.²⁸⁹ SIGAR analysis²⁹⁰ suggests that the revised total excluded ANP reserves, students, and “unknown” personnel categories.²⁹¹ The ANP strength of 155,182 is an increase of 497 since last quarter and 1,818 below the authorized strength of 157,000, as reflected in Table 3.12.²⁹²

This quarter saw yet another change in how ANP personnel numbers were calculated. Last quarter, the number of personnel assigned to the Criminal Investigation Department (CID) was reported for the first time. However, the number of personnel assigned to MOI HQ & IS was not reported. This quarter, personnel assigned to MOI HQ & IS and the CID were reported as a single category.²⁹³ In vetting comments USFOR-A stated the ANP assigned-strength number does not include students and standby personnel, but said in a later comment that “NISTA personnel” (which by definition includes students and trainees) were counted in the grand total

TABLE 3.12

ANP Component	Authorized			Assigned		
	Q1 2015	Q2 2015	Quarterly Change	Q1 2015	Q2 2015	Quarterly Change
	AUP	104,695	93,045	(11,650)	100,034	95,389
ABP	22,990	22,742	(248)	21,953	22,021	68
ANCOP	15,223	15,192	(31)	15,010	15,017	7
MOI HQs & IS	-	27,077	27,077	-	22,827	22,827
CID ^a	11,592	-	(11,592)	10,847	-	(10,847)
NISTA	2,500	-	(2,500)	3,539	-	(3,539)
GDoP Reserve ^b	-	-	-	850	-	(850)
Undefined personnel above authorized strength	-	-	-	2,452	-	(2,452)
Required to reconcile to ANP subtotal	-	-	-	-	(72)	(72)
ANP Total (as reported)	157,000	158,056	1,056	154,685	155,182	497

Note: Quarters are calendar-year; Q1 2015 data as of 2/2015; Q2 2015 data as of 5/2015. AUP = Afghan Uniformed Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; CID = Criminal Investigation Department; NISTA = Not In Service for Training; GDoP = General Directorate of Personnel; IS = Institutional Support personnel.

^a Q2 CID personnel are included in MOI HQs & IS.

^b Personnel that are pending assignment.

Source: USFOR-A, response to SIGAR data calls, 3/24/2015 and 6/29/2015; USFOR-A, response to SIGAR vetting, 4/10/2015 and 6/29/2015.

overall strength.²⁹⁴ These seemingly contradictory comments add to the ongoing lack of clarity in ANDSF strength.

Although no civilians were included in the reported ANP strength number, in addition to the current 155,182 personnel, 71 positions were in transition from a military to civilian billet. CSTC-A is funding those positions during a two-year transition. At the end of that period, the military positions will be removed from the tashkil and the civilian positions added.²⁹⁵

This quarter, USFOR-A included MOI headquarters personnel in the ANP's attrition rate, whereas last quarter the attrition rate covered only personnel from the AUP, ABP, and ANCOP.²⁹⁶ The overall ANP monthly attrition averaged below 2% for 10 of the last 12 months.²⁹⁷ During May 2015, 880 ANP personnel dropped from the rolls, a decrease from the 1,844 personnel dropped in February. Also, during the same period, the ANP endured 269 personnel killed in action, an increase from the 208 casualties in February.²⁹⁸

As with the ANA strength reporting, USFOR-A reports that until the Afghan government completes installation of its human-resource information systems and inputs the data, RS will not be able to validate strength numbers.²⁹⁹ However, even if the new information system is installed, SIGAR believes it is unlikely RS will have the personnel and resources to validate ANP personnel numbers other than by analyzing reports based on Afghan inputs into the new system.

ANP Sustainment

As of June 30, 2015, the United States had obligated \$7.2 billion and disbursed \$7 billion of ASFF funds for ANP sustainment.³⁰⁰ This includes contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries. Since December 21, 2013, the United States has no longer funded food costs after CSTC-A suspected widespread fraud by the MOI.³⁰¹

ANP Salaries

Through December 31, 2014, the U.S. government had provided \$1.5 billion, contributed through LOTFA, to pay ANP salaries, food, and incentives (extra pay for personnel engaged in combat or employed in specialty fields).³⁰²

The United Nations Development Programme (UNDP) charges 4% of donor contributions—more than \$20 million based on their estimated annual expenditures—to manage the LOTFA program.³⁰³ According to CSTC-A, the UNDP estimates annual international expenditures of \$508.4 million for the ANP at an authorized strength of 157,000 personnel, based on an exchange rate of 56 afghanis to one U.S. dollar. The U.S. contribution to LOTFA for calendar year 2015 is \$112 million to fund salaries, incentives, and the UNDP management fee.³⁰⁴ However, CSTC-A reports

the U.S. funding required for LOTFA over the next five years will range from a high of \$615.8 million to a low of \$502 million, for an average of \$570.3 million annually.³⁰⁵

The CSTC-A financial commitment letter to the MOI for Afghan FY 1394 includes the LOTFA Steering Committee mandate for the MOI to provide 100% of ANP salaries through electronic funds transfer.³⁰⁶ To incentivize the MOI to use electronic-payment systems, CSTC-A plans to provide funding only for those authorized tashkil positions being paid electronically.³⁰⁷ However, CSTC-A does not plan to enforce the penalty until the automated pay system is ready for ANP use until mid-2016 or later.³⁰⁸

On June 30, the MOI announced that the LOTFA would be extended for 18 months, after which the MOI will assume full management of police salary payments.³⁰⁹

ANP Equipment and Transportation

As of June 30, 2015, the United States had obligated \$4.1 billion and disbursed \$3.8 billion of ASFF funds for ANP equipment and transportation.³¹⁰ Most of these funds were used to purchase vehicles, aircraft, ammunition, weapons, and communication equipment, as shown in Table 3.13.³¹¹ The most funding in this category, more than 51%, was used to purchase vehicles and vehicle-related equipment.³¹²

Examples of the types of equipment purchased for the ANP include sophisticated items such as high-mobility, multipurpose wheeled vehicles (HMMWV); night-vision devices; global-positioning systems; explosive-ordnance disposal equipment; and biometrics equipment. Ordinary items include ambulances, spare parts, pistols, machine guns, radios, clothing, dental and medical equipment, and transportation services.³¹³ CSTC-A

TABLE 3.13

COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF JUNE 9, 2015			
Type of Equipment	Procured	Procured and Fielded to the ANP	Remaining to be Procured
Weapons	\$273,177,145	\$205,652,818	\$163,225
Vehicles	2,411,872,719	2,048,056,127	TBD
Communications	212,294,780	212,294,780	TBD
Aircraft	766,950,000	692,950,000	74,000,000
Ammunition	667,741,562	351,748,913	TBD
Transportation Services	20,026,263	7,770,471	12,255,792
C-IEDs	123,454,216	86,447,721	0
Other	243,097,382	91,438,300	14,412,160
Total	\$4,718,614,067	\$3,696,359,130	\$100,831,177

Note: C-IED = Counter-improvised explosive devices. TBD = To be determined; amount dependent on how much damaged and destroyed equipment is turned in for replacement.

Source: CSTC-A, response to SIGAR data call, 6/9/2015.

TABLE 3.14

U.S.-PURCHASED EQUIPMENT NOT TRANSFERRED TO ANP (\$ MILLIONS)		
	Scrap	To DOD Stock
8 RHIB patrol boats	-	\$1.9
Other	-	1.4
Water tankers	\$0.2	-
Vehicles	1.3	-
Total	\$1.5	\$3.3

Note: RHIB = rigid-hulled inflatable boats. Dollar amounts rounded.

Source: OSD-P response to SIGAR data call, 12/30/2014; CSTC-A response to SIGAR data calls, 3/24/2015 and 6/9/2015.

reported more than 575,000 weapons, 108,000 communication devices, and 54,000 vehicles had been procured for the ANP.³¹⁴ DOD said the large increase was due in part to purchases needed to replace current and projected battlefield damage and other losses.

The financial-commitment letter providing ASFF funds to the MOI for their FY 1394 requires the MOI to determine the types and the number of vehicles it needs, to ensure that maintenance is done following standard practices, and that vehicles are used as intended prior to CSTC-A providing additional vehicle funding.³¹⁵

Equipment purchased for the ANP that was later determined to no longer be required by the ANDSF can be transferred to the DOD for disposition, after the U.S. Congress is notified, as shown in Table 3.14.³¹⁶

The CSTC-A End-Use Monitoring (EUM) section inventories the specific U.S. equipment that is required to be monitored after it has been transferred to the Afghans, as well as conducts inspections of site storage facilities. CSTC-A reports their EUM personnel continue to travel to accessible locations in-country to carry out EUM inspections and have conducted 53 EUM missions this fiscal year. However, due to security concerns and inaccessible locations, they are evaluating other methods such as having the Afghans bring the equipment to safe areas or have locally employed contract staff conduct inventories and perform site-security inspections.³¹⁷

ANP Infrastructure

As of June 30, 2015, the United States had obligated \$3.1 billion and disbursed \$2.9 billion of ASFF funds for ANP infrastructure.³¹⁸

As of May 31, 2015, the United States had completed 723 infrastructure projects (valued at \$3.5 billion), with another seven projects ongoing (\$89.4 million), according to CSTC-A.³¹⁹

The largest ongoing ANP infrastructure projects are phase three of the MOI headquarters (\$55.1 million), an ANCO provincial headquarters building in Paktiya (\$25 million), and the ANP command center and barracks at MOI headquarters (\$24.1 million).³²⁰

While there were no new contract awards this year, 17 projects were completed at a cost of \$119.7 million.³²¹ CSTC-A reports of the 15 projects (\$62.3 million) in the planning stage, 14 projects (\$61.3 million) are to construct female training, dining, and living facilities.³²²

According to CSTC-A, the projected annual O&M, sustainment, restoration, and minor-construction cost (less than \$750,000 per project) for ANP infrastructure for FY 2015 through FY 2019 is \$147 million per year, of which the U.S. will fund \$131 million (\$655 million over five years), with 2,184 skilled personnel required to maintain the facilities.³²³ The United States does not provide funding to maintain excess facilities (facilities CSTC-A has determined the Afghan government should divest from the ANP).³²⁴



Ministry of Interior headquarters in Kabul, Afghanistan. (CSTC-A photo)

CSTC-A reported that while no additional facility sustainment and maintenance had been transferred to the ANP this reporting period, the United States continues to provide sustainment and maintenance services for eight facilities.³²⁵

ANP Training and Operations

As of June 30, 2015, the United States had obligated and disbursed \$3.6 billion of the ASFF for ANP and MOI training and operations.³²⁶

USFOR-A reported there are seven ongoing U.S.-funded technical training programs for the ANP.³²⁷ CSTC-A reported U.S.-funded training contracts include operational-specialty training, such as police intelligence, counter improvised-explosive-device and explosive-ordnance disposal, and radio operator and maintenance.³²⁸

STATUS OF WOMEN IN THE ANDSF

This quarter, even though the number of women reported as serving in the ANDSF increased, their percentage of the overall force slipped below 1%, to 0.99%, due to the greater gains in the overall ANDSF numbers.³²⁹ This quarter, RS reported 3,338 women among the ANDSF's assigned force strength for the ANA and ANP, including students in training and recent training graduates. Of the total, 785 were officers, 1,261 were non-commissioned officers, and 1,142 were soldiers.³³⁰ While there was a slight increase in the overall number of women serving this quarter, the female officer ranks decreased by 125 personnel.³³¹ RS reported the decrease can most likely be attributed to inaccurate MOD reporting, possibly combined with ANA female officer attrition.³³²

Three women have trained to become pilots in the AAF, one of whom has since left the force.³³³ Captain Niloofar Rahmani, who was the first female pilot since the fall of the Taliban and the first female fixed-wing pilot in Afghanistan, was recently recognized as one of the U.S. State Department's International Women of Courage award winners in 2015.³³⁴

This quarter, RS reported the ANA reduced their recruitment goal to 485 women per year, as that is the maximum number of women that can be accommodated in the applicable basic training courses.³³⁵ Unlike the last several quarters in which the number of ANP women has increased, this quarter the number decreased by four.³³⁶ The ANP remains far from reaching its goal of 5,000 women: women currently comprise only 1.5% of the police force.³³⁷

In late May, a high-level advisory committee was established to oversee the RS Gender Office priorities and to provide guidance on the use of international funds donated in support of gender integration within the ANDSF.³³⁸ Rula Ghani, first lady of Afghanistan, will serve as the honorary chair, and RS commander General John Campbell will chair the advisory

“I salute the courage and commitment of all the brave women who currently serve in uniform. They are setting a model example of selfless service for generations to come.”

—General John Campbell,
RS commander

Source: Pajhwok Afghan News, “Rula Ghani to oversee RS gender integration projects, expenditures,” 5/23/2015.

committee.³³⁹ Other members include Afghan ministry officials, ambassadors, UN and NATO officials, and Afghan and international-organization representatives.³⁴⁰ Results from the first meeting were not provided.

The National Defense Authorization Act for FY 2014 authorizes \$25 million to be used for programs, facilities, recruiting, and the integration of women into the ANDSF. Of the \$25 million, \$4.8 million has been committed for salary incentives; bonuses; clothing; uniform tailoring, as women currently are issued male uniforms; security cameras; and building improvements, to include facilities at the Marshal Fahim National Defense University.³⁴¹ Additionally, NATO has allocated \$10 million from the ANA Trust Fund for ANA women's programs.³⁴²

ANDSF MEDICAL/HEALTH CARE IMPROVING

Since 2006, the United States has funded the construction of 184 ANDSF medical facilities valued at \$188.2 million and procured approximately \$54.7 million in ANA medical equipment.³⁴³ The ANA has eight regional medical hospitals; the AAF has five clinics and five detachments. The ANP has just one hospital, in Kabul, but has an agreement with the ANA to treat police.³⁴⁴ At this time, no other medical-facility construction is planned.³⁴⁵

This quarter, USFOR-A reported there are 896 physicians currently assigned in the ANDSF health-care system. The total number of positions authorized is 1,144, with 574 physicians assigned in an ANA position and 322 in an ANP position. The ANA and ANP have a shortage of 166 and 82 physicians respectively.³⁴⁶ Seven of the eight ANA regional hospitals, to include the Kabul National Military Hospital, are fully operational. The eighth hospital in Helmand was planned to have 50% staffing at the end of June 2015.³⁴⁷

The ANDSF also has 2,442 nurses, physicians' assistants, and other medical personnel, with an additional 765 positions remaining unfilled.³⁴⁸ The number of unfilled medical personnel positions has remained fairly constant since last quarter.³⁴⁹ Physician, nurse, and medic training pipelines are established with partner international and non-government organizations to provide trained medical personnel.³⁵⁰ The first ANA public-health administrator will graduate from Kabul University this year, addressing a deficiency within the ANA Medical Command, which expects eight additional public-health administrator graduates next year.³⁵¹

USFOR-A reported efforts to improve health-care and related logistics operations for both the ANA and ANP. Larger budgets for medical supplies are planned for next year based on the usage during this fighting season.³⁵² The AAF medical service, at times augmented by ANA flight medics, has flown 30–40 medical-evacuation missions per week.³⁵³

STATUS OF CLASSIFIED ANDSF DATA

This quarter, RS classified some information about ANDSF personnel strength, attrition, and assessments; the AAF; and the SMW. As authorized by its enabling statute, SIGAR provides Congress with a classified annex to this report containing that information.

REMOVING UNEXPLODED ORDNANCE

Afghanistan remains heavily contaminated by mines and explosive remnants of war (ERW), even though 80% of known contamination has been cleared since 1989.³⁵⁴ The Department of State's (State) Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA) manages the conventional weapons destruction program in Afghanistan to protect victims of conflict, provide life-saving humanitarian assistance, and enhance the security and safety of the Afghan people. Since FY 2002, State has provided \$305.6 million in weapons destruction and humanitarian mine-action assistance to Afghanistan.³⁵⁵ Not all PM/WRA FY 2014 funds have been expended as of this quarter. PM/WRA has two-year funding, and additional 2014 funding will be captured in subsequent SIGAR reports.³⁵⁶

In its January 2015 *Quarterly Report to the United States Congress*, SIGAR wrote that DOD transferred \$901,511 to PM/WRA to support the effort of an international nongovernmental organization (NGO) to monitor the clearing of ordnance left behind at U.S. firing ranges.³⁵⁷ However, this may be only a fraction of the funding needed. An April 2014 *Washington Post* article noted that the U.S. military has reportedly left about 800 square miles of contaminated land that is expected to cost \$250 million to clear.³⁵⁸ Moreover, the United Nations (UN) Secretary-General warned in his June 2015 report to the Security Council that funding might be insufficient to meet the country's 2015 targets of the Anti-Personnel Mine Ban Convention. His report estimated 4,025 minefields and 245 battlefields remained, affecting 1,603 communities across 255 districts. The UN, working with the NATO Resolute Support mission, will continue to address explosive hazard contamination, including firing ranges, from previous military operations.³⁵⁹

State directly funds five Afghan NGOs, four international NGOs, and one U.S. government contractor. These funds enable the clearance of areas contaminated by ERW and support the clearance of conventional weapons used by insurgents to construct roadside bombs and other improvised explosive devices.³⁶⁰ As of March 31, 2015, State-funded implementing partners have cleared more than 168.9 million square meters of land (approximately 65.2 square miles) and removed or destroyed approximately 7.9 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and home-made explosives (see Table 3.15 on the following page).³⁶¹

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TABLE 3.15

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1, 2013–MARCH 31, 2015						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m²)	Estimated Contaminated Area Remaining (m²)*
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
4/1–6/30/2014	1,077	3,264	25,362	3,227,697	5,163,035	519,000,000
7/1–9/30/2014	1,329	26,873	21,502	2,860,695	5,705,984	511,600,000
10/1–12/31/2014	465	20,724	58,369	538,499	1,604,410	524,600,000
1/1–3/31/2015	388	8,495	3,571	930,110	2,425,318	535,600,000
TOTAL	17,535	457,125	661,748	17,360,343	43,895,117	535,600,000

Note: 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.

*Total area of contaminated land fluctuates as clearance activities reduce hazardous areas while ongoing survey identifies and adds new contaminated land in the Information Management System for Mine Action (IMSMA) database.

Source: PM/WRA, response to SIGAR data calls, 4/1/2015 and 6/26/2015.

The estimated total area of contaminated land continues to fluctuate as clearance activities reduce hazardous areas while ongoing survey activities find new contaminated land. At the beginning of this quarter, there were 202.5 square miles of contaminated minefields and battlefields. During the quarter, 1.8 square miles were cleared. However, ongoing surveys identified 11.5 square miles of additional contaminated areas, bringing the total of known contaminated area to 206.8 square miles by the end of the quarter.³⁶² PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.³⁶³

In April 2015, USAID issued its first grant of \$9.6 million under the \$30.2 million Afghan Civilian Assistance Program (ACAP III). ACAP III's goal is to support victims of war, including victims of mines and ERW.³⁶⁴ The program provides immediate medical and other nonmonetary assistance, in addition to assistance tailored to meet victims' needs. It also develops the capacity of government ministries and institutions that aid victims of war and enhance outreach to and advocacy efforts for victims.³⁶⁵ ACAP III will run until February 2018. Despite the absence of a formal performance-measurement plan, funds were disbursed in June 2015.³⁶⁶ Unlike ACAP II, which ended in February 2015, ACAP III will not stipulate that only victims injured by international forces will be eligible for assistance.

COUNTERNARCOTICS

As of June 30, 2015, the United States has provided \$8.2 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 (\$2.9 billion), the Afghan Security Forces Fund (ASFF) (\$1.6 billion), the Economic Support Fund (ESF) (\$1.5 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account (\$2.1 billion).³⁶⁷ USAID's alternative development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production.³⁶⁸ In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding through direct appropriations to operate in Afghanistan. (See Appendix B.)

In May 2015, the UN Office of Drugs and Crime (UNODC) published its *World Drug Report*. Afghanistan once again led the world in opium production, cultivating a record 224,000 hectares (more than 550,000 acres) in 2014.³⁶⁹ Afghan opium production (6,400 tons) accounted for 85% of the global production (7,554 tons) which continued to rise in 2014.³⁷⁰ Afghan opium accounts for 90% of the heroin supplied to Canada, but little of the heroin supplied to the United States—though this may be changing, according to UNODC.³⁷¹ The availability of Afghan heroin in the United States is increasing based on seizure data from 2011 and 2012. Information on current market share was not provided to UNODC but it was estimated that Afghan heroin accounted for 4% of the U.S. consumer market share.³⁷²

On April 18, 2015, the *Wolesi Jirga* or lower house of parliament confirmed Salamat Azimi, former head of the Children's Rights section at the Afghan Independent Human Rights Commission, as the Minister of Counter-Narcotics (MCN). Azimi presented her 100-day plan, which includes making changes to the counternarcotics law and the national counternarcotics strategy, in addition to developing antidrug policies and building the capacity of ministry employees.³⁷³ The ministry's goal is to reduce poppy cultivation by 90% over 10 years.³⁷⁴ On July 14, President Ghani appointed 19 advisors for various positions by presidential decree. Abdul Hai Niamati was appointed the advisor on counternarcotics.³⁷⁵

Despite Billions Spent, Afghanistan Still World's Leading Opium Producer

Despite U.S. spending of \$8.2 billion on counternarcotics measures since 2002, Afghanistan remains the world's leading producer of opium.³⁷⁶

During February 2015 meetings with SIGAR in Afghanistan, Ambassador McKinley announced that a 2015 counternarcotics strategy would be prepared within six months.³⁷⁷ High-level meetings have taken place between INL and the new Afghan government on counternarcotics.³⁷⁸ The Afghan government is also developing a comprehensive national drug-action plan, which the U.S. government's interagency counternarcotics strategy will be tailored to support. State has not finalized the revised U.S. counternarcotics strategy.³⁷⁹ INL informed SIGAR that the U.S. government currently

“Narcotics, our record is ‘F.’ We fail, because the problem is much larger than us.”

—President Ashraf Ghani

Source: Afghan Embassy in Cairo, “Transcript of President Ghani's Interview with a Delegation of Western Journalists and Media Opinion Leaders,” 5/10/2015.

operates under the December 2012 U.S. Counternarcotics Strategy for Afghanistan.³⁸⁰ UNODC warns that any plan should allow flexibility, as successful programs in one region of Afghanistan may not translate to success in another region.³⁸¹

Afghanistan National Drug Use Survey 2015

INL and the Ministry of Public Health (MOPH) published the results of the latest national drug-use survey this quarter. The survey found that opioids are the most popular drugs in Afghanistan, with higher usage in rural areas than urban centers.³⁸² The results showed cannabis was used in 11% of households and 3% of the population.³⁸³ However, the major findings were that 31% of households, more than 10% of people and approximately 9% of children surveyed tested positive for one or more drugs.³⁸⁴ By comparison, globally 0.6% of persons aged 15 to 64 years have a drug problem.³⁸⁵ In the United States, where heroin dependency is rising, the overall heroin dependency rate was 1.9 per 1,000 people in 2011–2013³⁸⁶—considerably less than the results in Afghanistan. Across all categories surveyed, usage rates for rural populations were consistently higher than those of urban populations.³⁸⁷ At the December 2014 London Conference, the government of Afghanistan emphasized measures to counter narcotics trade and production in its reform program “Realizing Self Reliance: Commitments to Reforms and Renewed Partnership.”³⁸⁸ In the joint statement, the Afghan and U.S. governments released with the results of the national drug use survey, the Afghan government noted its commitment to addressing the domestic drug use problem.³⁸⁹

Colombo Plan: Instituted as a regional intergovernmental organization to further economic and social development, it was conceived at a conference held in Colombo, Sri Lanka (then Ceylon), 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.

