

# 3 RECONSTRUCTION UPDATE



## RECONSTRUCTION UPDATE CONTENTS

<b>Overview</b>	<b>45</b>
<b>Status of Funds</b>	<b>48</b>
<b>Security</b>	<b>64</b>
<b>Governance</b>	<b>106</b>
<b>Economic and Social Development</b>	<b>134</b>

**Photo on previous page**

Demining operations along the Afghan-Tajik border are managed and coordinated by the Tajikistan National Mine Action Centre, supported by the United Nations. (UN Development Programme photo)

## RECONSTRUCTION UPDATE

### OVERVIEW

General John F. Campbell, commander of the U.S. forces in Afghanistan, reported that a U.S. investigation into the October 3, 2015, U.S. air strike on the Doctors Without Borders hospital in the northern city of Kunduz determined that the contributing causes for the accident were avoidable human error compounded by process and equipment failure, along with fatigue and high operational tempo. Some U.S. personnel were suspended and could face disciplinary action as a result of the incident. The United Nations reported an Afghan delegation submitted a report to the Afghan National Security Council on the temporary fall of Kunduz to the Taliban in September, although the findings were not released publicly.

The reporting period saw an upsurge in insurgent activity from various terrorist groups across Afghanistan. *Foreign Policy* magazine reported that the Taliban now control more Afghan territory than at any time since 2001. The UN reported the presence of Islamic State in Iraq and the Levant-Khorasan (ISIL-K) remains a concern, particularly in Nangarhar Province. In October 2015, the Afghan National Army conducted a large military operation against a new al-Qaeda group that formed in Afghanistan last year.

After the *New York Times* reported that U.S. forces had been instructed to ignore the rape of young boys by members of the Afghan National Defense and Security Forces, members of Congress asked SIGAR to investigate the U.S. government's experience with allegations of Afghan forces sexually abusing children. The inquiry will also look into the manner in which the Leahy amendment, which prohibits the Departments of Defense and State from providing assistance to units of foreign security forces that have committed gross violations of human rights, is implemented in Afghanistan.

On January 14, 2016, the U.S. State Department announced the designation of ISIL-K, based in the Afghanistan/Pakistan region, as a foreign terrorist organization. Persons, groups, or companies that knowingly provide, attempt, or conspire to provide material support or resources to ISIL-K will be subject to sanctions under U.S. law.

This quarter, President Ashraf Ghani announced one component of the Jobs for Peace program, a 24-to-30-month, jobs-focused stimulus and

stabilization program. The overall program is meant to provide short-term, labor-intensive employment in rural and urban areas. The initial cost of the first component is expected to be \$100 million, growing to approximately \$350 million as it expands to all provinces. The Afghan government initially estimates the entire Jobs for Peace program will cost approximately \$1.18 billion, though some components still require budget estimates. In December, the United States announced plans to contribute \$50 million to support the Afghan government's job-creation efforts.

On January 11, Afghan, Pakistani, U.S., and Chinese officials met in Islamabad in an effort to lay the groundwork for new talks with the Taliban. The Quadrilateral Coordination Group emphasized the immediate need for direct talks between representatives of the Afghan government and Taliban groups. Pakistani officials recommended that the Afghan government not demand concessions from Taliban leaders before beginning talks. Additionally, Pakistani officials said threats against Taliban members who refused to join the talks would be “counterproductive.”

In December, the Asia Foundation released their 2015 *Survey of the Afghan People*. The survey found that in 2015, 36.7% of respondents nationwide say their country is moving in the right direction, down from 54.7% in 2014. This represents the lowest level of optimism recorded over the past 10 years, following last year's record high during the presidential runoff election. Among the 57.5% of Afghans who say their country is moving in the wrong direction, the most frequently cited reason is insecurity (44.6%, up six percentage points from 2014), followed by unemployment (25.4%), corruption in general (13.0%), a bad economy (12.4%), and bad government (11.4%).

Afghanistan's economy did not recover as expected in 2015. The World Bank projected real GDP to grow 1.9% and to remain sluggish over the medium term. Deteriorating security, low investor and consumer confidence, declining investment, and the government's struggle to deliver anticipated reforms have resulted in weak economic activity. The economic benefits associated with the once large international troop presence have waned, leading to tens of thousands of jobs lost and negatively impacting domestic demand. Meanwhile, the strength of the insurgency has caused the government to spend more on the military and less on job-creating investments. Afghanistan's domestic revenues paid for 40% of budget expenditures through the first 11 months of fiscal year 1394. The country's large budget deficits and trade imbalances will require substantial donor aid for the foreseeable future.

The International Monetary Fund (IMF), which is working with the Afghan government on its macroeconomic policies and structural reform agenda through a Staff-Monitored Program, said Afghan authorities are aware of the challenges. This quarter, the IMF reported Afghanistan's performance as satisfactory, but the deteriorating security environment

and delays in forming a government complicated implementation efforts. Afghanistan also made progress on structural benchmarks, albeit slower than planned. The IMF said Afghanistan's economy is dependent on the government's commitment to reforms, improved security conditions, and donor support.

In December, the United Nations Office on Drugs and Crime (UNODC) published the *Afghanistan Opium Survey* noting that opium cultivation levels had decreased for the first time since 2009: the area under cultivation decreased 19% to 183,000 hectares from 2014's estimate. However, the UNODC calls for caution when interpreting the results. A change in methodology used to measure cultivation levels may have the effect of making changes more significant. The survey also reported that eradication levels increased 40% to 3,760 hectares over the prior year's results and opium production decreased 40% from the 2014 level to 3,300 tons.

The Afghan government's new counternarcotics strategy, the National Drug Action Plan (NDAP), was presented this quarter at meetings for the UN Partners for Afghanistan and Neighboring Countries as well as the Paris Pact Consultative Group. The United States is updating and revising its counternarcotics strategy for Afghanistan to support the goals and objectives outlined in the NDAP.

Domestic drug dependency remains a large and growing problem. Addiction to opiates and heroin remain high and the population dependent on crystal meth has risen significantly in recent years. If not addressed, Afghanistan's rising addiction rates may overwhelm efforts to combat the illicit drug economy. Interdiction results declined again this quarter, a likely outcome of the reduced military coalition presence. Nevertheless, the United States is reducing its support to all drug-treatment centers.