Drug Demand Reduction

In January 2015, INL transitioned the first group of 13 treatment programs to the MOPH’s responsibility and transferred the clinical staff to the Afghan government.³⁹⁰ According to INL, the transition has gone smoothly without budget or management difficulties. INL holds meetings twice a year with the MOPH, the MCN, and the **Colombo Plan** to discuss and resolve any potential budgetary issues.³⁹¹ A total of 140 clinical staff members were trained from October 1, 2014, to March 31, 2015. Quarterly results for staff members trained between April 1 and June 2015 are not yet available. State told SIGAR that it will transition another 15 centers to the government by January 2016.³⁹² INL contributed over \$7.6 million to the Colombo Plan for the drug demand-reduction program in October 2014. It has yet to contribute or commit FY 2014 and FY 2015 funds.³⁹³

Counter-Narcotics Community Engagement

INL funds the nationwide Counter-Narcotics Community Engagement (CNCE) program, which focuses on discouraging poppy cultivation, preventing drug use by raising public awareness, and encouraging licit crop

Source: The Colombo Plan Secretariat website. History, www.colombo-plan.org, accessed 4/7/2014; State, INL, *International Narcotics Control Strategy Report: Volume I, Drug and Chemical Control*, 3/2013, p. 20.

production.³⁹⁴ Since 2013, INL has expended \$8.6 million on the program. The program was extended for one year on April 4, 2015, with an additional cost of almost \$1.6 million.³⁹⁵

As part of the program, Sayara Media Communications, a contractor, analyzes the effectiveness of media campaigns. Its 42 reporters are placed in most categories of provinces, which are ranked from tier 1 to tier 4 based on cultivation levels, and gather information and gauge perceptions on the state of counternarcotics policies and messaging. In addition, Sayara assesses the effectiveness of campaigns with audience reports.³⁹⁶

Sayara also monitors the amount and type of counternarcotics-related items in the media and evaluates any changes (positive or negative) from its baseline assessment findings.³⁹⁷ The effectiveness of this media campaign is unclear. INL told SIGAR that some areas exposed to counternarcotics media experienced a decrease in opium cultivation, while in other areas where security and governance remain a challenge, cultivation numbers increased or remained the same.³⁹⁸ An independent evaluation of the INL-funded messaging program has not taken place since early in the program's implementation, but a 2008 evaluation of a similar campaign concluded that "public CN [counter-narcotics] awareness campaigns cannot be effective in isolation and, to increase the chances of success, need to be (i) coordinated with the development of the licit rural economy to provide alternatives to opium poppy cultivation, and (ii) accompanied by credible threats of punishment (including eradication)."³⁹⁹ For more information on CNCE, see SIGAR's April 2015 *Quarterly Report to the United States Congress*.

Ministry of Counter-Narcotics Capacity Building

The MCN signed a Memorandum of Understanding (MOU) with INL in February 2014 renewing its capacity-building program for 18 months and providing funding for 24 local national advisors to help build capacity at the MCN.⁴⁰⁰ Last quarter, INL informed SIGAR it had completed a performance-measurement plan (PMP) in February 2015 to assess MCN capacity-building progress.⁴⁰¹ However, INL informed SIGAR this quarter that it is still working on the initial PMP for this program and will finalize the document in August 2015. The program is scheduled for renewal in September 2015.⁴⁰² INL is reviewing the revised MCN proposal to conduct a series of short- and long-term courses that will be taught by local universities with the aim of increasing work-related skills and overall capacity of MCN staff.⁴⁰³

INL conducted an independent risk assessment of the MCN's public financial-management system. The report identified significant deficiencies that increased the potential for material misstatement in financial reporting, inefficiency and ineffectiveness of operations, and noncompliance with laws and regulations.⁴⁰⁴ Areas of particular concern were internal control, program management and monitoring, and fixed-assets management.⁴⁰⁵

Governor-Led Eradication Program

INL funds the Governor-Led Eradication Program (GLE) program which operates at different times of the year depending on each province's cultivation cycle. The MCN tracks cumulative results which are subsequently verified by UNODC.⁴⁰⁶ The June 2015 UNODC report shows total eradication results of 3,322 hectares⁴⁰⁷—including 2,079 hectares in Helmand and 640 hectares in Kandahar.⁴⁰⁸ During this quarter, INL provided advance payments of \$236,500 to the MCN for GLE start-up costs in nine poppy-producing provinces.⁴⁰⁹

For more information on GLE, see SIGAR's April 2015 *Quarterly Report to the United States Congress*.

Good Performer's Initiative

INL's Good Performer's Initiative (GPI) supports the MCN's efforts to incentivize provincial counternarcotics performance. Under the terms of the original GPI, which ran through August 30, 2014, a province was eligible for financial support of GPI development projects for each year that it achieved UNODC-verified poppy-free status or reduced cultivation by more than 10% compared to the previous year's levels.⁴¹⁰ In August 2014, INL and the MCN announced GPI II, which expands the award categories for "good performers" to include public outreach and law enforcement, beginning in the 2014–2015 poppy cultivation season, and reduces the amount a province may receive from \$1 million to \$500,000.⁴¹¹

INL informed SIGAR that GPI held its first GPI II project-review committee (PRC) meeting in March 2015 to approve projects proposed by the provinces. A second GPI II PRC was held in May 2015. According to INL, GPI expects to have the initial draft of project design plans for GPI II projects completed by July 2015. As of May 31, 2015, a total of 222 GPI projects with a value of more than \$108 million have been approved. Some 170 projects have been completed, 48 were ongoing, and four were nearing completion.⁴¹² The GPI II PMP is currently under development.⁴¹³

INL ensures that projects proposed under the GPI program do not conflict with other U.S. government work through interagency consultation. INL and its implementing partners consult with USAID to avoid pitfalls such as duplicative work with the same beneficiaries or offering competing activities, and to develop complementary activities where possible. State's Special Representative for Afghanistan and Pakistan hosts regular counternarcotics working groups to bring together interagency personnel from State, DOD, DEA, USAID, and other relevant agencies to maintain coordination on multiple programs.⁴¹⁴

INL commissioned a third party to monitor and evaluate its programs assisting farmers to reduce opium cultivation.⁴¹⁵ The third party presented its finding to INL in a report published during the quarter. According to their analysis, no program in the near term would lead to lower opium

cultivation, but programs that promote income growth could lay the groundwork for lower levels of opium cultivation in the long term.⁴¹⁶ Some of their recommendations for future programs designed to decrease opium cultivation are to:

- use traditional agricultural products, such as fruit, nuts, grapes, and other perennial orchard crops with well-established markets;
- create stronger links between farms and markets;
- use simple, inexpensive, and easily available technologies; and
- connect with enough farmers to promote and sustain marketing industries.⁴¹⁷

The report also states that projects based on those recommendations would probably not require significant financial input, but are more likely to succeed based on their established track record and the conditions in country.⁴¹⁸ Based on current conditions, the third party recommended abandoning the policy of widespread eradication in Helmand and Kandahar.⁴¹⁹ The report echoes findings from other analysts who also advocate suspending eradication except in “areas where a legal economy already exists and generates sufficient livelihoods.”⁴²⁰

Alternative Development/Alternative Livelihood

USAID’s alternative-development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production.⁴²¹ INL funding supports programs in several areas including supply reduction and alternative development.⁴²² INL told SIGAR it coordinates regularly with USAID to ensure that INL-supported alternative-development efforts complement past and ongoing investments by USAID in licit livelihoods and rural development in Afghanistan.⁴²³

Strengthening Afghan Governance and Alternative Livelihoods

INL supports alternative-livelihood programs as part of its efforts to combat drug trafficking.⁴²⁴ The nongovernmental Aga Khan Foundation and its partners implement activities under the \$11.9 million Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) grant from INL.⁴²⁵ The implementers favor activities, rather than stand-alone projects, with the following five objectives:

- improve agricultural yields of high-potential licit crop systems
- increase economic return for licit crop systems
- improve farmers’ access to financing
- reduce vulnerability of at-risk populations to engage in the illicit economy
- improve subnational governance systems

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TABLE 3.16

ALTERNATIVE LIVELIHOOD PROGRAMS					
Agency	Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/25/2015 (\$)
State	Strengthening Afghan Governance and Alternative Livelihoods (SAGAL)	7/21/2014	1/20/2016	\$11,884,816	\$6,162,146*
USAID	Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	12/30/2016	45,296,184	43,394,354
USAID	Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW)	3/2/2009	9/30/2015	159,878,589	152,961,457
USAID	Kandahar Food Zone (KFZ)	7/31/2013	8/30/2015	18,695,804	15,896,000
USAID	Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	125,075,172	30,507,818
USAID	Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	7,776,412
USAID	Regional Agriculture Development Program (RADP)-West	8/10/2014	8/9/2019	69,973,376	6,259,278

Note: *Results through 6/25/2015. Some of the USAID programs listed receive both Alternative Development and Agriculture Development Funds.

Source: USAID, response to SIGAR data call, 7/12/2015; INL, response to SIGAR data calls, 6/25/2015 and 9/24/2014; USAID, response to SIGAR vetting, 7/12/2015.

SAGAL activities are implemented in 16 provinces including Helmand and Kandahar.⁴²⁶ INL informed SIGAR that \$6.2 million has been expended to date.⁴²⁷

According to INL, SAGAL activities will complement past and ongoing investments in licit livelihoods and rural development by the U.S. government, including support for GPI II. Where possible, SAGAL will support a more decentralized GPI II project-selection and nomination process to improve the recognition of rural community needs.⁴²⁸

Table 3.16 provides summary financial information on SAGAL and other alternative livelihood programs.

Kandahar Food Zone

The Kandahar Food Zone (KFZ) is a two-year, \$18.7 million project of USAID, implemented by International Relief and Development Inc. (IRD) under a joint strategy and in close coordination with INL. KFZ is designed to identify and address the drivers of poppy cultivation in targeted districts of Kandahar.⁴²⁹

On January 26, 2015, USAID suspended IRD for serious misconduct.⁴³⁰ The USAID Office of Inspector General investigated IRD for allegedly improperly charging certain overhead costs to the U.S. government.⁴³¹ In light of IRD's suspension, USAID was exploring a bridge program with a public international organization. USAID had reported to SIGAR last quarter that the process of selecting an organization was ongoing and the project would end on July 30, 2015, should the process fail.⁴³² USAID lifted IRD's suspension, effective June 22, 2015. By this action, IRD is no longer excluded from eligibility for extensions or new awards. As a result, USAID

approved a one-month, no-cost extension of KFZ until August 30, 2015; it intends to have IRD, rather than a public international organization, implement the one-year KFZ bridge program. Consequently, the risk of disruption of KFZ activities and personnel/contract terminations has diminished.⁴³³

Last quarter, USAID expended \$6 million on KFZ; this quarter, it has spent \$3.7 million.⁴³⁴ From January to March 2015, KFZ completed four trainings for senior MCN staff to address capacity gaps in strategic planning and policy development regarding alternative livelihoods. The program completed 12 alternative livelihoods projects and 10 of 11 canal-construction and rehabilitation activities.⁴³⁵

Regional Agricultural Development Program

The Regional Agricultural Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. Three RADP projects are under way in the southern, western, and northern regions of Afghanistan. These projects share objectives focused on strengthening the capacity of farmers to improve the productivity of high-value crops and livestock.⁴³⁶ Using a **value-chain** approach, these projects work with farmers and agribusinesses to overcome obstacles hindering production, processing, sales, and overall development of agricultural value chains.⁴³⁷

RADP-South, a five-year, \$125 million effort, operates in Helmand, Kandahar, Zabul, and Uruzgan. It began in October 2013 and is scheduled to end in October 2018.⁴³⁸

RADP-South's focus is on strengthening the capacity of producers, associations, traders, and businesses to respond to market demands and facilitate market linkages between value-chain actors⁴³⁹ such as retailers, input suppliers, mills, and agricultural depots. This quarter, RADP-South conducted training in wheat cultivation, pest management, nutrition, and high-value crops for several thousand farmers.⁴⁴⁰ RADP-South also supported veterinary field units with livestock vaccinations and treatment of diseases. It also conducted training for paraveterinarians (community-based animal health workers that provide initial diagnosis and basic treatment of animals) to deliver animal health-care services.⁴⁴¹

The \$78 million RADP-North project began in May 2014. It operates in Balkh, Jowzjan, Samangan, Baghlan, Kunduz, and Badakhshan⁴⁴² and has resulted in over 3,000 farmers being trained and 187 high-value-crop stakeholders identified in several of the provinces.⁴⁴³

The \$70 million RADP-West began operating in August 2014 in Herat, Farah, and Badghis. According to USAID, it is finalizing its value-chain analysis in order to identify constraints and potential areas for RADP-West intervention.⁴⁴⁴ Security and the delay of a signed MOU with the Ministry of Agriculture, Irrigation, and Livestock have impacted RADP-West's timetable and implementation.⁴⁴⁵

Value chain: the range of goods and services necessary for an agricultural product to move from the farm to the final customer or consumer. It encompasses the provision of inputs, actual on-farm production, post-harvest storage and processing, marketing and transportation, wholesale and retail sales.

Source: USAID, response to SIGAR vetting, 4/12/2015.

USAID informed SIGAR in March that it is planning RADP-East, which will encompass Nangarhar and several other provinces, after the Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW) program closes later this year. RADP-East will focus on strengthening value chains (working with input suppliers, market intermediaries and other agribusinesses, particularly in the Jalalabad area), working less directly with farmers.⁴⁴⁶

As of June 30, 2015, USAID has made cumulative disbursements of \$7.8 million on RADP-North, \$30.5 million on RADP-South and \$6.3 million on RADP-West.⁴⁴⁷ For summary information on this alternative-livelihood program, see Table 3.16 on page 128 of this report.

Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a \$45 million USAID program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production. CHAMP worked to reduce poverty among rural Afghan farmers by assisting them to shift from relatively low-value subsistence crops, such as wheat and corn, to high-value crops such as fruits and vegetables.⁴⁴⁸

CHAMP has worked in 17 provinces of Afghanistan, providing training in agricultural best practices, building storage facilities such as cool rooms and raisin-drying facilities, and helping grape farmers convert from traditional ground-level vineyards to higher-output trellis systems.⁴⁴⁹ CHAMP also helps stimulate farm exports by linking farmers to traders and traders to high-paying markets. CHAMP includes women in many of its activities in an effort to integrate them into the mainstream agricultural sector.⁴⁵⁰ The program has been extended an additional two years until December 2016 to reinforce gains made in the export sector and increase Afghan exports to regional supermarkets by up to 10,000 metric tons annually.⁴⁵¹

CHAMP is carrying out activities throughout six main value chains (apples, apricots, almonds, grapes, melons, and pomegranates).⁴⁵² The program focuses on improving horticultural and marketing practices to produce high-quality fruit for high-value markets such as the United Arab Emirates and India.⁴⁵³

Since 2010, CHAMP's various achievements include training 105,700 farmers, including 2,790 women, to improve agricultural techniques; planting nearly three million saplings and root cuttings benefitting 19,500 farmers; and exporting 29,500 tons of produce valued at \$33 million to international markets. CHAMP enabled the construction of over 230 storage facilities and created over 7,500 full-time jobs in agribusiness.⁴⁵⁴

During the first quarter of 2015, CHAMP provided training to 792 farmers, including 98 women, at established farmer field schools in Kabul, Kandahar, Kapisa, Parwan, Logar, and Wardak Provinces. At CHAMP

farmer field schools, participants learn new agricultural practices such as orchard or trellis management and receive modern agricultural tools. In March 2015, CHAMP arranged training on food safety, hazard analysis, and critical control points. During the February Dubai Gulfood Exhibition, CHAMP facilitated the participation of seven Afghan traders, generating deals worth nearly \$3.8 million and a potential for additional orders valued at \$672,000.⁴⁵⁵

As of June 30, 2015, USAID has disbursed \$43.4 million for CHAMP projects.⁴⁵⁶ For summary financial information on this program, see Table 3.16 on page 128 of this report.

Incentives Driving Economic Alternatives for the North, East and West

Launched in March 2009, the mission of USAID's \$160 million IDEA-NEW program is to expand the licit agricultural economy in the northern, eastern, and western regions of the country.⁴⁵⁷ Since 2014, IDEA-NEW has concentrated its efforts on the eastern region and on fruit and vegetable value chains.⁴⁵⁸ Because few female-owned or -operated businesses remain in the east, USAID's IDEA-NEW implementer reached out to the Afghan government and other donors to collect information on women-owned businesses within the targeted value chains.⁴⁵⁹ A month-long power failure at the Salang pass and insecurity in certain locations delayed completion of some activities.⁴⁶⁰

An evaluation of IDEA-NEW noted that "none of the monitoring and evaluation mechanisms adopted by the IDEA-NEW program . . . assess how different project activities might impact on opium poppy cultivation."⁴⁶¹ Using Nangarhar as the case study, the report noted that opium cultivation levels had increased over the course of the program.⁴⁶² The report cautions that evaluating the impact of IDEA-NEW is complex given:

- insecurity in areas of the province
- factors other than development assistance that contribute to reduced opium cultivation
- numerous interventions in the region from other international organizations⁴⁶³

As of June 30, 2015, USAID has disbursed \$153.0 million for IDEA-NEW activities.⁴⁶⁴ For financial information on IDEA-NEW and other alternative-livelihood programs, see Table 3.16 on page 128 of this report. Please see SIGAR's April 2015 *Quarterly Report to the United States Congress* for more information on IDEA-NEW.

Interdiction Operations and Results

DOD reported that from April 1 to June 22, 2015, Afghan security forces and law-enforcement agencies conducted 50 drug-interdiction operations

resulting in 66 detained individuals. These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. This year, the U.S. military stopped providing Afghans with logistical and intelligence support for counternarcotics activities; however, DEA continues to provide mentoring and support to specialized Afghan investigative units. The U.S. military still provides logistics support to the Afghan Special Mission Wing (SMW).⁴⁶⁵

Most interdiction activities occurred in the east and capital regional commands. Previously, interdictions were concentrated in southern regional commands, where the majority of opiates are grown, processed, and smuggled out of Afghanistan. DOD said the continued reduction in seizures and operations is likely a result of the Coalition drawdown as the threat to interdiction forces in the east and capital regional commands is not as great as in the southern commands. Coalition forces (and U.S. military forces) are no longer conducting counternarcotics operations.⁴⁶⁶

In addition to the Counternarcotics Police of Afghanistan (CNPA), Afghan organizations contributing to interdiction activities include the ABP, ANA, ANP, and the General Directorate Police Special Unit (GDPSU). Interagency elements, including the Interagency Operations Coordination Center (IOCC), continued to support combined Afghan and RS interdiction efforts.

The IOCC integrated data from military and law-enforcement sources, which have supported operations against narco-insurgent elements. DOD informed SIGAR that the IOCC will shut down by the end of June.⁴⁶⁷ DOD stated in its *Report on Enhancing Security and Stability in Afghanistan* that direct international assistance to the CNPA, particularly from State, is expected to decrease dramatically in 2016.⁴⁶⁸ The reduced financial support will impact the effectiveness of the CNPA, unless the Afghan government generates more revenue to meet its expenses. See page 165 in the Economic and Social Development section of this report for a discussion of the country's budget.

DOD informed SIGAR that it has established a regional narcotics interagency fusion cell (RNIFC) to combat the drug trade given the U.S. military's reduced capabilities within Afghanistan. The RNIFC, located in Bahrain, tracks and attacks the illicit movement of Afghan heroin on boats destined for the Middle East and East Africa. The RNIFC will connect with regional partner nations in order to coordinate and collaborate on future operations.⁴⁶⁹

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

- 3,980 kg of opium
- 675 kg of heroin
- 1,208 kg of hashish/marijuana
- 80 kg of precursor chemicals⁴⁷⁰

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, viii.

TABLE 3.17

INTERDICTION RESULTS, FY 2008–Q1 FY 2015									
	2008	2009	2010	2011	2012	2013	2014	2015*	Total
Number of Operations	136	282	263	624	669	518	333	222	3,047
Detainees	49	190	484	862	535	386	441	318	3,265
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	15,528	763,505
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,052	1,676	30,885
Morphine seized (kg)	409	5,195	2,279	18,040	10,042	11,067	5,925	505	53,462
Opium seized (kg)	15,361	79,110	49,750	98,327	70,814	41,350	38,307	23,647	416,666
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	130,846	36,250	53,184	234,981	695,548

Note: *Partial fiscal-year results through 6/22/2015 only. 1 kilogram (kg) = about 2.2 pounds. SIGAR's analysis detected an anomaly in the cumulative FY 2015 data for seizures of precursor chemicals. DOD had yet to confirm the numbers as the report went to press.

Source: DOD, response to SIGAR data call, 6/29/2015.

As shown in Table 3.17, interdiction results have been declining since 2012.

According to DOD, vetted Afghan units have successfully conducted complex counterdrug investigations and operations without Coalition assistance. However, the drawdown of Coalition forces has had an impact on Afghanistan's ability to conduct counternarcotics interdiction operations, particularly in Kandahar and Helmand. Overall, counterdrug operations decreased 46.6%, from 624 in FY 2011 at the height of the ISAF surge to 333 in FY 2014, while actual heroin seizures have decreased 72%, from 10,982 kg in FY 2011 to 3,052 kg in FY 2014, and opium seizures have decreased 61% from 98,327 kg in FY 2011 to 38,307 kg in FY 2014, according to the Consolidated Counterdrug Database. In FY 2011, 75% of all counternarcotics operations occurred in Helmand and Kandahar Provinces with a decrease to 32% of all counternarcotics operations occurring in those same provinces in FY 2014.⁴⁷¹

Aviation Support

According to INL, State counternarcotics support to DEA consisted of 163.5 flight hours (108 flight hours for counternarcotics efforts and 55.5 flight hours in support of the Afghan National Interdiction Unit (NIU) and DEA passenger movements), 159 sorties, 879 personnel transported, and 64,645 pounds of cargo moved. INL's Kabul team was provided 35.4 flight hours.⁴⁷² The INL air wing element at Kandahar Airfield officially closed on June 27, 2015.⁴⁷³ That element provided rotary wing assets in support of DEA missions in southern Afghanistan. According to INL, a specially trained Afghan counternarcotics police unit will continue to operate in the area, with an NIU platoon based at the Kandahar Regional Law Enforcement Center.⁴⁷⁴

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GOVERNANCE

As of June 30, 2015, the United States had provided nearly \$31.8 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$18.6 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID).

KEY EVENTS

Despite a constitutional requirement for elections 30–60 days prior to the expiration of the *Wolesi Jirga* (lower house) term, the continuing disagreement between President Ashraf Ghani and Chief Executive Officer Abdullah Abdullah on election reforms has delayed the scheduling of parliamentary elections.⁴⁷⁵ Although the lower house’s term expired on June 22, 2015, no elections were held.⁴⁷⁶ On June 19, Ghani announced that the lower house would continue its work until elections are held and the results are known. The president also said a date for elections would be announced within one month.⁴⁷⁷

On June 22, the Taliban launched a suicide attack against parliament just minutes before the second vice president was due to introduce the national-unity government’s nominee for minister of defense, Masoom Stanekzai, for a vote of confidence.⁴⁷⁸

On July 4, the lower house of parliament rejected Stanekzai as minister of defense. Stanekzai, who has been acting minister of defense since May and before that served as the head of the secretariat for the High Peace Council, received only 84 of the 107 votes necessary for confirmation. The Ministry of Defense (MOD) has been without an approved minister for nine months.⁴⁷⁹

On July 7, delegations from the Afghan government and the Afghan Taliban met in Pakistan in what the Afghan Ministry of Foreign Affairs labeled the “first meeting of formal peace negotiations.”⁴⁸⁰ *Tolo News* reported that the delegation included Hekmat Karzai, the deputy minister of foreign affairs.⁴⁸¹ U.S. and Chinese officials attended the meeting, but only as observers. Pakistani officials said the Afghan government and Taliban agreed to meet again to “continue talks to create an environment conducive

for peace and reconciliation.”⁴⁸² Senior leaders of the Taliban and the Haqqani network reportedly took part in the meeting.⁴⁸³

Ghani, in speaking about the talks, indicated that a second round would likely occur between late July and early August. Ghani was quoted referring to the Taliban as “brothers” and said the “Taliban are Afghans, they are not foreigners. They should bring [the Afghan government] their written concerns because there isn’t any issue in the world that is not possible to be resolved by dialogue. This issue can’t be concluded with war.”⁴⁸⁴

There were indications that the Taliban is divided on the talks. For example, a front-page editorial on the Taliban’s website initially decried the talks but later was removed from the site without explanation.⁴⁸⁵ On July 15, however, Mullah Omar reportedly hailed the peace talks as “political endeavors” and “peaceful pathways,” that are legitimate means to “bring an end to the occupation.”⁴⁸⁶

This quarter, the World Justice Project published its *Rule of Law Index 2015*, ranking Afghanistan as the second worst among 102 countries examined. The overall score was a composite of categories. Afghanistan performed best among its low scores in the categories of constraints on government power, open government, and order and security, but worst in categories of absence of corruption and of criminal justice.⁴⁸⁷

NEW AFGHAN GOVERNMENT

Electoral Reform Challenges

The 2014 presidential elections, which international monitors noted experienced substantial fraud, highlighted Afghanistan’s continuing need for electoral reforms.⁴⁸⁸ As the United Nations Secretary-General observed in June, “comprehensive electoral reforms will be crucial for restoring the faith of the Afghan people in the democratic process.”⁴⁸⁹

Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his rival, Chief Executive Officer Abdullah, after the troubled presidential elections. The September 2014 agreement that led to formation of the national-unity government called for (1) immediate establishment of a special commission for election reform with the aim of implementing reform before the 2015 parliamentary elections and (2) distribution of electronic identity cards to all Afghan citizens as quickly as possible.⁴⁹⁰ However, according to State, the Afghan government has made only incremental progress on electoral reform during the quarter.⁴⁹¹

On March 21, the Office of the President announced that Ghani had established the Special Electoral Reform Commission (SERC). According to the statement, Ghani formed the SERC to bring “fundamental reform” to the Afghan electoral system, strengthen rule of law and the democratic process,

and prevent violations of electoral laws and regulations. It was not until July 16 that Ghani's office announced the full SERC appointments.⁴⁹² The SERC began its work on July 22.⁴⁹³

There have been plans since 2009 to introduce biometric identity cards (*e-tazkera*) to reduce opportunities for ballot fraud. These plans have been delayed by logistical problems and disagreements about which terms to use on the identity cards to indicate Afghan nationality.⁴⁹⁴ USAID had been supporting a 90-day pilot test in Kabul in which the Ministry of Interior (MOI) was to collect data from civil servants and their families in support of the *e-tazkera*.⁴⁹⁵ The Afghan government's *e-tazkera* group was also working with the United Nations Development Programme's (UNDP) ELECT II program to conduct a pilot project in a precinct in Kabul City for the upcoming parliamentary election. The *e-tazkera* project aimed to develop population data that the Independent Election Commission (IEC) could use to compile a voter list based on the electronic identification with biometric data.⁴⁹⁶

The *e-tazkera* pilot project, however, did not make significant progress during the quarter. On June 28, USAID stopped funding the pilot program due to lack of progress and the lack of a clear commitment of Afghan government agencies. According to State, it appears that the European Union is continuing to fund salaries for the project.⁴⁹⁷ In early July, the director general of the *e-tazkera* project said that Ghani ordered a renewed push to expedite the program and encourage donors. The director general said the *e-tazkera* cards should be ready for "a huge number of citizens," barring any delays, for the next presidential election in 2019.⁴⁹⁸

International donors have reduced funding for Afghan electoral organizations due to the lack of an electoral schedule and insufficient progress towards electoral reform. Consequently, the IEC and Independent Electoral Complaints Commission (IECC) began the process of reducing staff and assessing ways to lower monthly running costs, while seeking a supplementary funding through the Afghan government budget.⁴⁹⁹

Initial Appointments

On April 1, Second Vice President Mohammad Sarwar Danish introduced 16 cabinet nominees to parliament, with the notable exception of nominees for minister of defense and attorney general.⁵⁰⁰ The lower house approved all 16 minister nominees on April 18. For more details on the individual nominees see pages 146–147.⁵⁰¹

On July 1, Danish introduced to the lower house nominees for the minister of defense, head of the central bank, and two justices of the Supreme Court of Afghanistan.⁵⁰² The nominees for the Supreme Court included a woman for the first time in Afghanistan's history. On July 4, however, parliament rejected the nominee for minister of defense and, on July 8, the female nominee for the Supreme Court.⁵⁰³ On July 8, parliament approved the nominee for head of the central bank and the male Supreme Court nominee.⁵⁰⁴

Between April 27 and June 7, Ghani, with the agreement of Abdullah, appointed 18 provincial governors. As of June 23, the national-unity government has appointed new governors for 21 of 34 provinces.⁵⁰⁵ Women were appointed governors in Ghor and Daykundi Provinces, but protests have prevented the Daykundi governor from taking up her post.⁵⁰⁶

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

Summary of On-Budget Agreements

To improve governance and align development efforts with Afghan priorities, international donors at the 2010 Kabul Conference committed to increase to 50% the proportion of civilian development aid delivered **on-budget** through the Afghan government.⁵⁰⁷ Donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference and again at the December 2014 London Conference.⁵⁰⁸

As shown in Table 3.18, USAID expects to spend approximately \$1 billion on active direct bilateral-assistance programs. It also expects to contribute \$1.9 billion to the Afghanistan Reconstruction Trust Fund (ARTF), on top of \$1.37 billion disbursed under the previous grant agreement between USAID and the World Bank.⁵⁰⁹ USAID has disbursed \$105 million to the Afghanistan Infrastructure Trust Fund (AITF).⁵¹⁰

The U.S. government announced in March that it intends to seek funding to support the Afghan National Defense and Security Forces (ANDSF), including army and police, at the level of 352,000 personnel through at least 2017.⁵¹¹ The Department of Defense (DOD) requested and received \$4.1 billion for ANDSF in the fiscal year (FY) 2015 budget,⁵¹² which will help sustain the end strength of 352,000 through 2015, and has requested \$3.8 billion in the FY 2016 budget.⁵¹³ Previously, at the 2012 Chicago Conference, the international community committed to financially support the Afghan security forces with its estimated annual budget of \$4.1 billion. However, that estimated budget was for a reduced force of 228,500 personnel.⁵¹⁴

At the September 2014 Wales Summit, NATO allies and partners renewed their commitment to contribute significantly to financial sustainment of the ANDSF through the end of 2017 and to financially sustain the ANDSF over the next 10 years. The international community has pledged an additional almost €1 billion, approximately \$1.29 billion, annually to sustain the ANDSF for 2015 through the end of 2017.⁵¹⁵

In 2015, DOD expects to contribute \$108 million for police salaries to the MOI through UNDP's Law and Order Trust Fund for Afghanistan (LOTFA).⁵¹⁶ This was a significant decrease from last year's contribution of approximately \$308 million.⁵¹⁷ The decrease was made possible because other international donors increased their contributions to LOTFA.⁵¹⁸ *The New York Times* reported last December that Ghani had demanded the

On-budget assistance: encompasses donor funds that are aligned with Afghan government plans, included in Afghan government budget documents, and appropriated by the parliament and managed by the Afghan treasury system. On-budget assistance is primarily delivered either through direct bilateral agreements between the donor and Afghan government entities, or through multidonor trust funds.

Off-budget assistance: encompasses donor funds that are excluded from the Afghan national budget and not managed through Afghan government systems.

Source: SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 130; Ministry of Finance, "Aid Management Policy for Transition and Beyond," 12/10/2012, p. 8.

GOVERNANCE

TABLE 3.18

USAID ON-BUDGET PROGRAMS						
Project/Trust Fund Title	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Bilateral Government-to-Government Projects						
Power Transmission Expansion and Connectivity Project (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	Yes	1/1/2013	12/31/2018	\$670,000,000	\$36,791,897
Partnership Contracts for Health Services (PCH) Program	Ministry of Public Health	Yes	7/20/2008	12/31/2015	259,663,247	220,355,890
Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	DABS	Yes	4/22/2013	12/31/2015	75,000,000	28,198,416
Basic Education and Literacy and Vocational Education and Training (BELT) - Community-Based Education†	Ministry of Education (MOE)	Yes	10/29/2013	3/10/2015	56,000,000	0
Afghanistan Workforce Development Project (AWDP)	MOE	Yes	9/18/2013	4/3/2016	30,000,000	664,275
Basic Education and Literacy and Vocational Education and Training (BELT) - Textbooks Printing and Distribution†	MOE	Yes	11/16/2011	12/31/2014	26,996,813	24,436,268
E-Government Resource Center (EGRC)	Ministry of Communications and Information Technology	Yes	8/28/2013	6/1/2016	3,900,000	30,000
Multi-Donor Trust Funds						
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	3/31/2017	1,900,000,000	1,058,302,620
Afghanistan Infrastructure Trust Fund (AIF)**	Multiple	No	3/7/2013	3/6/2018	105,670,184	105,000,000

Note:

† Programs are no longer active.

* USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements. Cumulative disbursements from ARTF are currently \$2,430,293,815.

** On October 9, 2014, USAID de-subobligated \$179,500,000 from the AIF.

Source: USAID, response to SIGAR data calls, 6/25/2015 and 7/12/2015.

administration of LOTFA be turned over to the Afghan government within six months.⁵¹⁹ On June 30, the MOI announced that LOTFA would be extended for 18 months, after which MOI will assume full management of police salary payments.⁵²⁰

Because SIGAR had already found MOI internal-control mechanisms insufficient to the task, SIGAR believes shifting police payment from LOTFA to direct financial assistance to the Afghan government would entail serious risks. SIGAR is not opposed to direct assistance, but believes such a move must contain a strict regimen of internal controls to ensure that monies are spent for their intended purposes.⁵²¹

DOD also expects to contribute approximately \$1.6 billion this year in direct contributions to the MOD and approximately \$553 million in direct contributions to the MOI.⁵²²

Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) through contributions to two multidonor trust funds, the ARTF and the AITF.⁵²³ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the MOF for each program.⁵²⁴

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.⁵²⁵ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁵²⁶ According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.⁵²⁷

According to USAID, the World Bank, as the ARTF administrator, employs a systematic approach to minimizing the exposure of ARTF funds to fiduciary risk. This includes policies, procedures, and practices to identify, analyze, evaluate, and then address and monitor risk. The World Bank provides technical assistance to the Afghan government to ensure that such systems are in place and strengthened.⁵²⁸

The United States is working closely with the Afghan government to establish a results framework and an implementing agreement to govern an \$800 million, USAID-administered initiative that will be delivered through the ARTF.⁵²⁹ The New Development Partnership (NDP) is a four-year incentive-based program to support Ghani's reform agenda. It was announced last quarter and will utilize already budgeted or requested funding.⁵³⁰ The Afghan government has initially identified the areas of fiscal sustainability, anticorruption, and poverty reduction as the priority areas under the NDP. According to State, the next step is to develop specific results that the government will seek to achieve in these areas in order to qualify for incentive funds.⁵³¹

On-Budget Assistance to the ANDSF

A large portion of on-budget assistance is for the Afghan security forces. DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the MOD and the MOI, and (2) ASFF contributions to the multidonor LOTFA.⁵³² Administered by the UNDP, LOTFA primarily funds Afghan National Police (ANP) salaries and incentives.⁵³³ Direct-contribution funding is provided to the MOF, which allots it incrementally to the MOD and MOI, as required.⁵³⁴

In February 2011, the Under Secretary of Defense Comptroller authorized the Combined Security Transition Command-Afghanistan (CSTC-A) to provide direct contributions to the Government of Afghanistan from ASFF

ON-BUDGET ASSISTANCE

According to USAID, there are strengths and weaknesses to providing on-budget assistance bilaterally and via multidonor trust funds managed by public international organizations.

For *bilateral* on-budget assistance, these strengths and weaknesses include:

Strengths

- Encourages better dialogue with Afghan government on development concerns and affords some degree of substantial involvement regarding visibility on how and when resources are disbursed.
- Can be comparatively more efficient and cost effective than off-budget.
- Allows USAID to influence sector-wide policies and programs through performance benchmarking/milestones.
- Demonstrates strong commitment to counterpart implementation.
- Builds Afghan government human and institutional capacity.
- Public financial management risk assessments are conducted to identify fiduciary risks prior to commencing new on-budget projects; and project-specific risk mitigation measures are incorporated in the on-budget agreement.

Weaknesses

- Afghan government capacity to complete programs is weak and often requires more time than planned to complete program objectives.
- The use of externally managed project-management units to mitigate risk or augment low-capacity Afghan government civil servants reduces capacity building.
- Introduces a significant management burden and is labor intensive for USAID staff.
- USAID's inability to travel due to security concerns inhibits direct monitoring of USAID activities (USAID notes that this also affects off-budget activities).

- Political changes in the host government can delay implementation of activities.

For on-budget assistance delivered via a *multidonor trust fund* managed by a public international organization, the strengths and weaknesses are:

Strengths

- Promotes Afghan government ownership.
- Allows donors to pool their funds and coordinate efforts. For example, Afghanistan's requirement for infrastructure investment, estimated to be \$4 billion for the next three years, is well beyond the means of any single funding agency or the Afghan government to finance. The AITF allows the international community to make that investment.
- Transfers management burden away from USAID to the public international organization.
- Reduces burden on USAID staff to develop and negotiate specific implementing and funding mechanisms and monitor the implementation.
- Transfers financial and programmatic risk to the public international organization.

Weaknesses

- USAID loses control as these funds are mixed with other donors' contributions.
- The public international organization can reject additional USAID requirements and may limit reporting.
- Less control over implementation, monitoring, and verification of meaningful results.
- It is difficult to attribute results to U.S. contributions since USAID funds are commingled with other donors' funds.
- Limited discretion in how U.S. funds are spent across a range of projects.⁵³⁵

to develop ministerial capacity and capability in the areas of budget development and execution, acquisition planning, and procurement. CSTC-A administers all contributions of ASFF resources to the MOD and MOI. CSTC-A monitors and formally audits the execution of those funds to assess ministerial capability and ensure proper controls and compliance with documented accounting procedures as well as compliance with the provisions in the annual commitment letters.⁵³⁶ CSTC-A reviews weekly data from the Afghanistan Financial Management Information System (AFMIS) to monitor expenditures for sufficiency of funds and rate of expenditures or “burn rates.”⁵³⁷

CSTC-A analyzes AFMIS data to identify abnormalities such as expenditures for items CSTC-A does not fund. CSTC-A reports the abnormalities it finds to the MOI and MOD for correction.⁵³⁸ Any CSTC-A-provided funding that is miscoded and not corrected within 30 days will be withheld from future disbursements.⁵³⁹

CSTC-A acknowledges that AFMIS data is entered by Afghan ministry staff, so data reliability largely depends on their diligence and accuracy in system-data entry. If a transaction is omitted, for example, CSTC-A would not necessarily be aware of it. CSTC-A does not know if Afghans perform periodic checks to validate AFMIS data,⁵⁴⁰ but reports that CSTC-A conducts weekly AFMIS reviews and “validates data to the maximum extent possible.”⁵⁴¹

CSTC-A’s total contribution to the MOD FY 1394 budget is 89.47 billion afghani (approximately \$1.6 billion using an exchange rate of 56 afghani per dollar).⁵⁴² CSTC-A’s total contribution to the MOI FY 1394 budget is 30.99 billion afghani (approximately \$553 million using the same exchange rate).⁵⁴³

The 1394 commitment letters expressed CSTC-A’s intent to transition management of previously off-budget assistance to the ANDSF, including fuel services. According to the commitment letters, the estimated annual cost for fuel services for the MOD is \$262 million,⁵⁴⁴ while the estimate for the MOI is \$150 million. CSTC-A retains the right to procure fuel off-budget.⁵⁴⁵ CSTC-A noted in the commitment letters for both the MOD and MOI that corruption in the purchase and delivery of fuel is a particular concern.⁵⁴⁶

SIGAR has conducted a criminal investigation into serious allegations that the MOD fuel contract was corrupted by contractor collusion, price fixing, and bribery, see Section 2, page 60, for more information.⁵⁴⁷ Last quarter, President Ghani canceled the \$800 million contract to supply fuel to the Afghan army for three years following accusations of procurement-related corruption. Ghani also launched an investigation after learning of a reported \$215 million difference between the higher bid of the winning contractor and that of another potential bidder.⁵⁴⁸

According to CSTC-A, the fuel procurement investigation caused CSTC-A and the Afghan government to reexamine and, in some cases, delay the transition of off-budget procurements to on-budget contracting for fuel and

other items. CSTC-A reexamined the Afghan government's procurement process to address execution problems, lack of capacity, failure to adhere to Afghan procurement laws, and other systemic issues.⁵⁴⁹ The 1394 commitment letters require a fuel-contract documentation review every two weeks with each ministry (MOI or MOD), contracted vendors, and Coalition representatives. CSTC-A intends to decrease future funding if a purchase fails to comply with the provisions of the commitment letter. CSTC-A has also focused audit efforts on fuel and other priorities including pay and ammunition.⁵⁵⁰ In addition, CSTC-A has implemented a weekly Procurement Approval Board (PAB) for both the MOD and MOI to review procurement planning, compliance, and execution. Both PABs include representatives of the Afghan government's National Procurement Authority, CSTC-A and Resolute Support, and the respective ministry's acquisitions and procurement organizations. The goal of the PABs is to ensure sound procurement processes to include prequalification requirements, bid-evaluations procedures, and centralized announcements of bidding opportunities.⁵⁵¹

In February, Ghani established the National Procurement Commission (NPC) to centralize procurements of large contracts under a presidential commission consisting of a core group of Afghan officials with "impeccable credential[s] for honesty."⁵⁵² SIGAR is one of two U.S. government bodies to attend the NPC meetings as neutral observers. For more information, see Section 2, pages 56–57.

Ghani's effort to reduce MOI and MOD procurement-related corruption has slowed procurement and created what CSTC-A has labeled the "[Afghan fiscal year] 1394 Procurement Crisis."⁵⁵³ Of the 648 MOD requirements, only 266 have been submitted to the MOD acquisition agency and only 31 contracts have been awarded. The MOI is experiencing a similar backlog with 925 defined requirements, 209 of which have been submitted to the MOI procurement directorate, and 47 contracts have been awarded. According to CSTC-A, the procurement backlog significantly limits the opportunities to successfully transition off-budget contracts to on-budget procurement.⁵⁵⁴

Following an agreement between donors and the MOI, in December 2014 LOTFA ended a long-running pilot program to pay police salaries through mobile-money payments to cell phones.⁵⁵⁵ The pilot began in 2009 when the cellular phone company Roshan offered a service that would notify enrolled police officers that their pay was available for disbursement at a Roshan agent's shop.⁵⁵⁶ The mobile-money pilot was intended to reduce administrative corruption in paying salaries, particularly in areas that lacked banking facilities. (Normally in such areas a "trusted agent" would deliver other salaries in cash, a system that lent itself to corruption.)⁵⁵⁷ According to CSTC-A, the pilot had several drawbacks including the lack of MOF and Afghan central bank support, not being tied to the banking system, and the failure of Roshan to take responsibility for funds once transferred to their mobile-money system.⁵⁵⁸



Minister of Finance Eklil Ahmad Hakimi cochaired the fourth ambassador-level Oversight and Coordination Body to coordinate donor commitments for the ANDSF in 2015 and beyond. (DOD photo by Lieutenant Junior Grade Charity Edgar)

Despite the end of the LOTFA mobile-money pilot, a new mobile-money pilot has begun in Paktika Province through a partnership between New Kabul Bank (NKB) and the Afghan Wireless Communication Company (AWCC). According to CSTC-A, this new pilot is supported by the MOF and Ghani. The software for this new pilot allows for financial transfers among users as well as physical cash withdrawal from vendors using a biometric card given at point of registration. Users must present a biometric identification, finger print, and a unique password in order to withdraw cash from vendors or a bank. CSTC-A said that this new system is auditable because it is tied to Afghan banking system, the NKB takes responsibility of funds once transferred from MOF, cash withdrawals are available at both NKB banks and authorized AWCC vendors, and it promotes the use of “e-money.”⁵⁵⁹ CSTC-A plans to expand, in line with Ghani’s vision, mobile-money payments to all ANP personnel who do not have access to electronic funds transfer via banks.⁵⁶⁰

NATIONAL GOVERNANCE

The Tokyo Mutual Accountability Framework (TMAF) lays down conditions for international engagement in Afghanistan and is the agreed instrument for measuring mutual accountability.⁵⁶¹ The international community and Afghan government agreed to the TMAF at the Tokyo Conference of Donors in July 2012. According to State, the TMAF and related indicators are intended to provide Afghan citizens, international donors, and other international observers a readily available mechanism to assess the Afghan government’s commitment to reform and as a means for donors to justify continuing to provide extraordinary amounts of assistance. If the Afghan government fails to perform, continued assistance could be imperiled.⁵⁶²

International donors and the Afghan government agreed at the December 2014 London Conference that the TMAF should be refreshed to cover the period after 2015. The Afghan government and donors are discussing and drafting updated goals and indicators for the refreshed framework. The goal is for the refreshed framework to be approved at the Senior Officials Meeting scheduled for early September in Kabul.⁵⁶³

Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries’ ability to prepare, manage, and account for on-budget assistance. These programs also provide general assistance to support broader human and institutional capacity-building of Afghan government entities.⁵⁶⁴ As shown in Table 3.19, active 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

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TABLE 3.19

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Leadership, Management, and Governance Project	Ministry of Public Health Ministry of Education	9/25/2012	6/30/2015	\$38,341,106	\$33,901,491
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	9,458,073
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2015	14,182,944	6,325,251

Source: USAID, response to SIGAR data call, 7/12/2015.