On December 18, 2015, President Obama signed the Consolidated Appropriations Act, 2016, funding the U.S. government for the rest of the fiscal year and increasing cumulative funding for Afghanistan reconstruction to approximately \$113.1 billion. When this report went to press, final FY 2016 allocations for Afghanistan from State and USAID accounts were still being determined. Total FY 2016 funding levels will increase when these amounts are finalized. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$95.7 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. As of December 31, 2015, approximately \$11.5 billion of this amount remained in the pipeline for potential disbursement.

## STATUS OF FUNDS CONTENTS

<b>U.S. Reconstruction Funding for Afghanistan</b>	<b>50</b>
<b>Afghanistan Reconstruction Funding Pipeline</b>	<b>52</b>
<b>Afghanistan Security Forces Fund</b>	<b>54</b>
<b>Commander's Emergency Response Program</b>	<b>56</b>
<b>Afghanistan Infrastructure Fund</b>	<b>57</b>
<b>Task Force for Business and Stability Operations</b>	<b>58</b>
<b>DOD Drug Interdiction and Counter-Drug Activities</b>	<b>59</b>
<b>Economic Support Fund</b>	<b>60</b>
<b>International Narcotics Control and Law Enforcement</b>	<b>61</b>
<b>International Reconstruction Funding for Afghanistan</b>	<b>62</b>

## STATUS OF FUNDS

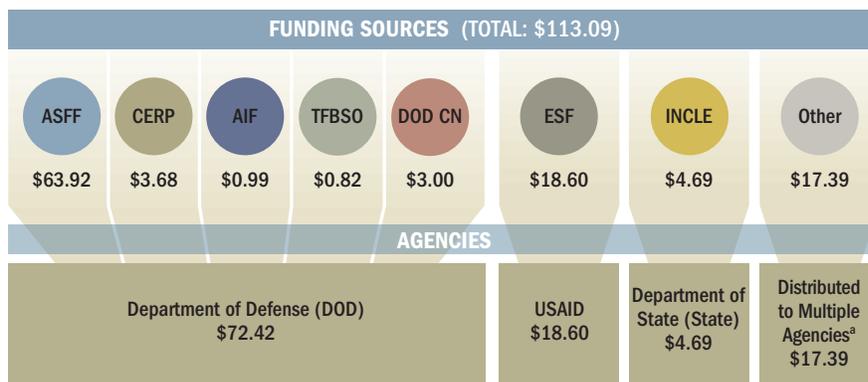
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2015, the United States had appropriated approximately \$113.09 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$68.44 billion for security (\$4.40 billion for counternarcotics initiatives)
- \$31.79 billion for governance and development (\$3.96 billion for counternarcotics initiatives)
- \$2.93 billion for humanitarian aid
- \$9.94 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. Final FY 2016 appropriation amounts for State and USAID were still being determined when this report went to press.

<sup>a</sup> Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, Broadcasting Board of Governors (BBG), and SIGAR.

Source: DOD, response to SIGAR data calls, 1/13/2016, 12/29/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/13/2016, 1/11/2016, 10/20/2015, 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, 1/11/2016, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/30/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015,” 1/16/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS



The amount provided to the seven major U.S. funds represents more than 84.6% (nearly \$95.71 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, over 89.5% (more than \$85.66 billion) has been obligated, and nearly 83.4% (over \$79.79 billion) has been disbursed. An estimated \$4.47 billion of the amount appropriated for these funds has expired.

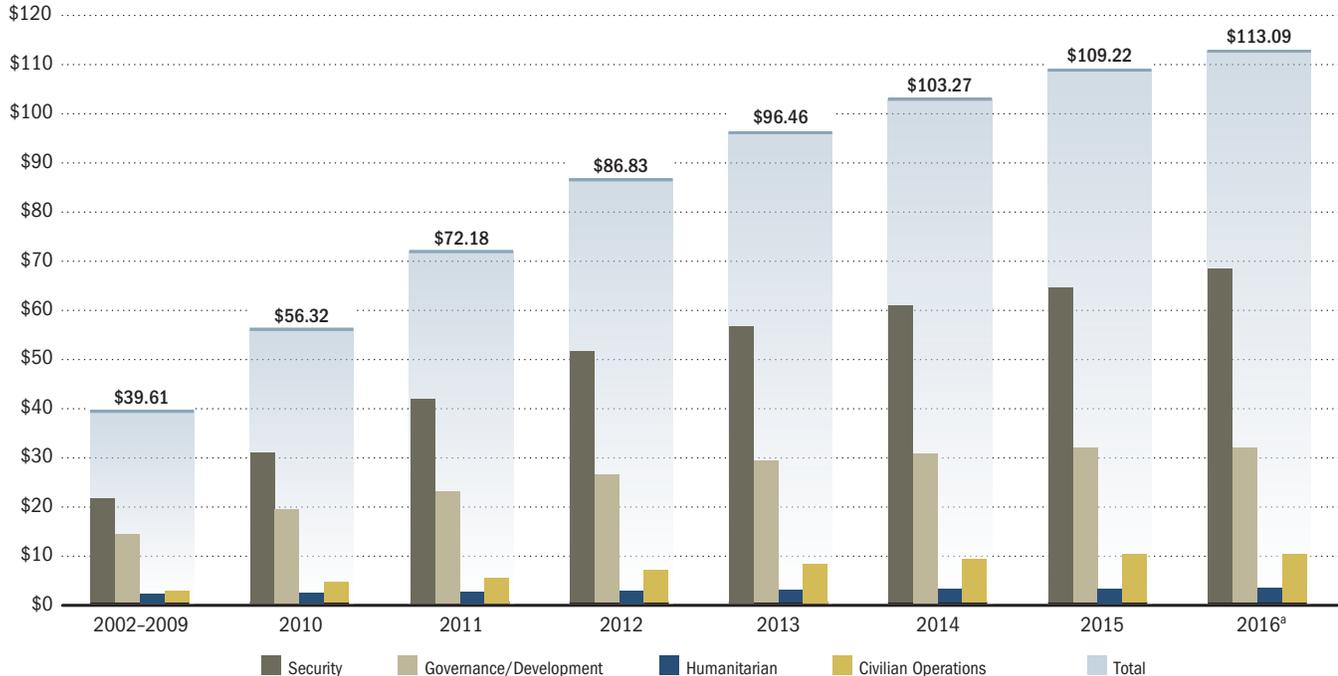
## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of December 31, 2015, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$113.09 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 \$8.36 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.40 billion) and governance and development (\$3.96 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

On December 18, 2015, President Obama signed the Consolidated Appropriations Act, 2016, funding the U.S. government for the rest of the fiscal year. When this report went to press, final FY 2016 appropriation amounts for State and USAID accounts were still being determined. The amount reported as appropriated for FY 2016 will increase from the

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF DECEMBER 31, 2015 (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID.