2010 Kabul International Conference for increased on-budget aid.⁵⁶⁵ USAID is also funding the Ministry of Women's Affairs Organizational Restructuring and Empowerment project, a \$15 million project that, among other things, assists the ministry to improve its financial management, as required for future on-budget assistance.⁵⁶⁶

To encourage Afghan ministries to rely more heavily upon the civil service and reduce dependency on the "parallel civil service" created through certain donor-funded programs to pay the salaries of highly qualified non-civil servants, USAID has decided to move assistance from stand-alone programs to the ARTF's Capacity Building for Results (CBR) program.⁵⁶⁷ The United States has contributed \$5 million in support of the \$112 million CBR.⁵⁶⁸ CBR supports ongoing public-administration reforms across the government, training for selected civil servants, and limited technical assistance to support ministry reforms.⁵⁶⁹ CBR provides ministries with the opportunity to recruit high-capacity staff into critical posts at salaries closer to market rates.⁵⁷⁰

According to the World Bank, there is clear demand for the program across the Afghan government with four major service-delivery ministries now participating and over 50% of eligible ministries having submitted their prequalification applications. But in April, the World Bank found the CBR continued making unsatisfactory progress and carries a high risk. Overall progress towards achievement of the development objective has been slow due to aspects of the project design, capacity issues, and political economic factors.⁵⁷¹

In February, the World Bank met with Ghani and senior government officials to agree on the need for high-level Afghan government leadership and clear implementation arrangements for the project; simplified access for ministries to CBR; accelerated CBR civil service recruitments; support for core components through the use of specialized firms; and salary harmonization for national consultants. The MOF is expected to request a project restructuring to formalize these changes.⁵⁷²

National Assembly

Despite a constitutional requirement to hold elections 30–60 days prior to the expiration of the lower house term, that term expired on June 22, 2015, with no elections held.⁵⁷³ On June 19, President Ghani announced that the lower house would continue its work until elections are held and the results are known. The president also said a date for elections would be announced within one month.⁵⁷⁴ Some lawmakers questioned the legality of the executive branch extending parliament's term and the executive's failure to hold elections as required.⁵⁷⁵

According to State, Afghanistan's parliament continues to demonstrate growing capacity and political maturity. While fractious, the parliament is capable of protecting its legislative equities with the executive branch and directing a public spotlight on ministries. However, staffing struggles, corruption, and low levels of education and experience continue to plague the body.⁵⁷⁶

On April 18, the lower house confirmed 16 cabinet nominees made by Ghani and Abdullah. Those approved included:

- **Minister of Borders and Tribal Affairs:** Mohammad Gulab Mangal, former governor of Helmand, Laghman, and Paktika Provinces;
- **Minister of Counter Narcotics:** Ms. Salamat Azimi, former head of the Children's Rights section at the Afghan Independent Human Rights Commission;
- **Minister of Education:** Assadullah Hanif Balkhi, former Afghan ambassador to Kuwait;
- **Minister of Higher Education:** Ms. Farida Mohmand, former head of pediatric medicine of Kabul Medical University;
- **Minister of Information and Culture:** Abdul Bari Jahani, former journalist for the Voice of America;
- **Minister of Justice:** Abdul Basir Anwar, former deputy minister of public health;
- **Minister of Labor, Social Affairs, Martyrs, and Disabled (MOLSAMD):** Ms. Nasrin Oryakhil, a former member of Ghani's election campaign in 2014;
- **Minister of Public Works:** Mahmoud Balegh, former professor at Kabul Polytechnic University;
- **Minister of Urban Development Affairs:** Sayed Mansoor Naderi, recent president of Afghan Crystal Natural Resources of Afghanistan;
- **Minister of Women's Affairs:** Ms. Dilbar Nazari, former member of parliament from Samangan Province;
- **Minister of Trade and Commerce:** Humayun Rasa, former deputy chief of staff for President Karzai, deputy minister of education, and deputy director of support for the National Directorate of Security;
- **Minister of Agriculture, Irrigation, and Livestock:** Asadullah Zamir, former finance advisor to the Minister of Rural Rehabilitation and Development and senior advisor to the Minister of Education;

- **Minister of Energy and Water:** Ali Ahmad Osmani, former coordinator for European Union programs in western Afghanistan;
- **Minister of Telecommunications:** Abdul Razaq Wahidi, former deputy minister of finance;
- **Minister of Economy:** Abdul Satar Murad, former governor of Kapisa Province;
- **Minister of Transport and Civil Aviation:** Dr. Mohammadullah Batash, governor of Faryab Province and former deputy minister for the ministry of transportation and civil aviation.⁵⁷⁷

According to USAID, while achieving quorum has been a challenge for parliament in the past, this quarter both the lower house and the upper house of parliament achieved quorum when critical legislation was before them. The lower house also had no trouble achieving quorum during the ministerial hearings.⁵⁷⁸

Parliament also held hearings and summoned various government officials during the quarter including:

- On May 18, the Chair of the IEC discussed the lower house elections.
- On June 3, the Minister of Mines and Petroleum testified regarding the situation of the Mes Aynak and Hajigak mines.
- On June 3 and June 10, the Minister of Counter Narcotics testified on the number of drug users and addicts in Afghanistan.
- On June 6, the Minister of Finance and the acting Governor of Da Afghanistan Bank discussed the decrease in customs revenue and the complaints of shopkeepers regarding increased taxes and inflation.
- On June 21, the Minister of Energy and Water and the Chairman of Da Afghanistan Breshna Sherkat offered an explanation for recent power shortages across the country.
- On June 23, the Minister of Education provided an update regarding Kabul schoolteachers' sit-in and problems within the ministry.⁵⁷⁹

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.⁵⁸⁰

This quarter, ALBA issued the findings of 12 focus group discussions and 12 in-depth interviews conducted in March. The interviews were conducted in the cities of Kabul, Kandahar, and Mazar-e Sharif. The interviews exposed strong feelings of frustration and cynicism toward Ghani's government, with many respondents worried that the two-headed power-sharing government structure is a recipe for conflict and paralysis. The participants' views of parliament and the provincial councils are mostly negative, with respondents viewing members as self-interested, corrupt, and unqualified.⁵⁸¹

Over the past quarter, ALBA supported the following parliamentary commissions to undertake oversight trips in the provinces:



Afghan members of parliament during an ALBA-facilitated oversight visit to Herat Province. (USAID photo)

- **Balkh:** Joint delegation of the upper house lead by deputy speaker Ezydyar;
- **Herat:** Upper House Economic and Budget Affairs Commission and the Upper House Border and Tribal Affairs Commission; and
- **Bamyan:** Upper House Commission on Religious and Cultural Affairs.⁵⁸²

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.⁵⁸³

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. The active programs include USAID's Stability in Key Areas (SIKA) projects, the Community Cohesion Initiative (CCI) program, and the Afghan Civilian Assistance Program III (ACAP III).⁵⁸⁴ Table 3.20 summarizes total program costs and disbursements to date.

Stability in Key Areas

The objective of SIKA is to help district- and provincial-level Afghan government officials respond to the local population's development and governance

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TABLE 3.20

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Stability in Key Areas (SIKA) East	12/7/2011	9/6/2015	\$177,054,663	\$119,547,619
SIKA South*	4/10/2012	7/31/2015	120,724,017	73,129,707
Afghanistan Civilian Assistance Program (ACAP III)	4/20/2015	2/14/2018	30,223,597	9,644,000
SIKA West	1/29/2012	8/31/2015	54,000,000	45,826,458
SIKA North	3/15/2012	5/31/2015	38,000,000	36,643,399
Community Cohesion Initiative (North, West)**	9/10/2013	9/9/2015	29,569,265	16,987,890

Note:

*The disbursement data include the total for both SIKA South awards.

**As of 6/22/2015.

Source: USAID, response to SIGAR data calls, 6/22/2015 and 7/12/2015.

concerns, thus instilling confidence in the government and bolstering stability.⁵⁸⁵ USAID intended the four SIKA programs to “be seen as an extension of the [Afghan government], not as increased foreign presence,” and stipulated that SIKA “must work within Afghan structures” in order to partner with the Afghan Ministry of Rural Rehabilitation and Development.⁵⁸⁶

USAID is assessing the impacts of the SIKA programs, with MISTI and individual SIKA programs conducting lessons learned and a combined MISTI evaluation that should be completed by September or October.⁵⁸⁷

Community Cohesion Initiative

USAID’s CCI program supports creating conditions for stability and development in conflict-prone and other priority areas of Afghanistan by (1) increasing cohesion within and between communities, (2) supporting peaceful and legitimate governance processes and outcomes, and (3) countering violent extremism. CCI currently works in 18 districts across six provinces in the north and west of the country.⁵⁸⁸

From January to March, CCI cleared 49 new grants, continued work on 72 on-going grants, and completed 151 grants.⁵⁸⁹

Afghan Civilian Assistance Program III

On April 20, USAID signed the \$30 million agreement for ACAP III with the United Nations Mine Action Service and subsidiary body, the Mine Action Coordination Centre for Afghanistan. The goals of ACAP III are to (1) provide immediate medical and other non-monetary assistance to victims of war, in addition to assistance tailored to meet victims’ needs; (2) develop the capacity of existing government ministries and institutions mandated to aid victims, and (3) enhance outreach and advocacy efforts at the subnational level.⁵⁹⁰

The most significant change from ACAP II to III is that injured civilians must no longer have been injured by international forces to qualify for

SIGAR AUDIT

SIGAR has an ongoing audit of the Measuring Impacts of Stabilization Initiatives (MISTI) project. This audit plans to (1) assess the extent to which the MISTI contractor provided third-party monitoring services in accordance with the terms of the contract; (2) assess the extent to which USAID considered MISTI program results in the planning and implementation of stabilization programs; and (3) identify challenges in MISTI, if any, with USAID using third-party monitoring to evaluate stabilization reconstruction programs, and the extent to which USAID has addressed those challenges.

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TABLE 3.21

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$73,499,999	\$ 2,838,013
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	1,068,053

Source: USAID, response to SIGAR data call, 7/12/2015.



A SIKa-East canal project in Pakhtiya Province in May 2015. (USAID photo)

assistance. For example, civilians injured by crossfire between Afghan security forces and insurgents can receive assistance from the program, as can civilians injured by improvised explosive devices and explosive remnants of war.⁵⁹¹

Provincial and Municipal Programs

USAID recently started two subnational programs focused on provincial centers and municipalities: the Initiative to Strengthen Local Administrations (ISLA) and Strong Hubs for Afghan Hope and Resilience (SHAHAR) programs. Table 3.21 summarizes total program costs and disbursements to date.

Initiative to Strengthen Local Administrations

The ISLA program is meant to enable the Afghan government to improve provincial governance in the areas of fiscal and development planning, representation of citizens, and enhanced delivery of public services. ISLA aims to strengthen subnational systems of planning, operations, communication, representation, and citizen engagement. This should lead to services that more closely respond to all citizens' needs in health, education, security, justice, and urban services.⁵⁹²

ISLA will operate out of five regional hubs: Kabul, Mazar-e-Sharif, Jalalabad, Kandahar, and Herat. It plans work in 16 provinces, pending agreement with the Afghan government: Badghis, Baghlan, Balkh, Farah, Faryab, Ghazni, Ghor, Herat, Kandahar, Kunar, Laghman, Logar, Nangarhar, Parwan, Wardak, and Zabul.⁵⁹³

The Independent Directorate for Local Governance (IDLG) is reviewing the 16 provinces that were identified in the ISLA contract and discussed with IDLG during ISLA's design to reflect shifting priorities of the Afghan government. USAID expects that IDLG will provide USAID with the updated list of 16 provinces in the near future as it has recently appointed a new director general.⁵⁹⁴

Strong Hubs for Afghan Hope and Resilience

The objective of the SHAHAR program is to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a

growing urban population. Targeted support to municipal governments, as well as to the General Directorate of Municipal Affairs and municipal advisory boards, aims to improve municipal financial management, urban service delivery, and citizen consultation. The program will focus on 16 small and medium-sized provincial capitals located within USAID's three designated **Regional Economic Zones**, as well as the four regional-hub provincial capitals of Kandahar city, Herat, Mazar-e Sharif, and Jalalabad.⁵⁹⁵

SHAHAR is in mobilization phase and is currently conducting baseline assessments of municipal capacity including revenue generation and financial management, strategic planning, and community outreach and citizen perceptions of municipal service delivery. According to USAID, SHAHAR is experiencing only minor delays due to political uncertainty within Afghan government counterpart organizations that has slowed decision-making.⁵⁹⁶

Regional Economic Zones: areas within Afghanistan that have the potential to develop into geographic centers of increased production and commerce, promising high and inclusive economic growth. The zones are expected to act as catalysts for improved food security, economic development, job creation, and increased regional trade, by targeting investments in key sectors that are considered to be drivers of economic growth.

Source: USAID, "Draft REZ Strategy," 12/3/2013.

RECONCILIATION AND REINTEGRATION

The Afghan government has placed considerable emphasis on achieving national reconciliation through a formal, Afghan-led process. During the quarter, President Ghani engaged with Afghan and regional interlocutors to promote national reconciliation. Ghani has said he is open to the Taliban and other insurgent groups playing a political role in Afghanistan, as distinct from "foreign terrorist fighters," who he said had no place in Afghanistan's future.⁵⁹⁷

Ghani has repeatedly said Afghanistan needs to make peace with Pakistan to make peace with the Taliban.⁵⁹⁸ On May 12, during a joint press conference with the Prime Minister of Pakistan, Nawaz Sharif, Ghani underlined that the two countries faced common enemies, a statement echoed by Prime Minister Sharif.⁵⁹⁹ During a speech in June, however, Ghani told a group of local officials and tribal elders in Kandahar Province that Pakistan has been in a 14-year undeclared war with Afghanistan.⁶⁰⁰

Reconciliation

On July 7, Ghani announced via his official Twitter account that "a delegation from the High Peace Council of Afghanistan has traveled to Pakistan for negotiations with the Taliban."⁶⁰¹ Delegations from the Afghan government and Taliban met in Pakistan in what the Afghan Ministry of Foreign Affairs labeled the "first meeting of formal peace negotiations."⁶⁰² According to one of the members of the Afghan government delegation, the meeting prepared the way for discussing a ceasefire with the Taliban, but not an end to Taliban violence. Senior leaders of the Taliban and Haqqani network reportedly took part in the meeting.⁶⁰³ The talks appeared to have the support of Taliban leader Mullah Omar, at least according to a written statement issued on July 15.⁶⁰⁴

There were also informal meetings this quarter between Taliban members and Afghan government officials attending in their personal capacities. On May 2 and 3, a meeting was convened in Qatar by the nongovernmental organization Pugwash Conferences on Science and World Affairs. A diverse group of Afghans attended in their personal capacities. According to the meeting report, the participants supported peace and an end to the conflict, though they said the structure of the Afghan political system, including the constitution, should be discussed.⁶⁰⁵

The Norwegian government sponsored informal discussions between Taliban representatives and a group of at least nine prominent Afghan women, including five lawmakers attending as “independent representatives.”⁶⁰⁶ Another delegation of six current and former Afghan government officials led by the second deputy chief executive Mohammad Mohaqeq travelled to Norway to meet with Taliban to lay the groundwork for potential official negotiations.⁶⁰⁷ Upon return from the meeting with five Taliban representatives, Mohaqeq said “I didn’t feel [the meeting was] a great development in the peace process.”⁶⁰⁸

Afghanistan Peace and Reintegration Program

The Afghanistan Peace and Reintegration Program (APRP) is an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.⁶⁰⁹ For more information, see SIGAR’s October 2014 *Quarterly Report to the United States Congress*, pages 149–151.

According to State, since late 2010, the APRP has facilitated a total of 10,396 reintegrees, 964 of whom were commanders. A total of 134 reintegrees are documented recidivists. Badghis and Baghlan Provinces saw the largest number of reintegrees: 1,596 and 1,204 respectively. The goal of APRP is to remove fighters and commanders from the battlefield. According to State, the current estimate of active Taliban fighters range from 20,000 to 30,000.⁶¹⁰

The Afghan High Peace Council has reported to State that information gathered from the APRP reintegree program has contributed to a broader understanding of insurgent leadership, structure, operations, sanctuaries, hideouts, funding resources, supporting countries, recruitment methods, goals and objectives, relationships with international and regional terrorist organizations, ideological narrative, and sympathizers.⁶¹¹

In March, the United States announced that it will provide up to \$10 million to UNDP’s Support to APRP. According to State, this assistance is meant to support APRP’s provincial efforts in the event of peace talks, improve APRP’s strategic-communications capacity, and bolster donor confidence following several months of wavering support.⁶¹²

RULE OF LAW AND ANTICORRUPTION

Project Summary

The United States has assisted the formal and informal justice sectors through several mechanisms. These include the State Department’s Justice Sector Support Program (JSSP), and Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.22.

USAID has a forthcoming rule-of-law program that will work with the Supreme Court, Ministry of Justice, and the informal justice system.⁶¹³

In the area of anticorruption, State works primarily in enforcement by providing support to prosecutors and the Major Crimes Task Force (MCTF). USAID signed a delegated cooperation arrangement with the United Kingdom’s Department for International Development to fund the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID support will fund the MEC’s monitoring, analysis, and reporting activities, including vulnerability-to-corruption assessments. According to USAID, Ghani has shown interest in expanding the MEC’s work beyond its current monitoring framework.⁶¹⁴

USAID is designing a stand-alone anticorruption program for Afghanistan. According to USAID, the proposed project would strengthen the capacity of Afghan government institutions to assess vulnerabilities to corruption and to implement reforms in its most commonly accessed public service delivery systems. In addition, the project will enhance civil society’s ability to monitor, advocate for, and publicize the implementation of reforms. This program is currently in the design phase while a complementary project is in the presolicitation phase.⁶¹⁵

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.⁶¹⁶

The CMS is used to monitor criminal cases on an individual or aggregated basis from the time of arrest until the end of confinement. All ministries in the formal criminal-justice sector have access to the CMS. The CMS is used to demonstrate inefficiencies in the criminal-justice system

SIGAR AUDIT

SIGAR issued an audit of U.S. government efforts to assist and improve the rule of law in Afghanistan. The audit found that four significant factors have impaired those efforts. First, U.S. agencies lack a comprehensive rule-of-law strategy to help plan and guide their efforts. Second, DOD is unable to account for the total amount of funds it spent to support rule-of-law development. Third, DOD, Department of Justice, State, and USAID all have had problems measuring the performance of their respective rule-of-law programs. Fourth, U.S. efforts are undermined by significant challenges from pervasive corruption in Afghanistan’s justice sector and by uncertainty whether the Afghan government can or will sustain U.S. program activities and reforms. For more information, see Section 2, pp. 24–26.

TABLE 3.22

STATE DEPARTMENT RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/25/2015 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	6/30/2015	\$212,969,450	\$198,732,807
Corrections System Support Program (CSSP III)	1/1/2015	8/1/2015	12,161,965	4,613,721
Justice Training Transition Program (JTTP)	1/2/2013	9/30/2015	47,435,697	47,435,697

Source: State, INL, response to SIGAR data call, 6/25/2015.

by identifying when cases are not being processed in a statutory manner. Ministries additionally routinely utilize the CMS to understand the function of the formal justice sector. For example, the CMS can help identify an individual prosecutor's case load and conviction rates, information that is useful for determining promotion eligibility. In addition to using the CMS to conduct criminal background checks on internal and external employment applicants, the MOI generates a weekly report of arrests in Kabul by the type of crime.⁶¹⁷

The State Department's JTTP provides regional training to justice-sector officials on a wide range of criminal-justice topics.⁶¹⁸ JTTP aims to increase the confidence of Afghan citizens in their justice sector and to achieve two outcomes: (1) to increase the capacity and competencies of Afghan justice sector professionals in delivering justice according to Afghan law and (2) to ensure that Afghan justice institutions are capable of managing the sustainable implementation of training programs.⁶¹⁹

JTTP undertakes limited trial observation, focusing on cases within the criminal division jurisdiction at provincial and district-levels. JTTP looks only at proceedings and appeals of cases that are subject to the Criminal Procedure Code (CPC). JTTP's observation and reporting are narrowly focused to collect objective comparative data on a single fair-trial indicator, i.e., whether trials are deemed to be "open" in accordance with the procedure set out under the CPC. JTTP has reported to State's Bureau of International Narcotics and Law Enforcement Affairs (INL) many instances in the formal justice proceedings where attorneys and judges have increasingly applied the correct laws and sentencing requirements.⁶²⁰

JTTP legal advisors visit courtrooms of judges who will graduate or have graduated from JTTP courses. If the legal advisors are granted access to the courtroom that trial is reported as "open." If they are not permitted access and there is no permissible reason for the restriction, the trial is reported as "closed."⁶²¹

From 2013 to June 2015, JTTP observed a total of 771 trials, of which 93% were open. In the provinces, Nangarhar Province had the lowest overall percentage of open trials to date, 39%.⁶²²

The Supreme Court and the Formal Justice Sector

President Ghani has publicly criticized the state of the judiciary, placing the Supreme Court and the judiciary under scrutiny. According to USAID, the Supreme Court continues to be weak and requires significant efforts to improve.⁶²³

According to USAID, Afghan courts are still easily influenced by public opinion and political leaders.⁶²⁴ USAID cited the court's response to the murder of a young woman named Farkhunda in March as a recent example of an aggressive and swift response from the judiciary to a national outcry. Farkhunda was beaten to death and burnt by a mob in Kabul following

accusations—apparently false—that she had burnt a Koran. Although police tried to intervene at the beginning of the incident, they stood by as the mob became more violent.⁶²⁵ The killing prompted large protests in Kabul.⁶²⁶ In April, the Afghan Attorney General’s Office (AGO) announced that 49 people, 20 of them police, were being held in connection to Farkhunda’s death.⁶²⁷

In May, 11 policemen were found guilty of dereliction of duty and sentenced to one year in prison while the remainder, both police and civilians, were acquitted. In addition to the police suspects, four were found guilty and sentenced to death and another eight suspects were sentenced to 16 years in prison. However, the trial was criticized for its speed and several analysts say the trial was neither fair nor consistent, with violations of due process including the lack of defense attorneys and inadequate time to prepare for the case.⁶²⁸

On June 9 following an appeal, the Kabul Appeals Court ordered 37 of the 49 defendants in the Farkhunda murder trial be released on bail. Among the 37 individuals were 19 policemen.⁶²⁹ In July, an appeals court in a closed session reversed the death sentences on four men convicted of Farkhunda’s murder and instead sentenced three of the men to 20 years in jail and the fourth, a minor, to 10 years in jail.⁶³⁰ Following the appeals court decision and protests by civil society, Ghani’s spokesman said that the AGO will reassess the case.⁶³¹

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 increased by an average of 16.7% annually over the past five years. As of May 31, the GDPDC incarcerated 26,213 male and 687 females, while the Ministry of Justice’s Juvenile Rehabilitation Directorate (JRD) incarcerated 811 male juveniles and 75 female juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as INL does not have access to data for other organizations.⁶³²

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities, although state-funded prison construction has added some new prison beds and presidential amnesty decrees have reduced the prison population significantly. As of May 31, the total male provincial-prison population was at 191% of capacity, down from 214% last quarter, as defined by International Committee of the Red Cross’s (ICRC) minimum standard 3.4 square meters per inmate. The total female provincial-prison population was at 63% of the ICRC-recommended capacity, down from 66% last quarter. 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.⁶³³

Anticorruption

When President Ghani addressed a joint session of the U.S. Congress in March, he labeled corruption a “cancer” that undercuts the confidence of Afghans and American taxpayers in the Afghan government, and pledged to “eliminate corruption.”⁶³⁴

This quarter, Ghani suspended and referred six high-ranking officials from the Ministry of Urban Development Affairs and Housing and four high-ranking officials in the Afghanistan Investment Support Agency to the AGO for prosecution; charges of corruption and embezzlement have been filed with the judiciary.⁶³⁵

Afghan Attorney General’s Office

The Afghan government has yet to nominate a new attorney general.⁶³⁶ According to State, the AGO has recently demonstrated the will to prosecute high-level corruption cases when expressly directed to do so by Ghani. In late May, Ghani dismissed six senior officials from the Ministry of Urban Development Affairs and ordered the AGO to investigate allegations of corruption and embezzlement.⁶³⁷

State says the Anti-Corruption Unit (ACU) of the AGO is able to prosecute lower-level corruption cases, but faces obstacles prosecuting higher-level corruption. The ACU suffers low morale; however, the ACU has recently allowed a prosecutor to attend a training opportunity in Sri Lanka.⁶³⁸

Major Crimes Task Force

The MCTF is an investigatory arm of the MOI and the National Directorate of Security (NDS).⁶³⁹ According to DOD, since the formation of the national unity government, the MCTF has begun to more aggressively target senior-level corruption. Over the past quarter, MCTF referred seven corruption cases to the AGO for further investigation and prosecution. The cases variously involve a senior MOI officer, two Ministry of Education officials, three Kabul city officials including the city engineer, an official from the MOLSAMD, a Kabul district police commander, a former Kabul Bank employee, and an appellate prosecutor.⁶⁴⁰

Despite this increase in referrals, the MCTF has seen no improvement in case processing at the AGO.⁶⁴¹ Under the CPC, felony-level cases should be brought to trial within 75 days of arrest. In five of the seven cases mentioned, no arrest was made prior to referral to AGO, meaning there is no time limit for AGO’s investigation or prosecution decision. So far, none of the cases has been adjudicated by the AGO.⁶⁴²

According to DOD, the MCTF receives anecdotal evidence of AGO prosecutor corruption wherein prosecutors accept bribes in exchange for releasing suspects without prosecution.⁶⁴³ Although the MCTF has shown improved ability to target entire criminal networks, particularly in

kidnapping cases, DOD said the MCTF faces stiff resistance from unspecified powerful individuals.⁶⁴⁴

Independent Joint Anti-Corruption Monitoring and Evaluation Committee

The MEC was formally established in March 2010 through a presidential decree. The MEC's mandate is to develop anticorruption recommendations and benchmarks, to monitor efforts at fighting corruption, and to report on these anticorruption efforts. It comprises three Afghan members and three international members and is led by an Afghan executive director. The MEC has approximately 20 staff, but USAID says it may grow since Ghani has increasingly sought analytical products from the MEC.⁶⁴⁵

According to State, the MEC continues to demonstrate competent administrative and technical capacity. State notes, however, that despite demonstrating the political will to address some of the toughest corruption-related questions confronting Afghanistan, the MEC lacks the authority to do more than illuminate poor or corrupt practices.⁶⁴⁶

This quarter the MEC issued reports covering hiring irregularities in the Ministry of Foreign Affairs (MOFA) and the challenges that Afghan citizens disabled in security incidents face when seeking compensation payments from the government.

According to the MEC, there is a persistent legacy of nepotism, favoritism, and patronage in MOFA hiring. The MEC found interference by senior officials in various aspects of hiring and promotion, as well as personal relationships dominating the recruitment and staff-management processes. For example, of the approximately 1,300 candidates who took MOFA's entrance examination last summer, 48 passed but almost none were hired. Instead, 40 other individuals were hired outside of regular channels during the former minister's last days in office. Currently, MOFA employs at least 12 close relatives of current or former parliamentarians, four siblings of former ministers, and seven other relatives of current or former senior officials. Among MOFA's diplomats, many only hold high-school diplomas, or are otherwise unqualified under the merit-based hiring policy. The MEC recommended that MOFA enact a specific internal policy banning nepotism and that the law be amended to require diplomatic and consular staff to hold a graduate degree.⁶⁴⁷

The MEC found that disabled persons seeking compensation must negotiate a series of convoluted, redundant, and time-consuming steps, many of which do not follow any discernible policy. After obtaining a document verifying they were injured in a security incident and a separate certification from a health commission, applicants must then submit their paperwork to the MOLSAMD. Multiple applicants interviewed by the MEC stated that MOLSAMD often resorts to bureaucratic tactics to solicit bribes. It is alleged that the MOLSAMD regularly holds up the processing of valid applications for two to three years. The MEC also found that multiple payment

cards for one individual are also not uncommon. The MEC urged the Afghan government to adopt new eligibility criteria for disability payments and make them publicly available and easily accessible.⁶⁴⁸

High Office of Oversight and Anticorruption

The High Office of Oversight and Anti-Corruption (HOO) was established in July 2008 through a presidential decree to oversee and coordinate the implementation of the Afghan government's anticorruption strategy. The HOO collects corruption complaints through a hotline and complaint boxes installed in several ministries and other public-service delivery institutions, and conducts the initial investigation of corruption allegations. According to USAID, these investigations do not often lead to prosecution. Mutual recrimination between AGO and HOO is common.⁶⁴⁹

According to USAID, Ghani, who has expressed displeasure with the HOO, may be considering substantially reducing the staff from 297 to approximately 100.⁶⁵⁰ Ghani limited the HOO's mandate to asset declaration and verification.⁶⁵¹

On July 3, the acting director general of the HOO told *Tolo News* that several senior Afghan officials—including President Ghani, Chief Executive Officer Abdullah, and 14 cabinet ministers—have yet to register their assets per the requirements of the Afghan constitution. According to the acting director general, Ghani has instructed all top government officials to submit their asset registration forms.⁶⁵²

Parliamentary Anti-Corruption Caucus

The Parliamentarian Anti-Corruption Caucus (PACC) was established in March 2013 and currently has 23 members—14 lower house parliamentarians and nine upper house senators—making it one of the largest caucuses in parliament. The PACC is the only parliamentary caucus which contains members of both the upper and lower houses and is comprised exclusively of female parliamentarians. This quarter, the PACC received anticorruption pledges from 24 nominated ministers who were appointed. The PACC also introduced a representative to participate in the National Procurement Committee sessions.⁶⁵³

Security Services

Last quarter, the commander of CSTC-A, Major General Todd Semonite, said “the level of corruption [since formation of the national-unity government] is unknown and as a result I can't give you a number to somehow quantify that,” and added that the Afghan government has implemented additional controls to limit corruption.⁶⁵⁴ According to CSTC-A, there is still no way to identify corruption levels and trends. However, a recent MEC initiative to carry out a security sector reform corruption assessment may enable the quantification of the level of corruption within the security sector.⁶⁵⁵

The MOD and MOI have recently initiated the Internal Controls Program to reduce opportunities for corruption. CSTC-A notes, however, that this program is still very much in its infancy: the MOD policy was signed in April, while the MOI is still developing theirs.⁶⁵⁶

According to DOD, both the MOD and MOI have established institutions for responding to corruption; however, these institutions do not appear to have had much positive effect.⁶⁵⁷ DOD said that certain dedicated domestic institutions actually hinder, rather than facilitate, **anti- and countercorruption** efforts, by pursuing “illusory reform” meant to placate donors.⁶⁵⁸

Ministry of Defense

According to DOD, since the Ghani administration has taken office, the MOD has increased its focus on anticorruption and countercorruption efforts. DOD cites the consideration of merit-based candidates for appointment to Minister of Defense and Chief of General Staff positions; the rejection of candidates for these two positions who have been accused of significant patronage and/or corruption; and Ghani’s swift cancelation of contracts and suspension of the officials responsible following evidence of procurement corruption as examples of a new focus on responding to corruption. In DOD’s view, it is too early to measure the impact of the Ghani administration on MOD corruption, though there are positive signs in the MOD’s signing of anticorruption and internal-controls policies.⁶⁵⁹

There are currently two active forums to address corruption issues within the MOD: the Counter Corruption Working Group (CCWG) and the Senior High Level Committee on Anti-Corruption (SHCAC). Neither forum has been an effective arena for meaningful anticorruption or countercorruption efforts. These forums are primarily chaired, controlled, and manipulated by the same senior officials who engage in corrupt acts. According to DOD, these forums are used by corrupt senior officials to suppress or redirect investigations. With the exception of some minor corruption issues, DOD personnel have yet to witness either the CCWG or SHCAC resolve corruption challenges.⁶⁶⁰

Although each of the six ANA corps has members assigned to Transparency and Accountability Committees (TAC), all TAC members are members of corps staff (chaired by the deputy corps commander), lack independence, and are unlikely to report any information critical of the corps commander. This structure also insulates the deputy corps commander (who is also the head of procurement for the corps) from oversight on procurement decisions. Although a suggestion for an independent MOD General Staff Inspector General to chair the TACs has been presented at both the CCWG and the SHCAC over the past year, neither MOD leadership nor corps commanders have initiated changes. In DOD’s view, they benefit from the current lack of transparency and accountability.⁶⁶¹

Anticorruption: measures aim at limiting the opportunities for corruption. This includes transparency and accountability control measures, inspections, audits, and actions to influence individual behavior.

Countercorruption: measures are corrective in nature, focus on sanctioning corrupt individuals, and provide a deterrent against corruption. Countercorruption measures are strongly reliant upon an effective legal system, particularly an independent judiciary.

Source: Joint and Coalition Operational Analysis (JCOA), division of Joint Staff J-7 (Joint Force Development), *Operationalizing Counter/Anti-Corruption Study*, 2/28/2014, p. 3.



Afghan Major General Rahimullah Borhani, the new Ministry of Interior Inspector General, is flanked by two Resolute Support transparency, accountability, and oversight personnel. (DOD photo)

Ministry of Interior

According to DOD, it appears that President Ghani followed a merit-based review and selection process when he appointed Nur ul-Haq Ulumi as Minister of Interior. Ulumi has stated numerous times that he is assessing the skills and leadership abilities of candidates within the MOI before making decisions about the senior-level staff assignments. Ulumi has established a standing commission to make recommendations for his review and endorsement before submission to the Ghani for approval.⁶⁶²

According to CSTC-A, the Afghan government demonstrated progress by removing the former MOI Inspector General. CSTC-A said the appointment of Major General Rahimullah has proven a solid choice who has demonstrated leadership and motivation in performing his duties.⁶⁶³

The MOI TAC used to meet weekly to discuss corruption issues with committee members. However, the TAC was dissolved over a year ago. Currently, the MOI, with the endorsement of minister Ulumi, is at the beginning stage of creating the Transparency Working Group and Transparency Steering Group as the overarching programs which DOD hopes will increase transparency, accountability, and oversight within the MOI.⁶⁶⁴

HUMAN RIGHTS

Refugees and Internal Displacement

As of June 11, the United Nations High Commission for Refugees (UNHCR) estimated that at least 205,434 people have crossed from Pakistan into Afghanistan's Khowst and Paktika Provinces since June 2014 due to large-scale Pakistan military operations in neighboring North Waziristan. According to State, it is unlikely that there will be significant returns to Pakistan through 2015 due to the reconstruction needs in North Waziristan.⁶⁶⁵

State reported no major change in numbers of refugees leaving Afghanistan. UNHCR recorded 21,340 Afghan refugees returning from both Pakistan and Iran as of May 31, compared to 12,218 returning from January through March 31.⁶⁶⁶

UNHCR reported a steady increase of 20,505 registered Afghan refugees returning from Pakistan. According to State, many returned refugees have felt pressured to return to Afghanistan due to reported arrests, detention, extortion, and harassment by local Pakistani authorities following the December 2014 Peshawar school attacks and the Pakistani security response.⁶⁶⁷

On May 19, the Afghan, Pakistani, and Iranian governments and UNHCR met in Tehran for the Quadripartite Steering Committee on the Solutions Strategy for Afghan Refugees to Support Voluntary Repatriation, Sustainable Reintegration, and Assistance to Host Countries. The participants recognized the role that Iran and Pakistan have played in hosting

large Afghan refugee communities and discussed the need for joint planning to approach the issue of economic migrants.⁶⁶⁸

As of April 30, UNHCR recorded a total of 873,136 registered conflict-affected internally displaced persons (IDPs), compared to the 850,377 registered IDPs from January to March 31. According to State, the actual number of internally displaced could be much higher and is difficult to verify. UNHCR reports the major causes of displacement during the quarter were conflict between armed groups and the Afghan security forces.⁶⁶⁹

According to State, the new Minister of Refugees and Repatriation Sayed Balkhi has made the implementation of the National IDP Policy a key agenda item, along with developing his ministry's five-year strategic plan, adopting the National Refugee and Asylum Law, and implementing the Solutions Strategy for Afghan Refugees. Minister Balkhi has urged his ministry to work with UNHCR in helping provincial governments draft Provincial Action Plans that incorporate the IDP policy into 2015 provincial budget plans.⁶⁷⁰

Gender

The largest gender-focused initiative in USAID's history is the Promote partnership that aims to assist over 75,000 Afghan women achieve leadership roles in all parts of society, such as business, academia, politics, and public policy over five years.⁶⁷¹ USAID has committed \$216 million to Promote and hopes to raise another \$200 million from other international donors.⁶⁷² USAID is in preliminary discussions with two other donors regarding their possible participation in Promote programming. The cooperation currently being discussed will involve programmatic cooperation (permitting participants to participate in each other's programming) rather than cash donations.⁶⁷³

This quarter, USAID awarded the \$38 million, five-year Women in Government component of Promote; it is now in the mobilization phase.⁶⁷⁴

USAID has initiated discussions with Presidential Palace, the Chief Executive's Office, the First Lady's Office and the Ministry of Women's Affairs to establish a Promote High Level Advisory Committee that will advise the Ministry of Women's Affairs and USAID on the implementation of the Promote program. The committee will also act as an oversight and monitoring body. USAID expects that the committee will begin work by the end of June 2015.⁶⁷⁵

SIGAR AUDIT

SIGAR has an ongoing audit of State's efforts to assist Afghan refugees living in Pakistan and Iran, and Afghan returnees. The audit plans to assess the extent to which (1) State and UNHCR verify the number of Afghan refugees in Pakistan and Iran, and (2) assess the extent to which the Afghan government has implemented the Solutions Strategy for Afghan Refugees, to support voluntary repatriation, sustainable reintegration, and assistance to host countries.

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ECONOMIC AND SOCIAL DEVELOPMENT

As of June 30, 2015, the U.S. government has provided more than \$31.8 billion to support governance and economic and social development in Afghanistan. Most of these funds were appropriated to USAID's Economic Support Fund (ESF). The Consolidated and Further Continuing Appropriations Act, 2015, provided an additional \$900 million for the ESF, bringing the cumulative total to \$18.6 billion. Of this amount, \$16.1 billion has been obligated and \$13.3 billion has been disbursed.⁶⁷⁶

KEY EVENTS

This quarter saw several developments that could affect Afghanistan's economic and social prospects:

- Domestic revenues collected in the first four months of Afghan fiscal year (FY) 1394 (December 22, 2014–December 21, 2015) rose 7.5% above actual collections in FY 1393, although they missed Afghanistan Ministry of Finance (MOF) budget targets by 5.9%. Expenditures increased 0.7% compared to the same period last year.⁶⁷⁷
- The U.S. Treasury's Office of Technical Assistance (OTA) began developing technical assistance and capacity-building programs for the MOF to strengthen Afghanistan's public financial management systems and oversight of its financial sector.⁶⁷⁸
- The managing director of the International Monetary Fund (IMF) approved the nine-month, staff-level agreement reached last quarter with the Afghan government; monitoring began on implementation of Afghanistan's macroeconomic policies and structural-reform agenda.⁶⁷⁹

ECONOMIC PROFILE

Every South Asian economy except Afghanistan's grew faster in 2014 than in 2013.⁶⁸⁰ Afghanistan's real growth in gross domestic product (GDP), excluding opium, slowed significantly, from 3.7% in 2013 to a World Bank-estimated 2% in 2014 due to increasing political and security uncertainties. This has led to a slump in investor and consumer confidence in non-agricultural sectors, which the World Bank expects to continue through 2015. With

“While opium is omitted from official GDP estimates, its earnings boost domestic demand and are a significant source of foreign exchange.”

Source: ADB, *Outlook 2015*, 3/2015, p. 167.

agricultural output expected to contract this year, the World Bank estimates 2.5% growth in 2015, based on “highly fluid” projections.⁶⁸¹ Afghan growth prospects, according to the Asian Development Bank (ADB), depend on the stability of the political, security, and business environments.⁶⁸²

The Department of Defense (DOD) reported that the Afghan economy cannot grow quickly enough to cover its security costs. Taking a best-case scenario, DOD wrote that even if 2018–2020 growth averaged 9% (the 2003–2012 average) and all the gains went to fund Afghanistan’s Ministries of Defense and Interior, it would only cover 20% of total security costs at current force levels. Therefore, the government will need to reduce security costs in order to ensure economic sustainability. DOD said many security-related resources are wasted due to “lack of control mechanisms in business processes, massive corruption, and lack of long-term partnerships with the private sector.”⁶⁸³

The World Bank said the most important perceived constraint for private investment in Afghanistan is lack of security, which directly impacts growth and poverty by damaging human capital, constraining productive economic activities, increasing social unrest, promoting unequal access to basic services, and increasing political instability.⁶⁸⁴

Indicative of the risky market conditions and political developments in Afghanistan, private investment declined in 2014. New-firm registrations were down 26% across all economic sectors, following a 36% drop in 2013, according to the World Bank. Continued insecurity, instability, and systemic corruption will further negatively affect private investment and dampen growth.⁶⁸⁵

Consumer price inflation, for both food and non food items, dropped to 4.6% in 2014 compared to 7.4% in 2013, mostly due to strong domestic agricultural production and lower global food prices, as well as declining housing, internet, and oil prices.⁶⁸⁶

Afghanistan’s Fiscal Outlook

Afghanistan will require substantial donor aid for the foreseeable future, according to the World Bank, which projected a total financing gap above 20% of GDP through 2025. Domestic revenues—tax and nontax revenues, and customs duties—declined in 2014 for the third consecutive year, falling to 8.4% of GDP, largely due to weak tax and customs enforcement and compliance. Revenues were 11.6% of GDP in 2011.⁶⁸⁷ They have been rising slightly in 2015.⁶⁸⁸ Covering the budget-financing gap without donor assistance would thus require Kabul to collect roughly 30% of the country’s entire economic output as revenue for the government.

The World Bank said the uncertainty surrounding the 2014 security and political transition likely increased economic rent seeking and tax evasion. Although budget austerity measures were introduced in the second half of 2014—overtime, salary increases, bonuses, and other benefits to

civil servants were reduced, as were new discretionary development projects—the cost of security and mandatory social benefits caused overall expenditures to increase.⁶⁸⁹

As a result, Afghanistan began 2015 (Afghan FY 1394) with weak cash reserves and significant arrears, while revenue-collection reforms stalled in parliament in the first quarter. The World Bank warned that Afghanistan could face budget shortfalls this year similar to last year's⁶⁹⁰ shortfall of \$537 million.⁶⁹¹ The FY 1394 budget projected domestic revenues of approximately \$2.2 billion, about 30% more than collected in FY 1393,⁶⁹² which the World Bank found “ambitious,” cautioning that the government has smaller cash reserves from which to draw should revenues not be realized. With a sluggish economy and weak growth forecast, further austerity-measure options are limited, meaning that the government could require even more fiscal help.⁶⁹³

FY 1394 Revenues and Expenditures Update

“Revenue mobilization from domestic resources has become critical,” according to the ADB; one-third is lost to “weak governance and poor tax and customs administration.”⁶⁹⁴ Ten percent of 500 large businesses registered with the Afghan government are reportedly evading taxes. Three large companies are said to owe about \$248 million in back taxes.⁶⁹⁵

Total collected domestic revenues—a figure that excludes donor grants—stood at \$577 million in the first four months of FY 1394, about \$40 million (7.5%) above the same period in FY 1393, but missing the government's target by \$36 million (-5.9%).⁶⁹⁶ Domestic revenues paid for less than half (48%) of Afghanistan's total budget expenditures of \$1.2 billion thus far in FY 1394; donor contributions make up the difference. Afghan government expenditures in FY 1394 increased \$8 million (0.7%), compared to the same period last year.⁶⁹⁷

Expenditures are expected to continue rising—to 30% of GDP in FY 1395 (2016) versus 26% in FY 1393, according to World Bank projections—largely due to increased spending on security, service delivery, essential infrastructure, and operations and maintenance (O&M).⁶⁹⁸ The fiscal gap is large and growing, as depicted in Figure 3.27 on the following page. Donor assistance either narrows or closes this gap.