<sup>a</sup> Final FY 2016 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

Source: DOD, response to SIGAR data calls, 1/13/2016, 12/29/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/13/2016, 1/11/2016, 10/20/2015, 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, 1/11/2016, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/30/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015," 1/16/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS

\$3.87 billion shown in Figure 3.3 when funding levels for these accounts are known.

The United States aims to channel at least 50% of its development assistance on-budget to the Government of Afghanistan.<sup>56</sup> 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.<sup>57</sup> Since 2002, the United States has provided more than \$9.88 billion in on-budget assistance. This includes about \$5.57 billion to Afghan government ministries and institutions, and more than \$4.31 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 (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

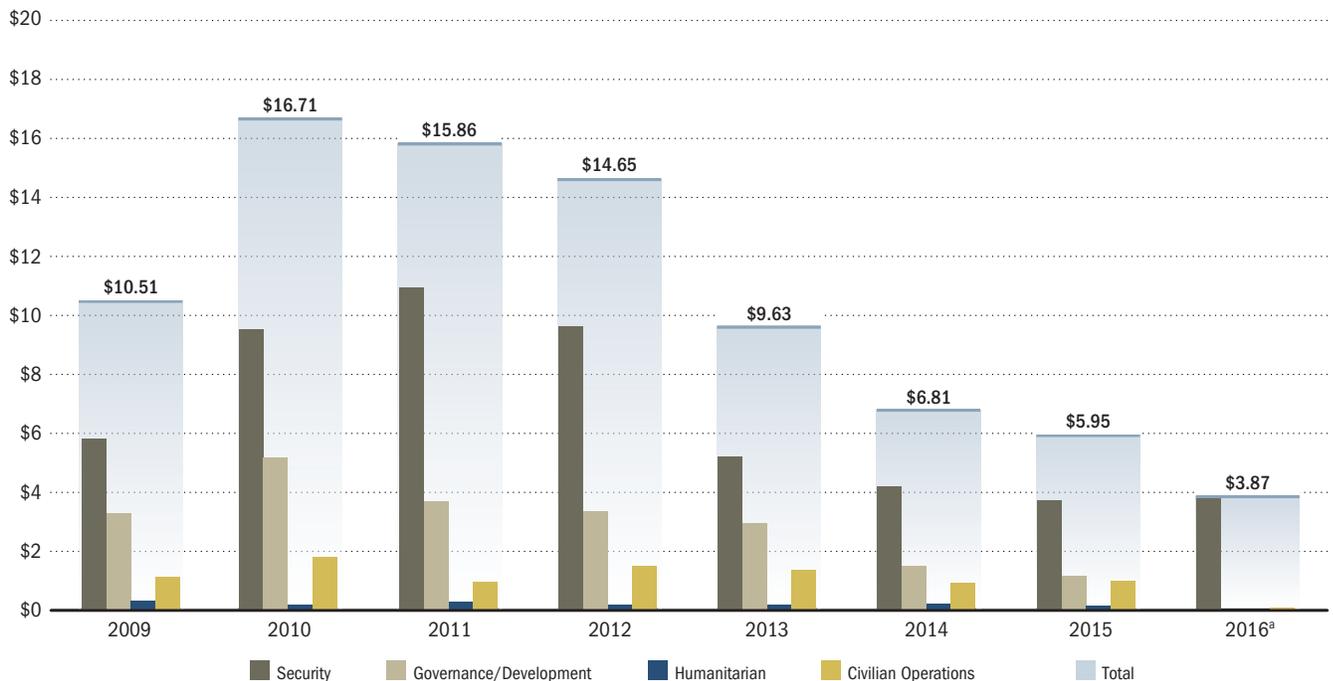
U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
<b>Government-to-Government</b>	
DOD	\$4,946
State	92
USAID	530
<b>Multilateral Trust Funds</b>	
LOTFA	\$1,527
ARTF	2,681
AITF	105

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 December 31, 2015, USAID has obligated approximately \$1.3 billion for government-to-government assistance.

Source: DOD, response to SIGAR data call, 6/25/2015; USAID, response to SIGAR data call, 1/11/2016; World Bank, "ARTF: Administrator's Report on Financial Status as of December 21, 2015 (end of 12th month of FY 1394)," p. 5; UNDP, response to SIGAR data call, 1/19/2016.

FIGURE 3.3

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



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID.

<sup>a</sup> Final FY 2016 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

Source: DOD, response to SIGAR data calls, 1/13/2016, 12/29/2015, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/13/2016, 1/11/2016, 10/20/2015, 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, 1/11/2016, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/30/2015 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015," 1/16/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS

## AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated more than \$113.09 billion for Afghanistan relief and reconstruction. Of this amount, \$95.71 billion (84.6%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

FIGURE 3.4

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

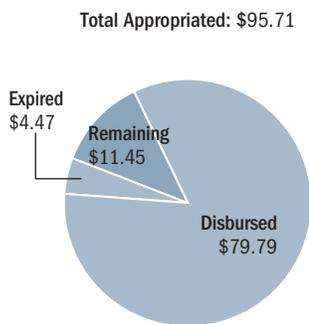


TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2016 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$63.92	\$57.71	\$56.20	\$5.90
Commander's Emergency Response Program (CERP)	3.68	2.28	2.27	0.02
Afghanistan Infrastructure Fund (AIF)	0.99	0.65	0.48	0.17
Task Force for Business & Stability Operations (TFBSO)	0.82	0.75	0.64	0.12
DOD Drug Interdiction and Counter-Drug Activities (DOD CN)	3.00	2.88	2.88	0.11
Economic Support Fund (ESF)	18.60	17.06	13.72	4.17
International Narcotics Control & Law Enforcement (INCLE)	4.69	4.31	3.60	0.95
<b>Total 7 Major Funds</b>	<b>\$95.71</b>	<b>\$85.66</b>	<b>\$79.79</b>	<b>\$11.45</b>
Other Reconstruction Funds	7.45			
Civilian Operations	9.94			
<b>Total</b>	<b>\$113.09</b>			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.5 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, 1/19/2016.