International Monetary Fund Staff-Monitored Program

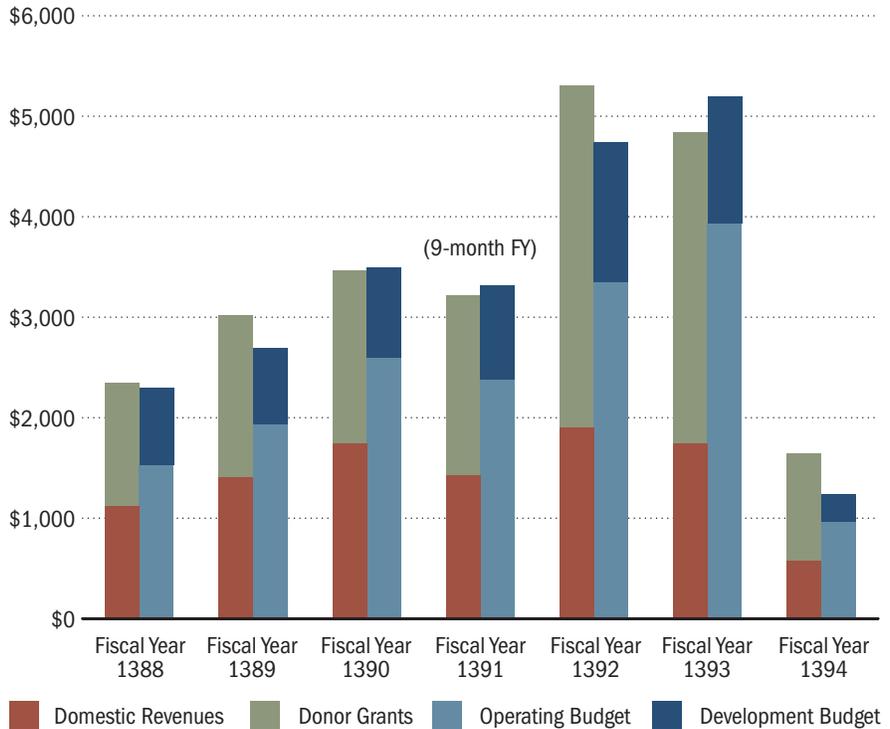
On June 2, the managing director of the IMF approved the nine-month (April–December 2015), informal staff-level agreement reached last quarter with the Afghan government to monitor implementation of Afghanistan's macroeconomic policies and structural reform agenda. The Staff-Monitored Program (SMP) will focus on fiscal policy such as revenue mobilization and repayment of arrears; monetary policy such as preserving low inflation and an exchange-rate policy to protect international reserves and competitiveness; financial-sector reform such as dealing with weak banks, enacting a

In May 2015, the MOF released its 100-day plan, which includes 90 initiatives across 10 areas—policy, budget, treasury, financial and administrative, revenue generation, revenue analysis, customs, insurance, human resources, and regional banking relationships. With its intended actions, the MOF aims to fundamentally reform its anticorruption activities, improve its administration and public finance system, prepare financial regulations and procedures, and enhance administrative transparency, accountability, and effectiveness.

Source: MOF, *One-Hundred Day Plan* 27 May 23, 2015.

FIGURE 3.27

AFGHANISTAN'S DOMESTIC REVENUES AND DONOR GRANTS COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (\$ MILLIONS)



Note: 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 FY 1391 reflect a change in the timing of the Afghan fiscal year. Afghan fiscal years now generally run December 22 through December 21. Grants represent funds received from donors. Donor grants are often for specific projects or activities, but can sometimes be spent at GIROA's discretion. FY 1393 is preliminary, as of 3/12/2015. FY 1394 is first four months only. FY 1394 operating and development budget expenditure data are as of 4/18/2015. FY 1394 revenue data are as of 4/20/2015 derived from data downloaded on 6/5/2015.

Source: MOF, "FY 1394 Monthly Fiscal Bulletin, Month 4," 6/4/2015; MOF, "Budget Execution Report as of 18 April," 4/18/2015; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 2/28/2015; MOF, "1393 National Budget," 2/1/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," accessed 2/1/2014, 1/28/2015, 3/12/2015, and 6/4/2015.

Indicative targets: quantitative indicators used to help assess progress in meeting objectives of an IMF program, including predictive economic trends where data are uncertain.

new banking law, and strengthening banking supervision; and better economic governance such as strengthening anticorruption and Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws.⁶⁹⁹ The IMF will base its performance-monitoring reviews of Afghan progress on SMP benchmarks on two test dates—June 21 and December 21, 2015. The first review will commence in August. Plans also call for an intervening **indicative target** review scheduled for September 22, 2015.⁷⁰⁰

The SMP provides an opportunity for the IMF staff to work with a country's authorities to see if they are willing and able to keep their

Source: IMF, "Factsheet, IMF Conditionality," 4/13/2015.

LOST CUSTOMS REVENUES

Afghanistan has one of the lowest rates of domestic-revenue collection in the world.⁷⁰¹ FY 1393 ended with a \$537 million budget deficit, prompting a government request for emergency donor assistance.⁷⁰² After U.S. Embassy Kabul officials voiced concerns about Afghanistan's ability to meet its budgetary obligations in this and future fiscal years, SIGAR requested information from USAID, State, DOD, and CSTC-A about how U.S. reconstruction programs address the Afghan government's need for a sustainable revenue collection system, especially customs revenue, which regularly accounts for over a third of domestic revenue.⁷⁰³

The need for Afghanistan to generate revenues has resulted in multiple U.S. programs aimed at improving the customs-collection process and increasing border security, including USAID's Trade and Accession Facilitation for Afghanistan programs; USAID's Afghanistan Trade and Revenue Program (ATAR); the DOD-funded, Department of Homeland Security's (DHS) Customs and Border Protection-administered Border Management Task Force (BMTF); and other DOD efforts to rehabilitate, construct, and equip Afghanistan's border facilities and customs-collection points. A SIGAR audit found that while some of these programs helped improve customs-collection processes, those improvements have, in many cases, been unsustainable.⁷⁰⁴

Afghan government agencies do not have the accurate trade data they need to determine what customs revenue should be. President Ghani told a U.S. audience in March 2015 that Afghanistan's Central Statistics Organization reported imports from Pakistan at \$800 million, while Pakistan told Afghan authorities that the value of their exports to Afghanistan was \$2.5 billion.⁷⁰⁵ *Tolo News* reported Afghanistan Customs Department (ACD) data could be off by up to \$1 billion⁷⁰⁶—about 4.8% of the country's GDP.⁷⁰⁷

State said the United States has almost no ability to monitor and assess Afghan customs collections due to ongoing reductions in U.S. personnel. State has not directly monitored operations at Afghanistan's border crossings or their customs assessment and collection locations since the DHS and BMTF departed, and does not correlate the United States' diminishing presence with an increase or decrease in Afghan revenue collections.⁷⁰⁸

Officials at USAID's ATAR project, which is designed in part to improve and streamline Afghanistan's customs institutions and practices,⁷⁰⁹ said mounting security risks hamper its ability to deliver technical assistance and visit the ACD's main offices in Kabul, ACD regional customs facilities, and other customs-collection sites, as well as the Afghanistan National Customs Academy. Non-Afghan nationals are particularly restricted in their movement; Afghan nationals can travel as security permits.⁷¹⁰

ATAR personnel reported that corruption is pervasive at ACD; they have encountered numerous obstacles to monitoring and improving the Afghan customs-collection process.⁷¹¹ In addition, USAID reported that X-ray scanners do not function and need repair, efforts to standardize the automated customs data system are incomplete, ATAR's electronic customs payment activity has not begun, and the customs academy, which trains customs officers, operates only in the morning.⁷¹²

USAID and ATAR representatives do not have access to ACD computer systems or databases, nor do they produce annual estimates of lost revenue due to smuggling, theft, and corruption. Instead they must rely on customs-collection information provided to them by the ACD.⁷¹³ USAID and State both said that the scope of customs revenue lost to corruption is unknown.⁷¹⁴

CSTC-A, which funds the Ministry of Interior's (MOI) Afghan Border Police, constructed 15 border-crossing points from 2011–2015. However, CSTC-A is unaware of any specific funding stream to support efforts to safeguard inspection equipment at Afghanistan's border crossings, customs assessment, and collection facilities; does not track the exact amount of its funding that MOI applies to each border crossing point; and has no visibility on the use or condition of border crossing point facilities—CSTC-A program managers have not visited any sites since January 1, 2014.⁷¹⁵

Customs revenue is vital to Afghanistan's fiscal sustainability. SIGAR suggests the United States consider whether other efforts to improve the efficiency of the customs-assessment and -collection process might improve the prospects for reducing loss and waste, and achieve more sustainable gains in revenue for the Afghan government.

commitments to carry out an IMF-prescribed program and establish a positive track record. Successful completion of an SMP can encourage donor assistance and give the IMF staff confidence that the national authorities will meet their obligations under a more formal program like an Extended Credit Facility (ECF) arrangement.⁷¹⁶ Afghanistan's poor record with its previous ECF, which expired in November 2014, caused program reviews to be suspended due to missed performance targets, uneven and delayed structural reforms, unanticipated shocks, and an inadequate policy response.⁷¹⁷

The SMP faces significant risks, according to the IMF, including insecurity, political instability, and inadequate policy implementation and enforcement. The IMF added that successful peace talks, greater domestic demand, and early development of large mining projects could spur consumer and investor confidence and spur economic activity that would help Afghanistan achieve agreed-to benchmarks.⁷¹⁸

Although the first official review has not yet begun, State said the IMF believes the Afghan government is making steady progress and is "impressed with the Afghan government's actions to tighten its macroeconomic policy, cut down on corruption including in the customs department, on its beating IMF revenue targets for the first period of the SMP [\$419 million collected vs. \$415 million target], and on its efforts to reduce spending."⁷¹⁹ Treasury said parliament's delay in enacting some structural benchmarks by the June 21 test date was a "matter of concern."⁷²⁰

Trade

President Ghani's goal is for land-locked Afghanistan to become a transit and trade hub for regional economic integration.⁷²¹ As shown in Figure 3.28, Pakistan is Afghanistan's largest trading partner, followed by the United States, the European Union, and regional neighbors.⁷²²

In its latest analysis, the World Bank found that Afghanistan's trade deficit narrowed in 2014—to \$8 billion (38% of GDP) compared to \$8.3 billion (41.9%) in 2013.⁷²³ Official exports were 19.5% higher than in 2013, due mostly to higher agricultural output that boosted exports of dried and fresh fruits. While the World Bank said lower consumer and business confidence led to 20% lower demand for imports, it also estimates that most of the decline of official imports is probably due to poor recording and increased smuggling since 15–20% of all Afghan trade is thought to be unrecorded and smuggled. Despite the trade deficit's narrowing, it remains large and is fully financed by donor assistance.⁷²⁴

Export and Import Data

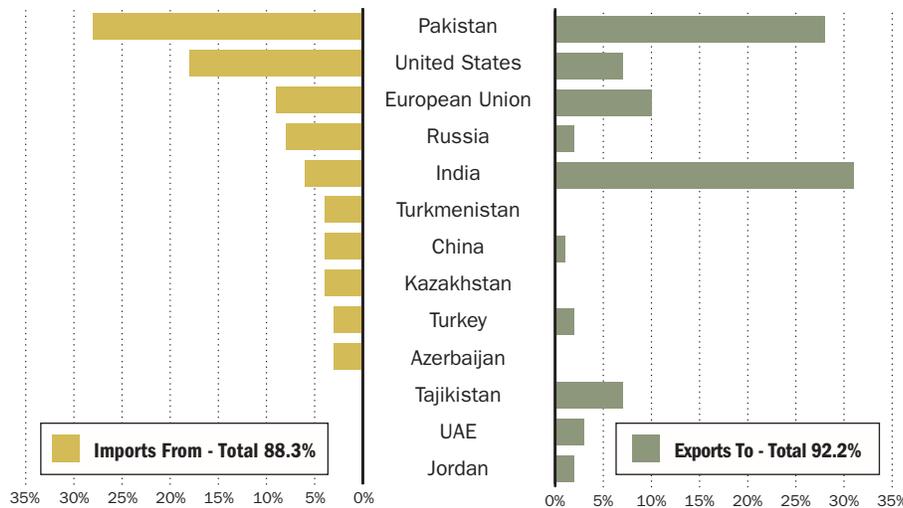
Trade-related taxes represented 45% of Afghanistan's total 2006–2013 tax revenues.⁷²⁵ Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an estimated current account

Afghanistan's main exports are dried fruits and carpets, which comprise 49% of all exports.

Source: World Bank, *Afghanistan Economic Update*, April 2015, pp. 15–16.

FIGURE 3.28

AFGHANISTAN'S TOP TRADING PARTNERS (2013)



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

Source: European Commission, Directorate-General for Trade, "European Union, Trade in Goods with Afghanistan," 4/10/2015, accessed 6/24/2015.

balance of 5.7% of GDP in 2014. Without it, the IMF estimates Afghanistan would have a current-account deficit equivalent to 36% of its GDP—about \$7.3 billion—similar to those of Mozambique (-35%) and Liberia (-32%).⁷²⁶

During 2012–2014, Afghanistan exported around \$3.3–4 billion worth of goods and services annually, not including illicit narcotics, according to IMF estimates.⁷²⁷ The World Bank said Afghanistan exports only a small number of products and has few trade partners,⁷²⁸ making it highly dependent on a few commodities for earnings, and consequently more vulnerable to unstable prices and trade shocks.⁷²⁹

The IMF estimated Afghanistan's 2014 imports at more than \$10.6 billion of goods and services, with more than \$8 billion paid for by official donor grants.⁷³⁰ Treasury has informally projected Afghanistan's real import capacity, without a significant foreign presence driving demand, at less than \$2 billion annually, excluding illicit narcotics revenues. Treasury said that without high levels of external assistance, import levels will decline, but the extent will depend on the demands of the foreign presence, Afghanistan's import needs once foreign-driven demand declines, and the required level of external assistance necessary to sustain healthy economic activity and growth. Reduced imports will not necessarily affect the economy adversely.⁷³¹

Afghanistan Trade and Revenue Project

USAID's four-year, \$77.8 million, Afghanistan Trade and Revenue (ATAR) project is a trade-facilitation program designed to (1) improve trade liberalization policies, including support for Afghanistan's accession to the World Trade Organization (WTO); (2) improve and streamline the government's ability to generate revenue by modernizing Afghanistan's customs institutions and practices; and (3) facilitate bilateral and multilateral regional trade agreements.⁷³²

This quarter, Afghanistan's Customs Department and central bank launched a pilot program allowing traders to pay customs duties electronically from any commercial bank. Additionally, several ATAR-assisted, WTO-compliant legislative reforms moved forward, including: trademark-law amendments that were enacted; draft patent-law amendments that were sent to the Council of Ministers; and a draft law on plant protection and quarantine to reduce the risk of introducing pests and make control more effective. The bill advanced from the lower house of parliament to the upper house. ATAR also assisted the Ministry of Commerce and Industry prepare for its five-year trade policy review.⁷³³ ATAR disbursed approximately \$28.1 million, as of June 30, 2015.⁷³⁴

BANKING AND FINANCE

The IMF reported that lax governance and regulatory enforcement in early 2014 caused the financial positions of some Afghan banks to deteriorate. In the IMF's view, eight of Afghanistan's 15 banks are considered "weak,"⁷³⁵ and two—not identified publicly—are "vulnerable."⁷³⁶ The IMF urged timely passage of a new banking law to strengthen corporate governance, capital requirements, lending exposures, supervision, and resolution provisions.⁷³⁷

Banking-sector deposit growth slowed to 2.8% in 2014 compared to 5.9% in 2013 and 15.8% in 2012, according to World Bank calculations. Similarly, lending to the private sector slowed, declining by 7.3% in 2014 compared to 7.6% growth in 2013. The World Bank said this suggests private investment has stalled and reflects banks' growing risk aversion since the collapse of Kabul Bank in 2010.⁷³⁸

Afghanistan's poor have limited access to formal financial institutions. Less than 10% of the Afghan population uses banks,⁷³⁹ preferring to hold cash. The ADB said this reflects continued distrust of banks and weak banking sector performance in its role as middlemen between providers and borrowers of funds since the massive Kabul Bank failure.⁷⁴⁰ The ADB ranks Afghanistan 25th of 26 developing Asian nations in the proportion of adults with accounts. Afghanistan also has fewer than five automatic-teller machines per 100,000 people, which puts it last among 33 developing Asian countries.⁷⁴¹

Approximately 90% of financial transactions go through the informal *hawala* system. The State Department reported that there is no clear division between the hawala and formal banking systems—*hawaladars* keep bank accounts and use wire-transfer services, while banks occasionally use hawalas to transmit funds to remote areas in Afghanistan.⁷⁴²

U.S. Treasury Assistance

This quarter, the U.S. Treasury’s Office of Technical Assistance (OTA) began implementing its March 23, 2015, agreement to develop technical assistance and capacity-building programs for Afghanistan’s MOF.⁷⁴³ OTA conducted a May 16–28, 2015, assessment mission to Afghanistan to discuss cooperation and capacity-building for budget and treasury management, including proposed terms of reference for its technical assistance. The mission team found its Afghan counterparts to be receptive to renewed engagement.⁷⁴⁴

OTA’s assistance will initially consist of conceptual guidance on developing and monitoring national-priority objectives, along with associated ministerial budgets; multiyear budgeting; integration of development and operating budget planning processes; and on improving budget formulation and execution. OTA said implementation of these reform measures will depend largely on the Afghan government and on other donors. The U.S. Embassy Kabul requested Treasury’s other scheduled missions be postponed until October due to security concerns.⁷⁴⁵

Money Laundering

The State Department lists Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds, all of which “continue to pose serious threats to the security and development of Afghanistan.” Narcotics, corruption, and contract fraud are major sources of the country’s illegal revenues and laundered funds. Afghanistan has weak or nonexistent supervisory and enforcement regimes, and weak political will to combat corruption.⁷⁴⁶

Anti-Money Laundering/Countering the Financing of Terrorism Legislative Deficiencies

Treasury said Afghanistan took steps towards improving its Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) administration by amending its 2014 AML law to extend the criminalization of money laundering to cover predicate offenses (e.g., supplying the funds to be laundered) that occur abroad—a Financial Action Task Force (FATF) requirement. Afghanistan also issued regulations on the process and legal framework for freezing terrorist assets, but still needs to demonstrate completed and consistent implementation of United Nations (UN) Security

“[IMF] Staff welcomes plans to submit to parliament legislation criminalizing bribery of public officials, trading in influence, illicit enrichment, bribery and embezzlement of property in the private sector, and the planned legislative amendment to provide for publication of public officials’ asset declarations.”

Source: IMF, *Islamic Republic of Afghanistan, Staff-Monitored Program*, 5/7/2015, p. 14.

Council Resolutions 1267 and 1988 calling for asset freezes and sanctions on designated individuals.⁷⁴⁷

A State Department report in March 2015 said Afghanistan's laws were not in line with international standards, lacking clarity and effectiveness. While the government has frozen bank accounts owned by some hawala networks, no bank accounts have been seized, and there is no legal mechanism for sharing forfeited assets with other countries to help fund joint law-enforcement investigations. The report recommended that Afghanistan continue to work to criminalize money laundering and terrorism financing; implement a framework for identifying, tracing, confiscating, and freezing terrorist and money laundering-related assets; train and resource legal authorities to better understand and carry out their oversight and investigative duties; enhance the financial intelligence unit, Financial Transactions and Reports Analysis Center of Afghanistan; and strengthen controls for cross-border cash transactions.⁷⁴⁸

Afghanistan's central bank reported approximately \$3.7 million in cash left Afghanistan through Kabul International Airport in 2014 and approximately \$83,200 left through the airport in Mazar-e Sharif. While it is illegal to take more than \$20,000 out of the country at a time, Afghan law does not require citizens to report outbound currency. State reported that cargo is often exempted from any screening or inspection due to corruption at the official border crossings and customs depots, and that most border areas are underpoliced or not policed. Moreover, Kabul International Airport lacks stringent inspection controls for all passengers: it has a VIP lane that allows certain passengers to avoid any inspections or controls.⁷⁴⁹

Financial Action Task Force

At its most recent plenary session in Brisbane, Australia, June 24–26, 2015, FATF chose to keep Afghanistan on its “Improving AML/CFT Global Compliance” list, also known as the “gray list.” This means that while Afghanistan has strategic AML/CFT deficiencies, its government has developed an action plan, written a high-level political commitment to address those deficiencies, and is making progress. FATF urged Afghanistan to further implement its legal framework for identifying, tracing, and freezing terrorist assets; implement an adequate AML/CFT oversight program for all financial sectors; and establish and implement effective controls for cross-border cash transactions.⁷⁵⁰ This is the fourth consecutive plenary in which Afghanistan has maintained this status since being downgraded on the “gray list” in February 2014.⁷⁵¹

Shortly thereafter, Afghanistan's lower house of parliament rejected a government-sponsored amendment to the AML law that sought to have investigations of alleged money laundering apply only to crimes that occurred after the law's ratification, rather than retroactively, as the law currently provides. Some members of parliament argued that removing the

retroactivity clause would reward theft and robbery over the previous 14 years and allow numerous criminals to evade prosecution.⁷⁵²

Kabul Bank Theft Accountability

The Afghan government has so far obtained convictions or judgments against 36 individuals and companies,⁷⁵³ including the Kabul Bank's ex-chairman and ex-CEO, who were involved in the close to \$1 billion theft that brought the bank near collapse in 2010.⁷⁵⁴ According to the Kabul Bank Clearance Committee, established by a March 2015 presidential decree to look into and help resolve the Kabul Bank case, 30 debtors have repaid their loans, 10 showed a "willingness to do so," and debtors who fled were reported to Interpol.⁷⁵⁵

On June 22, 2015, President Ghani set a one-week deadline for debtors to settle their accounts or be referred to the Attorney General's Office for prosecution and be barred from leaving the country.⁷⁵⁶ One day later, *Tolo News* reported that the director and deputy director of the Kabul Bank Clearance Committee were arrested for taking a \$100,000 bribe from an unnamed Kabul Bank debtor.⁷⁵⁷ Afghanistan's Office of the Attorney General announced travels bans and asset freezes against 150 Kabul Bank debtors on July 6.⁷⁵⁸

Cash and Asset Recoveries

In June 2015, the Kabul Bank Receivership informed the U.S. Department of Justice (DOJ) that total recoveries reportedly stand at \$229.5 million as of May 2015. This includes cash recoveries (\$180.7 million), forgiven debts, and assets recovered or seized. Another \$600–650 million is outstanding. The Receivership said its primary challenge in recovering cash and assets is inadequate pressure on borrowers to repay their debts, primarily because so many have significant political ties or allies.⁷⁵⁹

In May 2015, the U.S. Embassy Kabul received a diplomatic note from the Afghan government about recovering assets and beginning discussions to request mutual legal assistance.⁷⁶⁰ DOJ deemed the official request deficient and identified corrective actions that were needed before DOJ could assist. The government had not responded or provided any of the requested information as of June 29, 2015.⁷⁶¹

After Kabul Bank nearly collapsed in 2010, the MOF issued an eight-year, \$825 million bond to the central bank to compensate it for the losses it covered. Repayments by the government, which sometimes include the proceeds of recovered Kabul Bank assets, are to be made quarterly through budget appropriations. Parliament has not consistently authorized these repayments, while payments that were authorized are in arrears. No repayments appear to have been made since 2013.

Source: IMF, *Islamic Republic of Afghanistan, Memorandum of Economic and Financial Policies*, 11/1/2011, p. 9; Treasury, response to SIGAR data call, 6/25/2015.

U.S. ECONOMIC-SUPPORT STRATEGIES

This quarter, the United States and Afghan government worked on a framework and a memorandum of understanding (MOU) to govern the \$800 million New Development Partnership (NDP) that was announced on March 23, 2015.⁷⁶²

The NDP intends to promote Afghan self-reliance over the next five years by strengthening Afghan institutions, sustainability, and fiscal transparency,

and give the new unity government more opportunity to lead its own development trajectory. It aims to do this through monetary incentives to the Afghan government for implementing solutions to development challenges and will measure Afghan-led reform and development activities. USAID will oversee NDP funding, which will be disbursed through the Afghanistan Reconstruction Trust Fund (ARTF).⁷⁶³

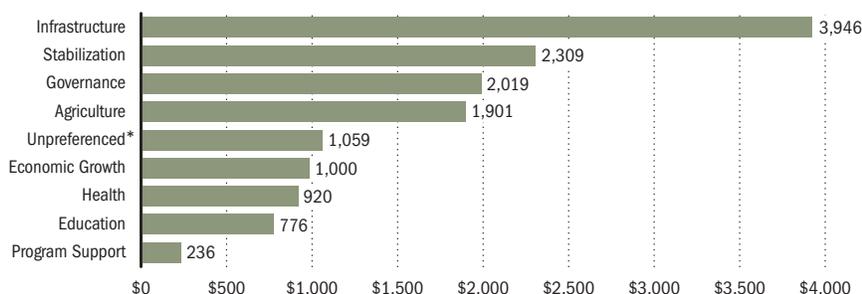
The State Department said the Afghan government identified fiscal sustainability, anticorruption, and poverty reduction as initial priority areas under the NDP. The government will next develop specific results within these areas that it will seek to achieve in order to qualify for the U.S. incentive funds.⁷⁶⁴

USAID Development Assistance

Most assistance from the Economic Support Fund (ESF) goes toward USAID’s development programs. Figure 3.29 shows USAID assistance by sector.

FIGURE 3.29

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JUNE 30, 2015
(\$ MILLIONS)



Note: Numbers rounded. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and other programs that built health and education facilities.

*Unreferenced funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Source: SIGAR, analysis of USAID, response to SIGAR data call, 7/12/2015; SIGAR, analysis of World Bank, “ARTF, Administrator’s Report on Financial Status, As of June 21, 2015,” accessed 7/17/2015.

Development of Natural Resources

The majority of mining contracts are being reassessed by the Ministry of Mines and Petroleum (MOMP) due to what the minister called a lack of transparency in the award process.⁷⁶⁵ It is unclear how this may affect negotiated but yet-unsigned contracts, but it could cause further investor uncertainty.

USAID said the Afghan government is taking a slow, methodical approach to the sector until it feels it has the capacity to manage tenders and contracts.⁷⁶⁶ Representatives from the U.S. and Afghan governments

and Integrity Watch Afghanistan all agree that the MOMP still lacks the technical capacity to research, award, and manage contracts without external support despite DOD's Task Force for Business and Stability Operations (TFBSO) and USAID providing direct assistance since 2009. (TFBSO ceased operations in December 2014.) MOMP's independently managed tenders were said to be severely flawed and rife with corruption.⁷⁶⁷

The World Bank believes development of Afghanistan's natural resources can underpin future economic growth in the face of declining external aid. So far, mining has contributed only slightly to the country's GDP.⁷⁶⁸ The Afghan budget projected annual mining revenues of \$26 million, in FY 1393 (2014), but actual receipts were only about \$8.7 million.⁷⁶⁹ The FY 1394 budget forecast government expectations of \$35 million in mining revenues,⁷⁷⁰ although there have been no developments to suggest revenues are likely to increase this year.

The government collected about \$4.5 million in extractives revenue in the first four months of FY 1394, missing its budget target of \$6.1 million by 26%. Compared to the same time last year, extractives revenue declined 17%.⁷⁷¹ Needed infrastructure financing and Afghan progress on regulatory and legislative frameworks⁷⁷² make the timing of significant revenues from this sector uncertain.

On June 3, parliament questioned the minister of mines and petroleum about the status of Hajigak and Aynak mines.⁷⁷³ Currently there is no excavation under way at the Mes Aynak copper mine in Logar Province other than continuing archeological mitigation of damage to cultural relics in the area and landmine clearing.⁷⁷⁴ The Afghan government awarded the contract for extraction rights at Mes Aynak in 2008,⁷⁷⁵ but hoped-for royalties have not yet been realized.⁷⁷⁶ The \$3 billion contract was finally made public this quarter, seven years after it was signed.⁷⁷⁷ Contract negotiations for Hajigak iron-ore concessions have been ongoing since it was awarded in November 2011.⁷⁷⁸ The World Bank previously reported that hopes were fading for Aynak and Hajigak-related energy infrastructure that was supposed to be built as part of the mining projects.⁷⁷⁹

For a list of contracts awaiting final Cabinet approval, see page 161 in SIGAR's January 2015 *Quarterly Report to the United States Congress*.

Illegal Mining

The MOMP contends illegal extraction is taking place at 1,400 mining sites across Afghanistan, but others estimate the country has 2,000–3,000 illegal sites.⁷⁸⁰ USAID said donors have had little success in addressing this problem due to security issues, lack of accessibility to remote mountainous locations, and scarcity of offices in which to register mines.⁷⁸¹

Taliban and other insurgents use violence to illegally extract or obtain natural resources. Illegal mining denies the Afghan people an estimated \$300 million in revenues annually.⁷⁸² The UN reported in February 2015 that

“Taliban penetration of the natural resources sector is deep and extortion in that sector is fairly pervasive.” The Taliban are involved in illegal mining in three ways: extraction (they control at least 35 active onyx marble operations), extortion (threatening or committing violence if not paid off), and as service providers (security, transport, and smuggling).⁷⁸³

Mining Investment and Development for Afghan Sustainability

This quarter, USAID’s five-year, \$50 million Mining Investment and Development for Afghan Sustainability (MIDAS) program resumed geospatial/geographic data training for Afghan Geological Survey staff; completed its core sample granite exploration project in Bamyan to determine the mineral’s quality and suitability for commercial processing; and continued to prepare for site visits to Herat and other areas.⁷⁸⁴

MIDAS continued cataloguing potential amendments to the mining law for the minister of mines and petroleum’s review. Some of the proposed changes aim to improve transparency and accountability in the bidding and contracting process including: banning those who are proven to be connected or related to insurgent groups from receiving a contract; mandatory publication of all mining contracts within 10 days of issuance; and providing the holder of a exploration license of a particular mine the exclusive right to the site-exploitation license after completing exploration and establishing economic feasibility.⁷⁸⁵ The failure to link exploration with exploitation rights has been one of several longtime impediments to investment.⁷⁸⁶

MIDAS and USAID’s other extractives-assistance programs are listed in Table 3.23.

SIGAR AUDIT

A SIGAR audit published last quarter determined that USAID’s MIDAS program identifies areas in need of assistance, articulates a strategy for mineral sector development, and lays out a clear set of criteria for selecting potential areas of investment by USAID. A subsequent audit of U.S. assistance to the extractives industry is ongoing.

TABLE 3.23

USAID EXTRACTIVES ASSISTANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Sheberghan Gas Generation Activity	12/21/2011	7/31/2016	\$30,440,958	\$21,721,719
Sheberghan Gas Development Project	5/15/2012	7/31/2016	90,000,000	0
Mining Investment and Development for Afghan Sustainability	3/31/2013	3/20/2016	50,096,175	17,361,416

Source: USAID, response to SIGAR data calls, 6/25/2015 and 7/12/2015.

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.⁷⁸⁷

Afghanistan has only small-scale topping plants—early-stage refineries that can process only limited petroleum components of crude oil—and remains heavily dependent on fuel imports.⁷⁸⁸ The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and

Iran,⁷⁸⁹ representing roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.⁷⁹⁰

Lower global oil prices benefit land-locked Afghanistan in the short term by lowering energy prices and transportation costs, which has the positive ancillary effect of lowering food prices and costs for local producers, increasing private consumption, and boosting domestic demand.⁷⁹¹ However, the World Bank cautioned that a sharp and prolonged decline in oil and commodity prices could negatively impact incentives for investment in Afghanistan's significant oil basins, some of which are already impacted by security issues and Afghanistan's bureaucratic morass.⁷⁹²

Sheberghan Programs

Sheberghan holds the potential for cheap natural gas-generated power that could be competitive with imported power from Uzbekistan, according to the World Bank.⁷⁹³ USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation through two mechanisms: (1) the \$90 million, on-budget Sheberghan Gas Development Project (SGDP) to rehabilitate and drill wells in the Amu Darya Basin, and fund a gas-gathering system and gas-processing plant; and (2) the \$35 million, off-budget Sheberghan Gas Generation Activity (SGGA) for capacity building and technical assistance to the MOMP.⁷⁹⁴

This quarter, SGGA was extended through July 31, 2016, at no additional cost to USAID. It is approximately 20% complete.⁷⁹⁵ An MOU was signed on May 13 between the Afghan government; its national utility, DABS; the International Finance Corporation (a member of the World Bank Group); and Ghazanfar Group to build a \$75 million, 50 megawatt (MW) gas power plant.⁷⁹⁶ USAID said Turkish Petroleum Corporation (TPAO), SGDP's drilling contractor, is adhering to a drilling schedule to be completed in September 25, 2015, after taking almost twice as long as the contract stipulated. However, SGGA said it was certain that TPAO would not fulfill its contractual obligations by that date. TPAO submitted a revised drilling schedule with a December 31, 2015, completion date, which the MOMP promptly rejected.⁷⁹⁷

Problems with this drilling contractor continued. SGGA, the off-budget capacity-building mechanism, reported that a visit to the drilling site by the Afghanistan Petroleum Authority's director general seemed to prompt greater urgency from TPAO and more cooperation.⁷⁹⁸ SGGA also drafted a letter for the MOMP to TPAO repeating its demand to submit all subcontracts to the MOMP for approval. In addition, of the five drilling contract management support meetings conducted in May 2015, three dealt with TPAO oversight.⁷⁹⁹

AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population, accounting for about 25% of GDP, and employing more than 50% of the labor force, according to the World Bank.⁸⁰⁰ USAID reported that its agribusiness and trade activities work to stimulate agricultural sector growth, create jobs, improve livelihoods, and boost local economies. Moreover, implementation for two follow-on projects, which were previously under the auspices of the U.S. Department of Agriculture—the Afghan Agricultural Extension Program and the Capacity Building and Change Management Program—aim to strengthen the capacity of the Ministry of Agriculture, Irrigation, and Livestock (MAIL).⁸⁰¹

USAID has obligated approximately \$2.4 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy.⁸⁰² Pages 127–131 of this quarterly report discuss USAID’s alternative-development programs. A list of all active USAID agriculture programs is found in Table 3.24.

Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project awarded this quarter aims to continue the technical-assistance component of the initial ACE that managed the conditions-based, MAIL-led Agricultural Development Fund (ADF). The ADF extends agriculture-related credit access to small- and medium-sized farms and agribusinesses. ACE II will support the ADF by encouraging other financial intermediaries—banks, farm stores, leasing companies, and food processors—to enter into agriculture-related finance.⁸⁰³

TABLE 3.24

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	\$25,000,000	\$3,257,950
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	0
Capacity Building and Change Management Program II (CBCMP-II)	7/10/2014	7/9/2017	19,999,989	5,682,191
Digital Integration to Amplify Agriculture Extension in Afghanistan (DIAAEA)	11/30/2014	11/29/2015	391,000	83,531
Famine Early Warning System Network (FEWSNET) Phase III	12/29/2011	12/28/2016	11,340,000	2,420,553
Strengthening Afghanistan Agricultural Faculties (SAAF)	3/25/2011	12/31/2016	7,824,209	6,354,288
Mothers and Under-Five Nutrition and Child Health (MUNCH)	12/16/2014	12/31/2016	5,000,000	5,000,000

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see Table 3.16 on p. 128 of this report.

Source: USAID, response to SIGAR data call, 7/12/2015.

ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase 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.

Power Supply

On April 24, 2015, Afghanistan, Tajikistan, Kyrgyzstan, and Pakistan finalized and signed the Central Asia-South Asia Electricity Transmission and Trade project (CASA-1000). Afghanistan will receive electricity from 300 MW of generation capacity in Tajikistan and Kyrgyzstan, and will collect transit-fee revenue from electricity delivered to Pakistan. Construction is scheduled to begin in September 2015 and be completed in 2018.⁸⁰⁴

Afghanistan has one of the lowest rates of electrification in the world, with only 25% of Afghans connected to the power grid—about the same proportion as those who live in cities.⁸⁰⁵ Afghanistan imports approximately 73% of its total electricity. 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.⁸⁰⁶ Afghanistan will need regional cooperation to meet its energy demands.⁸⁰⁷

U.S.-Afghan Joint Regional Energy Working Group

On March 23, 2015, Secretary of State John Kerry announced establishment of a U.S.-Afghan Joint Regional Energy Working Group charged with exploring ways to support Afghanistan's integration into regional energy markets. State, USAID, Treasury, and other U.S. agencies will participate in this effort.⁸⁰⁸ This quarter, USAID reported no progress on organizing an official working-group meeting. State engaged the Afghan government in developing the framework for the proposed working group, an agenda, mutually agreeable terms of reference, a meeting venue, and a date, but no final arrangements have been agreed upon.⁸⁰⁹

U.S. Power Sector Assistance

From 2002 through 2014, USAID alone obligated more than \$2.7 billion to build generators, substations, and transmission lines, and provide technical assistance in the sector.⁸¹⁰ In addition, DOD has provided approximately \$292 million for power projects through the Commander's Emergency Response Program and roughly \$1.1 billion through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁸¹¹

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. USAID has three projects to connect and increase the electricity supply in both systems:

Other regional energy initiatives involving Afghanistan include the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan transmission line that will enable power to be dispatched from Turkmenistan to Pakistan; and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline, which will transport up to 33 billion cubic meters of natural gas per year from Turkmenistan to these other countries.

Source: ADB, 44463-013: Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline Phase 3, accessed 4/8/2015; USAID, response to SIGAR vetting, 4/12/2015.

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, p. 107.

TABLE 3.25

USAID ACTIVE POWER INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Kandahar Helmand Power Project	12/9/2010	11/30/2015	\$229,222,002	\$226,461,185
Power Transmission Expansion and Connectivity	1/1/2013	12/31/2018	670,000,000	36,791,897
Contributions to the Afghanistan Infrastructure Trust Fund	3/7/2013	3/6/2018	105,670,184	105,000,000
Kajaki Dam Unit 2	4/22/2013	12/31/2015	75,000,000	28,198,416
Public Awareness Campaign to Increase Afghans' Knowledge of Energy Development Programs	2/1/2014	1/31/2016	1,789,224	1,069,097
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555
Afghan Engineering Support Program	11/9/2009	11/8/2015	72,000,000	65,101,840
PEER Grants	7/25/2011	7/24/2016	5,440,647	5,440,647

Note: The Sheberghan Gas Generation Activity (SGGA), Sheberghan Gas Development Project (SGDP), and Mining Investment and Development for Afghan Sustainability (MIDAS) programs, which are categorized under the power sector in USAID's funding pipeline report are listed in the extractives sector programs subsection on p. 176 of this report.

Source: USAID, response to SIGAR data call, 7/12/2015.

SIGAR SPECIAL PROJECT

This quarter, SIGAR wrote to USAID to inquire about the Afghan government's willingness and ability to operate the Tarakhil Power Plant (TPP) and to better understand actions undertaken to ensure the sustainability of the plant's operation and maintenance. USAID replied that TPP was operating, provided energy output figures, and said the plant proved to be a vital component of Afghanistan's northern energy grid. SIGAR's analysis is ongoing. For more information, see Section 2, p. 50.

(1) the Power Transmission Expansion and Connectivity (PTEC) project to construct a transmission line connecting Kabul with Kandahar and build the capacity of Afghanistan's national electric utility, Da Afghanistan Breshna Sherkat (DABS), to sustain energy-infrastructure investments; (2) the Sheberghan Gas Development Project (SGDP) to attract private investment to develop gas resources in Sheberghan and build power plants; and (3) the Kandahar-Helmand Power Project (KHPP), which includes installing a third turbine at Kajaki Dam and improving the transmission system connecting Kajaki with Kandahar.⁸¹² USAID's active power-infrastructure projects are listed in Table 3.25.

Kandahar-Helmand Power Project

The KHPP is intended to increase power supply and reliability in Kandahar and Helmand Provinces.⁸¹³ All USAID components of this project are closed out, except for a technical-support services subcomponent. Black and Veatch has been retained for a technical-support services contract to assist DABS with its efforts to increase long-term sustainable hydro-power from Kajaki Dam by installing a third turbine, known as Unit 2, in the powerhouse.⁸¹⁴

This quarter Black and Veatch reported that GFA Consulting Ltd., the construction management consultant to DABS, has ended Black and Veatch's access to weekly reports. USAID currently forwards the reports to Black and Veatch for review. Moreover, Black and Veatch said GFA revised the format of its weekly reports, reduced content, deleted meeting minutes, and ceased to include the turbine-installation contractor's weekly reports. Black and Veatch said not one project schedule appears to be kept,

progress milestone schedules are inconsistent and the most recent report showed actual progress at 24%.⁸¹⁵

The turbine-installation completion date was revised to May 2016, due to an Afghan National Defense and Security Forces offensive against the Taliban around Kajaki.⁸¹⁶ Insurgent activity also closed Route 611—the road leading from Sangin to Kajaki—this quarter, delaying delivery of construction materials, and Black and Veatch said the turbine-installation design was behind schedule.⁸¹⁷ For details on additional challenges, see SIGAR's April 2015 *Quarterly Report to the United States Congress*, pages 176–177.

Kandahar Power Bridging Solution

DOD has disbursed \$140 million for diesel fuel since FY 2011 to run generators in Kandahar City through the Kandahar Bridging Solution while turbine-installation work at Kajaki Dam is under way. DABS controls the generators, but DOD fuel subsidies (\$20 million allocated in FY 2014 alone) are scheduled to expire in September 2015 with no prospect of extension.⁸¹⁸ Last quarter, USAID said DABS is considering raising rates to pay for diesel after DOD subsidies end, and relayed that to the Kandahar governor and community last year, but has faced difficulties convincing them.⁸¹⁹

Power Transmission Expansion and Connectivity Program

The U.S.-funded PTEC program was designed to strengthen and expand the power-generation, transmission, and distribution systems, including funding the transmission line between Kabul and Kandahar to connect NEPS with SEPS.⁸²⁰ PTEC's commercialization and capacity-building components aim to increase revenues while reducing technical and commercial losses.⁸²¹ Construction has started on the transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector. To date, \$38 million has been disbursed through DABS/MOF to PTEC contractors for this effort.⁸²²

In support of the second segment, Ghazni to Kandahar, \$179.5 million was transferred from AIF to USAID after DOD cancelled construction at Dahla Dam.⁸²³ An additional \$300 million was deobligated from the Asian Development Bank-administered Afghanistan Infrastructure Trust Fund (AITF) and returned to PTEC to ensure this segment remains a construction priority. These monies are being used as a direct-assistance award to DABS for two requests for proposals to construct this segment of the transmission line and five substations. Bids for the substations are due at the end of July, and for the transmission lines, at the end of August; awards are expected next quarter.⁸²⁴ A resulting PTEC contract must then be approved by Afghanistan's National Procurement Commission (NPC), which approves all on-budget government contracts. USAID anticipates the NPC process will result in program delays.⁸²⁵

The National Procurement Commission, established by Presidential Decree #60 on February 20, 2015, replaced the Special Procurement Commission, through which all previous on-budget contracts went for Afghan government approval.

Source: GIROA, Presidential Decree #60, Legal Order by the President of the Islamic Republic of Afghanistan on Modification of Some Articles of the Procurement Law, 2/10/2015.

To help bridge the gap between Kandahar’s electric-generation capacity and demand until the NEPS-SEPS transmission line is completed, PTEC is funding a reverse auction whereby independent power producers will compete to construct and sell power to DABS from a solar-power plant. This plant, expected to be operational by mid- to-late 2016, may be able to operate at an installed capacity of 10 MW of power; a feasibility report due in July 2015 was expected to refine the projection.⁸²⁶ USAID issued a request for information on July 9 about interested firms and the price per unit of electricity needed for a 20-year investment.⁸²⁷

DOD’s Afghanistan Infrastructure Fund Programs

This quarter, DOD continued implementing several priority energy-sector projects to complete its portion of the NEPS and SEPS using FY 2011–FY 2014 AIF money (no FY 2015 AIF funds were requested or appropriated), as shown in Table 3.26.⁸²⁸ The Ministry of Energy and Water and DABS will be responsible for sustaining these projects, including O&M costs once they are completed and turned over to the government. DOD has notified Congress that increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment of AIF infrastructure.⁸²⁹ However, SIGAR has raised questions about DABS’s capacity and said Afghanistan lacks the resources necessary to pay for O&M.⁸³⁰ The World Bank said DABS’s technical and commercial losses remain significant.⁸³¹

SIGAR AUDIT

An ongoing SIGAR audit focuses on State Department progress in completing FY 2011 Afghanistan Infrastructure Fund projects, the impact on other infrastructure priorities and counterinsurgency objectives, and sustainment challenges.