As of December 31, 2015, approximately \$11.45 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 18, 2015, President Obama signed the Consolidated Appropriations Act, 2016, funding the U.S. government for the rest of the fiscal year. The bill provided an additional \$3.65 billion for ASFF, \$141.26 million for DOD CN, and \$5 million for CERP. The amounts allocated to Afghanistan from ESF and INCLE will not be finalized until State completes the 653(a) congressional consultation process. While the AIF

# STATUS OF FUNDS

hasn't received additional funding since FY 2014, the bill allows DOD to obligate up to \$50 million of ASFF funds to complete existing AIF projects.

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$1.29 billion remained for possible disbursement, as of December 31, 2015, as shown in Table 3.3 and Figure 3.5.

TABLE 3.3

FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,962.34	\$3,959.86	\$3,702.31	\$257.55
CERP	30.00	6.62	6.44	0.19
AIF	144.00	0.00	0.00	0.00
TFBSO	122.24	106.82	84.94	21.88
DOD CN	238.96	238.96	238.96	0.00
ESF	907.00	836.13	11.68	824.45
INCLE	225.00	224.74	33.81	190.93
<b>Total Major Funds</b>	<b>\$5,629.54</b>	<b>\$5,373.12</b>	<b>\$4,078.13</b>	<b>\$1,294.99</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$256 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, 1/19/2016.

Congress appropriated more than \$4.80 billion to four of the seven major reconstruction funds for FY 2015. Of that amount, almost \$2.51 billion remained for possible disbursement, as of December 31, 2015, as shown in Table 3.4 and Figure 3.6.

TABLE 3.4

FY 2015 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,709.33	\$2,840.26	\$2,280.14	\$1,429.20
CERP	10.00	3.36	1.18	2.18
ESF	831.90	0.00	0.00	831.90
INCLE	250.00	8.06	6.03	243.97
<b>Total Major Funds</b>	<b>\$4,801.23</b>	<b>\$2,851.69</b>	<b>\$2,287.34</b>	<b>\$2,507.25</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$7 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, 1/19/2016.

FIGURE 3.5

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

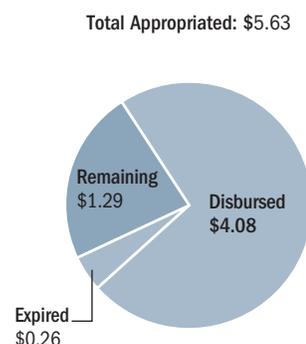
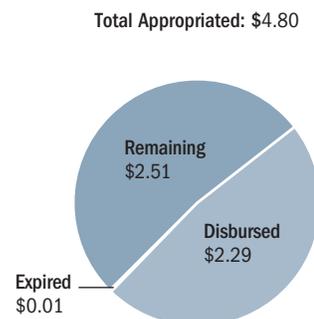
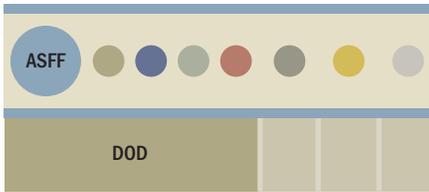


FIGURE 3.6

FY 2015 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.<sup>58</sup> The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.<sup>59</sup> A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.<sup>60</sup>

The Consolidated Appropriations Act, 2016, appropriated more than \$3.65 billion for the ASFF for FY 2016, increasing total cumulative funding to more than \$63.92 billion.<sup>61</sup> As of December 31, 2015, more than \$57.71 billion of total ASFF funding had been obligated, of which nearly \$56.20 billion had been disbursed.<sup>62</sup> Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by nearly \$795.71 million over the quarter, and cumulative disbursements increased by more than \$410.31 million.<sup>63</sup> Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR (\$ BILLIONS)

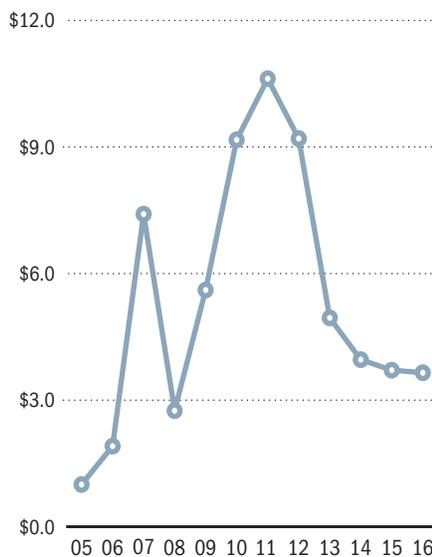
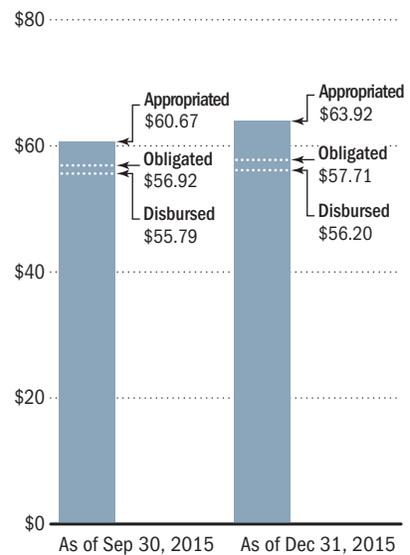


FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Note: Numbers have been rounded. Data reflects reprogramming actions and rescissions. DOD reprogrammed \$1 billion of FY 2011, \$1 billion of FY 2012, and \$178 million of FY 2013 out of the ASFF to fund other DOD requirements. Pub. L. No. 113-6 rescinded \$1 billion from FY 2012. Pub. L. No. 113-235 rescinded \$764.38 million from FY 2014. Pub. L. No. 114-113 rescinded \$400 million from FY 2015.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015," 1/16/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2015," 10/13/2015; Pub. L. Nos. 114-113, 113-235, 113-76, and 113-6.

# STATUS OF FUNDS

## ASFF Budget Activities

DOD allocates funds to three budget activity groups within the ASFF:

- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each **budget activity group** are further allocated to four **sub-activity groups**: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.<sup>64</sup> The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.<sup>65</sup>

As of December 31, 2015, DOD had disbursed nearly \$56.20 billion for ANDSF initiatives. Of this amount, more than \$37.59 billion was disbursed for the ANA, and nearly \$18.22 billion was disbursed for the ANP; the remaining \$37.44 billion was directed to related activities.<sup>66</sup>

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$15.51 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$7.48 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.<sup>67</sup>

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

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

Source: DOD, *Manual 7110.1-M Department of Defense Budget Guidance Manual*, accessed 9/28/2009; Department of the Navy, *Medical Facility Manager Handbook*, p. 5, accessed 10/2/2009.

FIGURE 3.9

ASFF DISBURSEMENTS FOR THE ANA BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2015 (\$ BILLIONS)

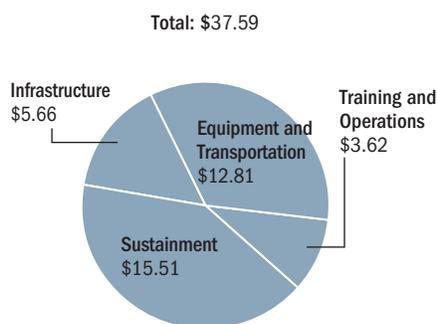
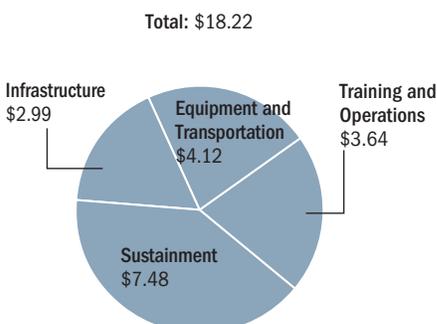


FIGURE 3.10

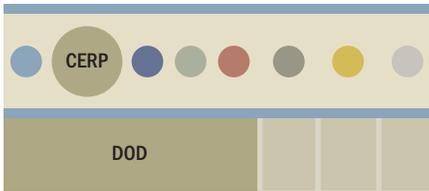
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2015 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015," 1/16/2016.

# STATUS OF FUNDS



## CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/14/2010.

## COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.<sup>68</sup> CERP-funded projects may not exceed \$2 million each.<sup>69</sup>

The Consolidated Appropriations Act, 2016, appropriated \$5 million for CERP, increasing total cumulative funding to more than \$3.68 billion.<sup>70</sup> 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 December 31, 2015.<sup>71</sup> Figure 3.11 shows CERP appropriations by fiscal year, and Figure 3.12 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.11

**CERP APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

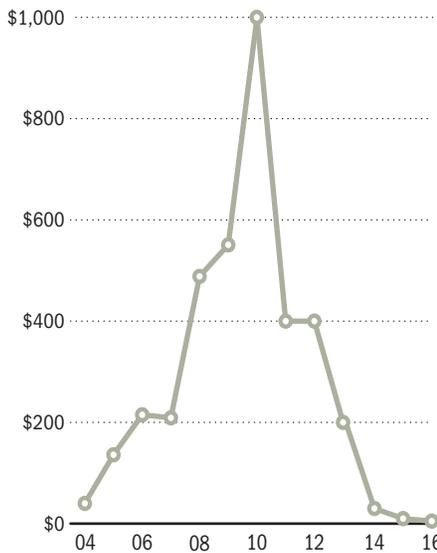


FIGURE 3.12

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



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

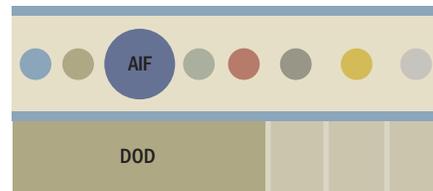
Source: DOD, response to SIGAR data calls, 1/19/2016 and 10/15/2015; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10.

## 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. 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.<sup>72</sup> The AIF received appropriations from FY 2011 through FY 2014. Although the AIF no longer receives appropriations, many projects remain in progress. DOD may obligate up to \$50 million from FY 2016 ASFF to complete existing AIF projects.<sup>73</sup>

The AIF received cumulative appropriations of over \$1.32 billion; however, \$335.50 million of these funds were transferred to the Economic Support Fund (ESF) for USAID's power transmission lines projects, bringing the cumulative amount remaining in the AIF to \$988.50 million.<sup>74</sup> Figure 3.13 shows AIF appropriations by fiscal year. Figure 3.14 shows AIF appropriations by fiscal year.

As of December 31, 2015, nearly \$779.75 million of total AIF funding had been obligated, and nearly \$484.51 million had been disbursed, as shown in Figure 3.14.<sup>75</sup>



### AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2012.

FIGURE 3.13

**AIF APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

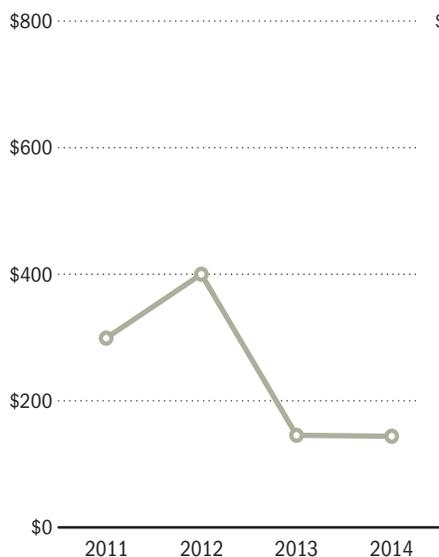


FIGURE 3.14

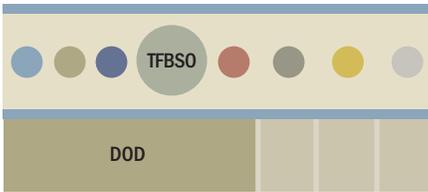
**AIF FUNDS, CUMULATIVE COMPARISON**  
(\$ MILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower obligated figure than reported last quarter. Data reflects the following transfers from AIF to USAID's Economic Support Fund: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2015," 1/16/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2015," 10/13/2015; 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 the 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.<sup>76</sup>

Through December 31, 2015, the TFBSO had been appropriated more than \$822.85 million since FY 2009. Of this amount, nearly \$754.50 million had been obligated and more than \$638.50 million had been disbursed.<sup>77</sup> 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 the TFBSO and its projects.