TRANSPORTATION

Afghanistan’s lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said building the transportation sector is imperative for national economic development.⁸³² Afghanistan’s transportation-infrastructure shortcomings constrain the service and agriculture sectors, currently the leading contributors to GDP.⁸³³ They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining international aid.⁸³⁴ This quarter, the United States continued its efforts to develop the capacity of the Ministry of Public Works in the areas of road construction, operations, and maintenance.⁸³⁵

Civil Aviation

A SIGAR audit released this quarter found that since 2002, the United States—mainly DOD and the Federal Aviation Administration (FAA)—spent about \$562 million helping Afghanistan rebuild its civil-aviation system, which was on the verge of collapsing. The United States had planned to transition airspace-management responsibilities back to the Afghan government at the end of 2014, but instead funded an interim \$29.5 million

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.26

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF JUNE 11, 2015 (\$ MILLIONS)						
AIF Fiscal Year	AIF Project	Description	Congressional Notification Amount (\$)	Obligated (\$)	Disbursed (\$)	Status
FY 2011	Kandahar Power Bridging Solution	Provide fuel to diesel generators in Kandahar	\$40.5	\$39.1	\$39.1	Complete
	SEPS - Kajaki Dam-Lashkar Gah	Install transmission lines and construct power substations	130.0	100.3	51.8	Terminated, May 2014
	NEPS - SEPS Connector, Arghandi to Ghazni	Supply, install, test, and commission transmission line and substation	101.0	56.7	10.3	Transferred to USAID; contract signed
	NEPS - Arghandi to Gardez Phase I	Install transmission lines and construct power substations	93.7	51.9	11.8	In Design
FY 2012	Kandahar Power Bridging Solution	Provide fuel for diesel generators in Kandahar City	67.0	64.7	64.7	Complete
	SEPS - Kandahar City to Durai Junction Phase 2	Install or repair transmission lines; repair or construct substations	40.0	29.6	4.3	Design/Mobilization/Demining
	NEPS - Arghandi to Gardez Phase 2	Install transmission lines and construct power substations	77.5	71.0	21.5	In Design
	NEPS - Charikar to Panjshir Phase 1	Install transmission lines and construct power substations	42.5	38.9	8.7	In Design
FY 2013	Kandahar Power Bridging Solution	Provide fuel for diesel generators in Kandahar City	37.0	34.0	33.9	Complete
	NEPS - Charikar to Panjshir Phase 2	Install transmission lines and construct power substations	33.0	25.3	8.1	In Design
	SEPS Completion - Phase 1	Construct substations and rehabilitate transmission lines in Helmand Province	75.0	70.6	23.4	Design/Mobilization/Demining
	NEPS - SEPS Connector, Ghazni to Kandahar	Design and install transmission lines and towers; construct substations. Final Phase of NEPS-SEPS connector.	179.5	330.0	0.0	Transferred to USAID; Transmission line bids received 6/21/2015
FY 2014	Kandahar Power Bridging Solution	Provide fuel for diesel generators in Kandahar City	20.0	5.4	2.4	In Progress
	SEPS Completion - Phase 2	Rehabilitate and construct transmission lines and substations in Helmand and Kandahar Provinces	49.0	0.0	0.0	Transferring to USAID
	NEPS - Gardez to Khowst	Design and install transmission and distribution lines; construct substations. DOD's final contribution to NEPS.	130.0	130.0	0.3	Pre-Award

Note: All AIF projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national utility. Congressional notification amounts are provided by DOD. Obligations and disbursements are as of 5/31/2015. All other information is as of 6/11/2015.

Source: DOD, response to SIGAR data call, 7/14/2015; USAID, response to SIGAR data call, 7/21/2015.

DOD-managed contract through September 2015 after realizing the transfer was not possible.⁸³⁶ For more information, see Section 2, pages 23–24.

This quarter, the Afghan government selected the U.S.-based contractor Readiness Management Support to help manage Afghan airspace for two years after the current U.S.-funded contract expires. It is currently waiting for National Procurement Commission approval.⁸³⁷

SIGAR AUDIT

A SIGAR audit announced this quarter will review U.S. efforts to sustain roads and strengthen the Afghan government's ability to perform ongoing road maintenance. For more information, see Section 2, pp. 27–28.

Roads

The United States has provided approximately \$2.1 billion cumulatively for road construction and O&M, and will spend up to \$5 million between November 2014 and November 2016 for additional O&M.⁸³⁸ Yet the World Bank has said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.⁸³⁹ Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to USAID. Afghanistan is estimated to spend \$17 million annually for O&M, leaving a projected \$100 million annual shortfall.⁸⁴⁰ USAID's active road construction and O&M programs are listed in Table 3.27.

TABLE 3.27

USAID ACTIVE ROAD CONSTRUCTION, OPERATIONS AND MAINTENANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Technical Assistance to the Ministry of Public Works	8/3/2014	8/2/2017	\$21,366,222	\$4,586,459
Gardez to Khowst Road, Phase IV	6/26/2014	12/31/2015	32,960,265	20,726,885
Salang Tunnel Maintenance	4/1/2013	3/30/2016	3,533,350	1,697,401
Engineering, Quality Assurance, and Logistical Support (EQUALS)	4/18/2011	4/17/2016	126,307,645	105,664,217
Support for USAID's Construction of Health and Education Facilities Program	1/19/2008	7/31/2015	57,160,749	57,160,749
Emergency Road O&M	4/29/2015	7/30/2015	252,667	0
Emergency Road O&M	5/27/2015	6/21/2015	130,681	21,090
Emergency Road O&M-East	11/1/2014	10/31/2015	27,120	27,037
Emergency Road O&M-East	11/5/2014	11/4/2015	22,016	22,016

Source: USAID, response to SIGAR data calls, 6/25/2015 and 7/12/2015.

Road Sector Sustainability Project

USAID's Road Sector Sustainability Project (RSSP) helps the Ministry of Public Works strengthen its capacity to better fund and maintain Afghanistan's 26,100 miles of roadway infrastructure.⁸⁴¹ It has four main activities:⁸⁴²

- **Activity 1:** Emergency O&M (November 2014–November 2016); \$5 million allocated over 12 months; \$422,702 obligated and \$70,143 disbursed from November 2014–July 2015.
- **Activity 2:** Technical assistance to the Ministry of Public Works (Phase I, August 2014–August 2017); creation of a road authority and road fund; estimated cost \$21.4 million for phase I: \$8.8 million obligated and \$4.6 million disbursed, as of June 30, 2015. Afghan agencies created in phase I will need parliamentary approval before \$14 million phase II (buildings, equipment, training) begins.
- **Activity 3:** Training and capacity building for the Ministry of Public Works (estimated start March 2016); estimated cost \$30 million;

\$0 disbursed. Pre-solicitation stage. The statement of work is being developed based on a needs assessment. Parliamentary approval for Activity 2, phase I is needed before Activity 3 begins.

- **Activity 4:** Transitional Incentives Funds for Road O&M (estimated start March 2016); estimated cost \$33 million; \$0 disbursed. USAID funding will go on-budget through the AITF's O&M incentive window.

Gardez-Khowst Road Rehabilitation Phase IV

The four-phase, \$233 million, 63-mile asphalt-paved highway project gives Khowst and Paktiya Provinces access to major trading routes to Pakistan, to Kabul, and to the Ring Road connecting Kabul, Kandahar, and Herat.⁸⁴³ It includes bridges, causeways, drainage structures, excavation, “river training” structures to control flow and sedimentation, and asphalt pavement.⁸⁴⁴

The \$33 million phase IV is the only ongoing USAID-funded road construction project. The three previous phases are complete with 55 miles of road paved. The remaining road and bridge construction is scheduled to be completed by December 2015. As of June 2015, \$21 million has been disbursed.⁸⁴⁵



Construction of the Gardez-Khowst road is ongoing. (USAID photo)

ECONOMIC GROWTH

As of June 30, 2015, USAID had disbursed approximately \$1 billion cumulatively for economic growth programs in Afghanistan.⁸⁴⁶

This quarter, USAID announced a \$13.3 million, four-year Afghanistan Investment Climate Reform Program. It aims to stimulate economic growth nationally and provincially by simplifying regulations and reducing compliance costs for new and existing businesses operating in the country.⁸⁴⁷ The World Bank ranked Afghanistan 183rd overall in its 189-nation *Doing Business 2015* review of business regulations for domestic companies.⁸⁴⁸

Afghanistan Workforce Development Program

USAID's four-year, \$62.6 million, Afghanistan Workforce Development Program (AWDP) aims to offer access for 25,000 Afghans (target ratio: 75% men, 25% women) to vocational education and training, business-development support, business-management training programs, financial credit, and job-placement services. AWDP also seeks to mitigate high unemployment and address the scarcity of technically skilled Afghan labor and trained Afghan business managers. The goal of the program is to facilitate job creation, develop a skilled and semiskilled workforce, increase self-employment, and promote economic recovery in Afghanistan.⁸⁴⁹

AWDP is also supporting efforts to build the capacity of technical/vocational educators and trainers. AWDP seeks to improve the quality of these training programs through public-private partnerships, and make them more accessible. As of June 30, 2015, USAID reported more than 17,968

Afghans were trained and more than 8,348 were either placed in jobs or promoted in mid-career/semi-professional jobs. Program targets were to have 20,825 trained and 17,500 placed or promoted by April 4, 2015. USAID said these targets were not achieved due to Afghanistan's slowdown in economic activity and delays in starting the on-budget component with the Ministry of Education (MOE). However, so far the program has exceeded its target of having women be 25% of those being trained (36%), placed, and promoted (32%). The AWDP disbursed approximately \$20.5 million, as of June 30, 2015.⁸⁵⁰

EDUCATION

The United States aims to improve Afghan access to quality education by promoting capacity building; providing assistance for learning materials and teacher development; establishing community-based classes in remote regions; and increasing and strengthening higher-education systems to better prepare Afghans for employment.⁸⁵¹ As of June 30, 2015, USAID disbursed more than \$776 million for education programs in Afghanistan.⁸⁵²

Ministry of Education Data and Sector Improvement Plan

On May 27, 2015, the lower house of parliament summoned Minister of Education Asadullah Hanif Balkhi to inquire about the “low quality of education in the schools.” Minister Balkhi responded that more than half of all teachers do not have the necessary skill sets, the general education curriculum is insufficient, students do not have timely access to textbooks, and educational services are unbalanced. In response to news reports that schools in some areas were non-existent, yet received funding, parliamentarians also raised questions about the number of students, teachers, and functioning schools. Minister Balkhi confirmed there are some non-existent schools that receive funding in insecure areas and that Education Management Information System (EMIS) data on the number of functioning schools are imprecise. However, the MOE is working to improve the data quality. Provincial teams were assigned to collect more reliable figures. Improvement will take time, he said.⁸⁵³

The MOE's 100-day plan released in May 2015 focuses on accelerated reform and improved service delivery. It aims to provide equitable access to quality education, general and Islamic, for all school-age children by raising learning standards, enhancing curriculums (including quality textbooks and teacher guides), developing assessment tools, and increasing student enrollment as well as teacher quality. The MOE also intends to raise literacy levels for Afghans age 15 years and above, offer relevant technical and vocational education that fills Afghan labor-market requirements, and operate its ministry to provide all these services in an effective, efficient, and transparent manner.⁸⁵⁴

EDUCATION STATISTICS

After news reports alleging former ministry officials falsified data to obtain more government and donor funding, SIGAR requested information from USAID about the reliability of data it uses to oversee, fund, and measure its education programs in Afghanistan. SIGAR asked about USAID actions to investigate these allegations; estimates on how much U.S. funding may have been spent on nonexistent schools, teachers, and administrators; validation of education expenditure data; and any adjustments to its approach to providing on-budget funding.⁸⁵⁵ SIGAR's work in this area has sparked considerable media interest, and the issue of accurate education data was also featured in a lengthy investigative piece by the U.S. news organization BuzzFeed.⁸⁵⁶

USAID replied that the news accounts of the Minister Balkhi's remarks were inaccurate compared to the parliamentary hearing transcript. USAID said there was no specific evidence to suggest that U.S. funds were misappropriated or spent on ghost schools, teachers, or administrators. Monitoring and tracking systems are in place for their programs, as well as for funding disbursed through the World Bank. Additionally, USAID's on-budget funding requires a separate, noncomingled, project-specific bank account, to which it has online access and which USAID financially audits.⁸⁵⁷

USAID said obtaining reliable enrollment and attendance data is challenging in any developing country, but its funding and programs are not linked to EMIS-generated aggregate numbers. However, USAID has previously reported to SIGAR that "EMIS is the only database to track education metrics," such as student enrollment, and that USAID relies on EMIS data that is posted to the MOE website.⁸⁵⁸



Chairs at a school built, but never occupied, in Nangarhar Province, were stripped for fire wood. (U.S. Air Force photo)

While USAID may not use student enrollment levels and other EMIS data in making specific financial decisions, USAID does cite aggregate enrollment as a key, measurable indicator of progress in the sector.⁸⁵⁹ USAID also includes enrollment as one of three assistance-level indicators in its performance-management plan for education programs in Afghanistan.⁸⁶⁰

In its response, USAID added that the specific discrepancies between the student enrollment numbers that the previous education minister publicized versus official school enrollment numbers were caused by absent students still being counted as enrolled.⁸⁶¹ The number of enrolled students is the sum of present and absent students.⁸⁶² The MOE considers students as enrolled during up to three years' absence, because they might return to school. USAID and other donors have recommended the MOE revise its regulations and remove absent students from enrollment roles within a year.⁸⁶³

According to EMIS, Afghanistan had 15,619 general education (government) schools in 1393 (2014), with 8.6 million students enrolled.⁸⁶⁴ Attendance data (i.e., the number of present and absent students) are no longer publicly available.

EMIS does not track open and closed schools at any given time, or teacher and student attendance. Currently, figures are not independently verified;⁸⁶⁵ however, the MOE started its own data-quality assessment and hired a third-party monitoring firm to verify a sample of EMIS. A report is anticipated at the end of July 2015.⁸⁶⁶

USAID Programs

USAID's priority education programs are aligned with Afghanistan's objectives to increase quality education, improve workforce development, and strengthen the quality of higher education. The programs are:⁸⁶⁷

- **Basic Education, Learning, and Training (BELT):** an overarching basic education program that aims to improve education access and quality. BELT encompasses a number of activities, including a new national early grade reading program. Evaluations of request for proposals for a national reading assessment of 2nd and 4th grade students were completed and submitted to USAID's Office of Acquisition and Assistance for review and finalization. An award is expected within the next month.
 - **Community Based Education:** provides access to basic education in 10 provinces. As of May 2015, 712 Community Based Education classes have been established providing access to more than 37,000 boys and girls.
 - **Education Quality Improvement Project (EQUIP) II:** USAID funds teacher training through World Bank-administered EQUIP II. More than 84,000 teachers have been trained with U.S. government assistance. All funds for teacher training have been utilized so no teachers were trained this quarter.
- **American University of Afghanistan (AUA):** Ongoing USAID support to fund 20 Afghan women at AUA and American University of Central Asia. Five of eight undergraduate slots at AUA were filled for the spring 2015 semester; three slots are vacant due to the inability of applicants to pass English language requirements, but can be filled by existing AUA students who qualify. All five masters of business administration slots were filled this quarter, and seven students at American University of Central Asia are completing their preparatory work in Kyrgyzstan.
- **Afghanistan University Support and Workforce Development Program (USWDP):** strengthens the ability of the Ministry of Higher Education (MOHE) and 11 public universities to deliver market-relevant education services. USWDP developed a detailed quality-assurance action plan for the MOHE and for Afghanistan's public universities, but ministry acceptance and implementation initially proved challenging. Implementation improved after a new director of quality assurance was

SIGAR AUDIT

An ongoing SIGAR audit focuses on the U.S. efforts to improve access to and the quality of Afghanistan's primary and secondary education systems.

TABLE 3.28

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Global Partnership for Education	10/11/2012	3/31/2016	\$3,108,580	\$1,191,999
Fire-Rated Doors for Sardar Kabuli High School	3/2/2015	6/30/2015	341,097	37,842
Support to the American University of Afghanistan	8/1/2013	7/31/2018	40,000,000	14,514,050
Afghanistan Technical Vocational Institute	6/15/2013	6/14/2015	1,000,000	900,000
Strengthening Education in Afghanistan	5/19/2014	5/18/2019	29,835,920	3,321,118
Promote Scholarships	3/4/2015	3/3/2020	1,247,522	0
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	7,262,016	952,864
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	91,927,769	14,281,959
Increasing Access to Basic Education and Gender Equality	9/17/2014	12/31/2019	54,027,000	54,027,000

Source: USAID, response to SIGAR data call, 7/12/2015.

appointed at the MOHE in June 2015. USWDP is also creating new or enhancing market-relevant university degrees and is providing capacity-building training to ministry and university officials.

A full list of USAID's active education programs can be found in Table 3.28.

HEALTH

Afghanistan has experienced improvements in its health indicators since 2002, though it remains below average for low-income countries and has one of the world's highest levels of child malnutrition, according to the World Bank.⁸⁶⁸ 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.⁸⁶⁹

On May 12, 2015, the Afghan government, in coordination with UN agencies, civil-society organizations, and donors, signed the Kabul Declaration for Maternal and Child Health to implement cost-effective, high-impact interventions, along with quarterly performance reviews to help save the lives of more than 35,000 children over the next five years.⁸⁷⁰ Also, on June 8, the Minister of Public Health, Ferozudin Feroz, announced his 100-day plan to improve and standardize health services across the country, and committed to fighting corruption within the ministry.⁸⁷¹ In April, Minister Feroz issued a written statement addressing corruption in the health sector vowing to conduct a risk-assessment, anticorruption strategy, and work plan.⁸⁷²

Medical and hospital experts attending a USAID-sponsored conference in Kabul on June 10 reportedly said that despite millions of dollars in donated medical equipment, more than half goes unused due to a shortage of qualified personnel.

Source: *Tofo News*, "Experts Say Half of All Medical Equipment in Afghanistan Unused," 6/10/2015.

SIGAR AUDIT

An ongoing SIGAR audit is focusing on USAID's efforts to support and improve Afghanistan's healthcare services and focuses on the extent to which USAID assessed the overall impact of its efforts and the extent to which USAID collects, verifies, and reconciles healthcare data to determine its accuracy.

TABLE 3.29

USAID-FUNDED HEALTH FACILITIES, AS OF JUNE 25, 2015	
Health Facility Type	Number of Active Health Facilities
Provincial Hospital	5
District Hospital	27
Comprehensive Health Center	173
Basic Health Center	277
Sub Health Center	167
Prison Health Center	10

Note: Comprehensive Health Center: Greater range of services than Basic Health Center and employs more staff. Basic Health Center: Primary outpatient care. Sub health Center: Health center for a small, underserved, rural population.

Source: USAID, response to SIGAR data calls, 4/11/2013 and 6/25/2015.

SIGAR SPECIAL PROJECT

SIGAR wrote to USAID requesting information about Partnership Contracts for Health (PCH), an on-budget assistance program to the MOPH that supports the delivery of health services throughout Afghanistan. SIGAR analyzed USAID data and geospatial imagery that led it to question whether USAID had accurate location information for nearly 80% of PCH health-care facilities. USAID responded with new geospatial coordinates for most of the facilities, which SIGAR is analyzing and seeking to independently verify. For more information, see Section 2, pp. 50–51.

Afghanistan Demographic and Health Survey

This quarter, data collection began for the Afghanistan Demographic and Health Survey, a nationally representative survey designed to provide health and demographic information to help the Afghan government develop modern health and social programs. It will survey all 34 provinces on issues such as marriage rates, fertility levels and preferences, family planning, maternal and child nutrition, mortality, and health, as well as social indicators, using standard survey instruments and methods. The results will be compiled according to international standards and be comparable to results collected in other countries. USAID said the questionnaires and manuals are field tested and are translated into Pashto and Dari. Three hundred data collectors have been trained by the Central Statistics Office and the MOPH.⁸⁷³ USAID is contributing \$5.45 million toward this effort.⁸⁷⁴

USAID Funding

U.S. on- and off-budget assistance disbursed to Afghanistan's health sector totaled more than \$920 million, as of June 30, 2015.⁸⁷⁵ On-budget assistance to the MOPH provides basic health-care and essential hospital services. Off-budget assistance includes activities to strengthen health systems, engage the private sector, reduce child and maternal deaths, reduce tuberculosis-related deaths, reduce child undernutrition, improve the use of modern family-planning methods, and eliminate polio.⁸⁷⁶ USAID funding supports 659 health facilities in 13 provinces, as shown in Table 3.29.

USAID Health Programs

USAID's active health programs have a total estimated cost of \$728.7 million, and are listed in Table 3.30.

Helping Mothers and Children Thrive

Building upon the Kabul Declaration for Maternal and Child Health, on June 9, 2015, USAID announced its Helping Mothers and Children Thrive project, a five-year, \$60 million effort dedicated to reducing the high death rate of mothers, children, and infants, across 21 provinces in Afghanistan. It will focus on family planning, maternal, neonatal, and child health services through the MOPH's Basic Package of Health Services as well as private-sector services.⁸⁷⁷

Health Policy Project

The \$29.7 million Health Policy Project, which builds MOPH capacity to regulate the health sector, manage public-private partnerships, strengthen financial management of health resources, and promote private-sector health services and products, was extended until August 31, 2015, from its scheduled closing date of June 30, to narrowly focus on strengthening the Afghan Social Marketing Organization's operational, administrative, and organizational systems so it can run efficiently and independently. USAID

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.30

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2015 (\$)
Strengthening Pharmaceutical System	8/28/2011	8/27/2015	\$24,499,936	\$21,056,374
Polio-Eradication Activities	9/30/1996	9/30/2022	12,600,000	9,265,102
Tuberculosis Care	9/29/2010	9/28/2015	5,600,000	5,600,000
Challenge Tuberculosis	1/1/2015	12/31/2020	15,000,000	N/A
Health Policy Project (HPP)	9/25/2011	6/30/2015	29,732,652	29,716,938
Partnership for Supply Chain Management	6/1/2009	9/26/2015	1,515,058	1,515,058
Partnership Contracts for Health (PCH)	7/20/2008	12/31/2015	259,663,247	220,355,890
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,408,826
Disease Early Warning System	9/1/2008	6/30/2017	8,500,000	8,500,000
Family Planning, Maternal, Neonatal, and Child Health Project	1/7/2015	1/6/2020	60,000,000	975,893
DELIVER	9/30/2010	9/29/2015	13,535,571	11,720,015
Demographic and Health Surveys	9/9/2013	9/8/2018	5,453,731	1,000,000
Leadership Management and Governance (LMG) Field Support	9/25/2012	6/30/2015	38,341,106	33,901,491
Regional Fortification in the Central Asian Republics and Afghanistan	9/29/2014	9/29/2016	3,750,000	3,750,000
Central Contraceptive Procurement (CCP)	3/11/2014	12/31/2020	11,035,571	N/A
Routine Immunizations	9/1/2013	8/31/2015	1,200,000	N/A
System Enhancement for Health Action in Transition (SEHAT)	4/27/2013	9/30/2019	227,662,335	N/A
Delegated Cooperation on Nutrition	12/19/2014	12/19/2016	5,000,000	N/A

Note: System Enhancement for Health Action in Transition (SEHAT) is administered through the World Bank's Afghanistan Reconstruction Trust Fund. DELIVER acts as the procurement mechanism for both the commodities ordered through CCP as well as the essential drugs used in BPHS/EPHS facilities in 13 USAID-funded provinces.

Source: USAID, response to SIGAR data calls, 6/25/2015 and 7/12/2015.

created the Afghan Social Marketing Organization in 2010 to promote healthy behavior change and healthcare products (such as rehydration salts, water treatments, and condoms) through social marketing. The total estimated cost of this two-month extension is \$67,800.⁸⁷⁸

Leadership, Management, and Governance

The Leadership, Management, and Governance (LMG) project was extended until December 2015, from its scheduled closing date of June 30. Technical assistance to the MOPH and MOE will continue through September 30 to help strengthen service-delivery systems. The LMG extension was one of several allowing it to continue capacity-building operations. However, the implementing partner said the previous short-term extension created staffing challenges, significantly reduced their ability to plan strategically, and shifted the program's focus to maintaining achievements and limited interventions.⁸⁷⁹