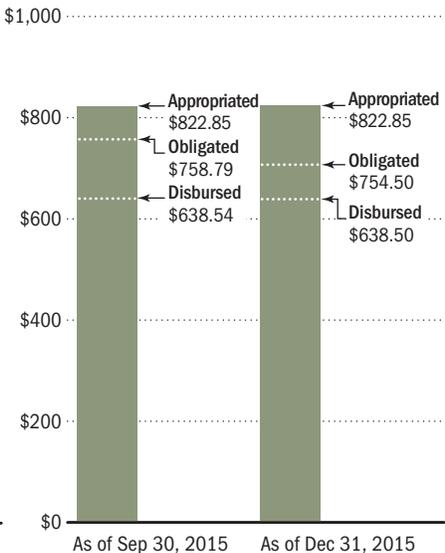
FIGURE 3.15

**TFBSO APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)



FIGURE 3.16

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



Note: Numbers have been rounded. Updated data resulted in lower obligated and disbursed figures than reported last quarter. Of the \$822.85 million appropriated for the 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.

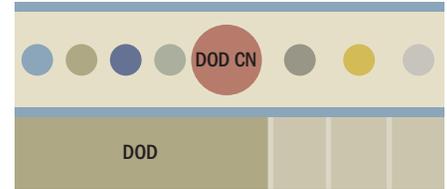
Source: DOD, response to SIGAR data calls, 1/13/2016, 10/16/2015, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, 112-10.

## DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD Drug Interdiction and Counter-Drug Activities fund (DOD CN) support 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.<sup>78</sup>

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.<sup>79</sup>

DOD reported that DOD CN received nearly \$141.26 million for Afghanistan for FY 2016, bringing cumulative funding for DOD CN to nearly \$3 billion since FY 2004. Of this amount, more than \$2.88 billion had been transferred to the military services and defense agencies for DOD CN projects, as of December 31, 2015.<sup>80</sup> Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



### DOD CN FUNDS TERMINOLOGY

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

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

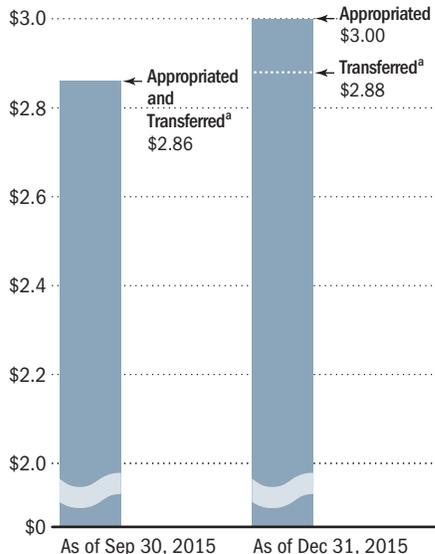
FIGURE 3.17

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



FIGURE 3.18

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

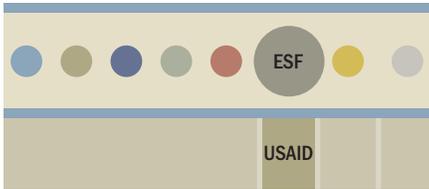


Note: Numbers have been rounded. Prior-year adjustments are done periodically to reflect deobligation and/or realignment of multi-year procurement funding. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

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

Source: DOD, response to SIGAR data calls, 12/29/2015 and 10/8/2015. OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

# 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.<sup>81</sup>

When this report went to press, final FY 2016 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to nearly \$18.60 billion, including amounts transferred from AIF to the ESF for USAID’s power transmission lines projects. Of this amount, more than \$17.06 billion had been obligated, of which more than \$13.72 billion had been disbursed.<sup>82</sup> Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2015, decreased by \$639,026 and cumulative disbursements increased by nearly \$184.85 million from the amounts reported last quarter.<sup>83</sup> Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

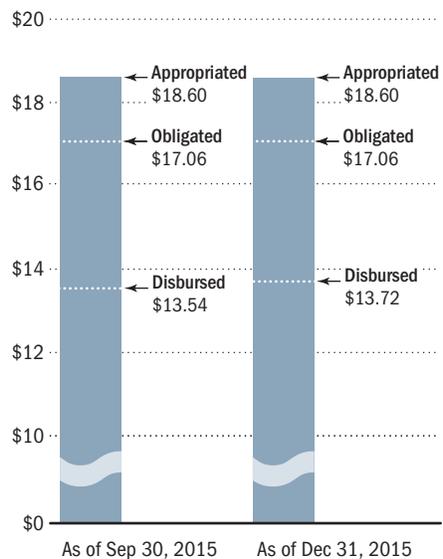
FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR  
(\$ BILLIONS)



FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded. Data reflect the following transfers from AIF to the ESF: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014. FY 2016 ESF appropriation amount will be determined after State completes the 653(a) congressional consultation process.

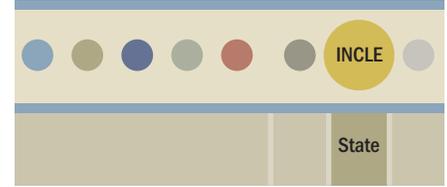
Source: USAID, response to SIGAR data calls, 1/11/2016 and 10/13/2015; State, response to SIGAR data calls, 1/13/2016, 10/20/2015, 4/15/2015, and 4/15/2014.

## INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the International Narcotics Control and Law Enforcement (INCLE) account which funds projects and programs for advancing rule of law and combating narcotics production and trafficking. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.<sup>84</sup>

When this report went to press, final FY 2016 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to more than \$4.69 billion. Of this amount, more than \$4.31 billion had been obligated, of which, nearly \$3.60 billion had been disbursed.<sup>85</sup> Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of December 31, 2015, decreased by nearly \$21.54 million compared to cumulative obligations as of September 30, 2015. Cumulative disbursements as of December 31, 2015, increased by nearly \$63.91 million over cumulative disbursements as of September 30, 2015.<sup>86</sup> Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



### INL FUNDS TERMINOLOGY

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

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

FIGURE 3.21

**INCLE APPROPRIATIONS BY FISCAL YEAR**  
(\$ MILLIONS)

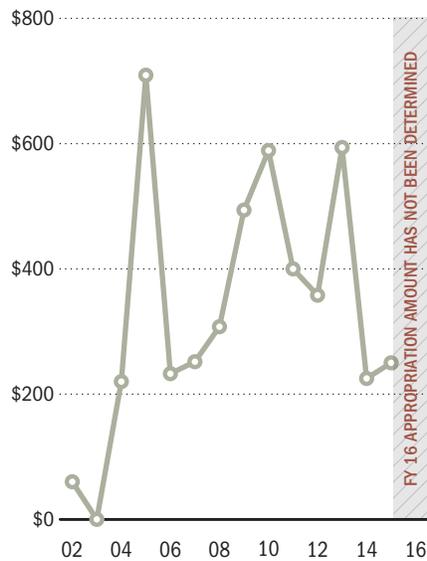
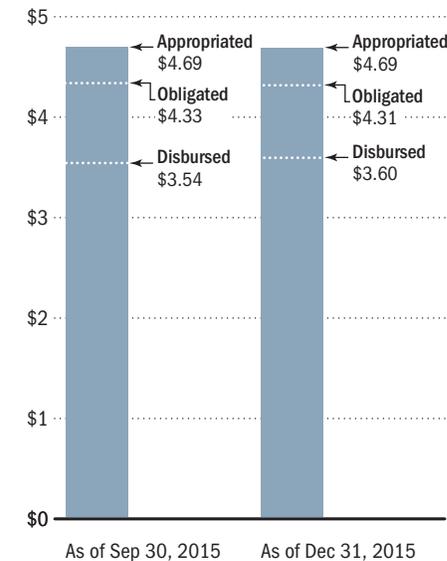


FIGURE 3.22

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



Note: Numbers have been rounded. Data may include interagency transfers. Updated data resulted in a lower obligated figure than reported last quarter. FY 2016 INCLE appropriation amount will be determined after State completes the 653(a) congressional consultation process.

Source: State, response to SIGAR data calls, 1/13/2016 and 10/13/2015.

# 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. Most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>87</sup>

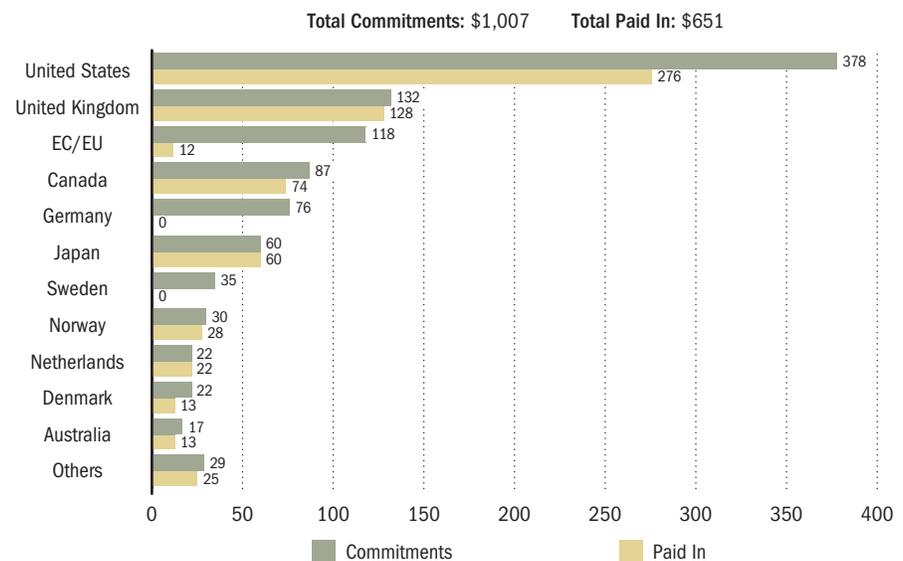
### Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to December 21, 2015, the World Bank reported that 34 donors had pledged nearly \$8.94 billion, of which more than \$8.58 billion had been paid in.<sup>88</sup> According to the World Bank, donors had pledged nearly \$1.01 billion to the ARTF for Afghan fiscal year 1394, which ran from December 22, 2014 to December 21, 2015.<sup>89</sup> Figure 3.23 shows the 11 largest donors to the ARTF for FY 1394.

As of December 21, 2015, the United States had pledged more than \$2.78 billion and paid in more than \$2.68 billion since 2002.<sup>90</sup> The United

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1394 BY DONOR, AS OF DECEMBER 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 December 21, 2015 (end of 12th month of FY1394), p. 1.

# STATUS OF FUNDS

States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 49% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.<sup>91</sup> As of December 21, 2015, according to the World Bank, more than \$3.73 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.<sup>92</sup> The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “prefer” (earmark) more than half of their annual contributions for desired projects.<sup>93</sup>

The Investment Window supports the costs of development programs. As of December 21, 2015, according to the World Bank, more than \$4.15 billion had been committed for projects funded through the Investment Window, of which nearly \$3.26 billion had been disbursed. The World Bank reported 21 active projects with a combined commitment value of nearly \$2.82 billion, of which more than \$1.92 billion had been disbursed.<sup>94</sup>

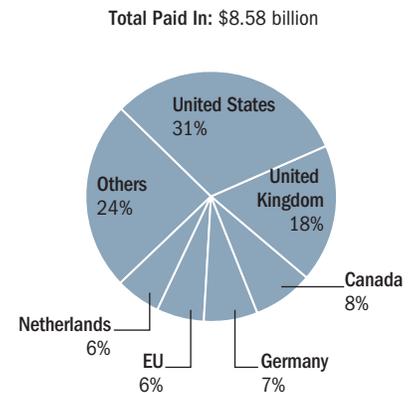
## Contributions to the Law and Order Trust Fund for Afghanistan

The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior Affairs (MOIA).<sup>95</sup> Since 2002, donors have pledged nearly \$4.53 billion to the LOTFA, of which nearly \$4.17 billion had been paid in, as of December 31, 2015. UNDP reported that the United States had committed more than \$1.64 billion since the fund’s inception and had paid in nearly \$1.53 billion of the commitment.<sup>96</sup> Figure 3.25 shows the four largest donors to the LOTFA since 2002. From January 1, 2015, through September 30, 2015, UNDP had transferred AFN 20.74 billion—approximately \$348.45 million—to the Ministry of Finance (MOF) to pay for ANP and Central Prisons Directorate (CPD) staff.<sup>97</sup>

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. The Phase VIII budget is divided between two individual projects. Over \$850.56 million is for the Support to Payroll Management (SPM) project, which aims to develop the capacity of the Afghan government to independently manage all nonfiduciary aspects of its pay budget for the ANP and CPD staff by December 31, 2016. While capacity building is an important aspect of the project, most SPM project funding—nearly \$842.44 million—will be transferred from the UNDP Country Office to the MOF for ANP and CPD staff remunerations.<sup>98</sup> The MOIA and Police Development (MPD) project is budgeted the remaining \$33 million. The MPD project focuses on institutional development of the MOIA and police professionalization of the ANP.<sup>99</sup>

FIGURE 3.24

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

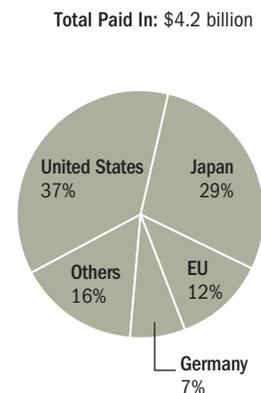


Note: Numbers have been rounded. EU = European Union. “Others” includes 28 donors.

Source: World Bank, *ARTF: Administrator’s Report on Financial Status as of December 21, 2015 (end of 12th month of FY1394)*, p. 5.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF DECEMBER 31, 2015



Note: Numbers have been rounded. EU = European Union. “Others” includes 24 donors.

Source: UNDP, response to SIGAR data call, 1/19/2016.

# SECURITY CONTENTS

Key Issues and Events This Quarter	65
U.S. Forces in Afghanistan	68
Quarterly Highlight: Insurgent Activity in Afghanistan	69
Essential Function Train, Advise, and Assist Highlights	70
ANDSF Strength Pulled Down by ANP Decreases	72
ANDSF Assessment	73
Ministries of Defense and Interior	76
Afghan National Army	80
Afghan National Police	87
Status of Women in the ANDSF	91
ANDSF Medical/Health Care	91
Removing Unexploded Ordnance	92
Counternarcotics	93
Alternative Development/ Alternative Livelihood	98

## SECURITY

As of December 31, 2015, the U.S. Congress had appropriated more than \$68.4 billion to assist the Afghan National Defense and Security Forces (ANDSF). This accounts for 61% of all U.S. reconstruction funding in Afghanistan since FY 2002. 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 \$63.9 billion appropriated for the ASFF, \$57.7 billion had been obligated and \$56.2 billion disbursed.<sup>100</sup>

This section discusses assessments of the Afghan National Army (ANA), Afghan National Police (ANP), and the Ministries of Defense and Interior; 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 THIS QUARTER

#### State Department Designates ISIL-Khorasan as a Foreign Terrorist Organization

On January 14, 2016, the U.S. State Department (State) announced the designation of the Islamic State of Iraq and the Levant-Khorasan (ISIL-K) as a foreign terrorist organization under U.S. law. The designation includes a prohibition against knowingly providing, or attempting or conspiring to provide, material support or resources to this organization.<sup>101</sup> Sanctions include denying the group access to U.S. financial systems.<sup>102</sup>

ISIL-K announced its formation on January 10, 2015. The group is based in the Afghanistan/Pakistan region and is composed primarily of former Tehrik-e Taliban Pakistan and Afghan Taliban members.

**The White House has granted the Pentagon legal authority to target the Islamic State of Iraq and the Levant in Afghanistan, according to a January 19, 2016, article in the *Wall Street Journal*. Under Operation Freedom's Sentinel, military action by U.S. forces in Afghanistan was limited to targeting al-Qaeda. This is the first authorization given for military action against ISIL outside Iraq and Syria.**

Source: *Wall Street Journal*, "U.S. Clears Path to Target Islamic State in Afghanistan," 1/19/2016.

## UN Reports Afghanistan Continues to Face Formidable Security Challenges

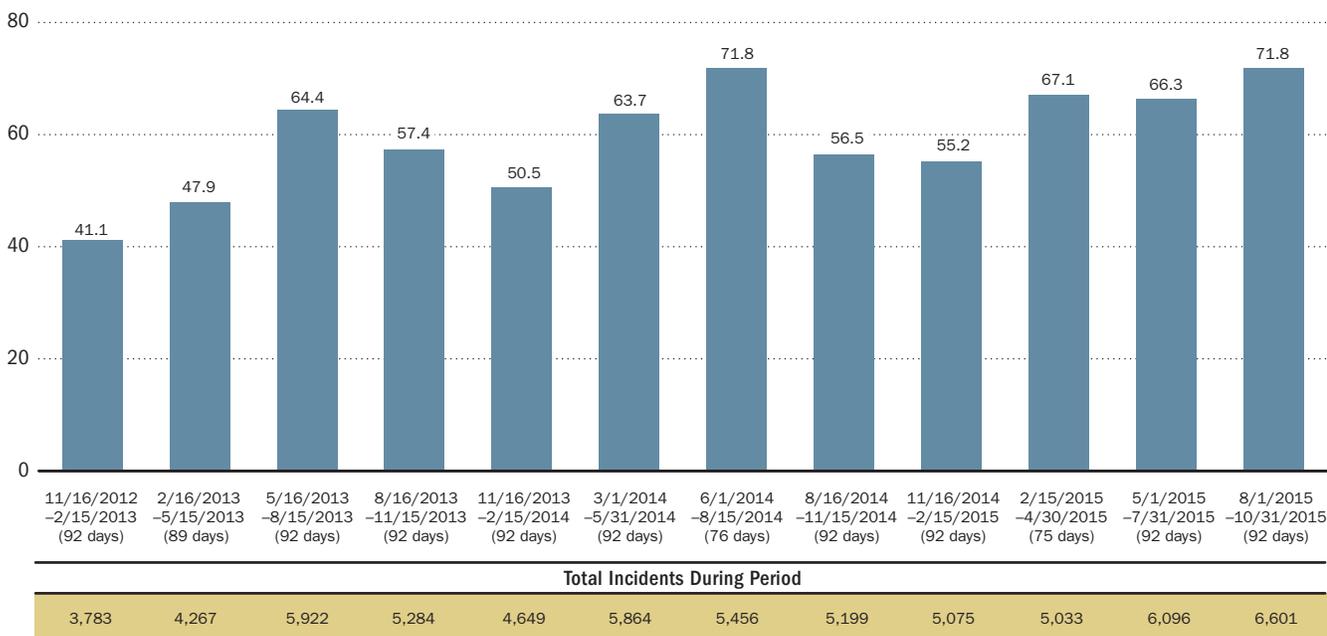
According to the latest report of the UN Secretary-General, security developments combined with slow economic growth, growing political pressures, and expressions of public discontent underlined the challenges faced by the Afghan government and security forces in maintaining stability.<sup>103</sup>

The UN reported the overall level of security incidents increased and intensified from August 2015 through the end of October, with 6,601 incidents as compared to 5,516 incidents (19% increase) during the same period in 2014.<sup>104</sup> The 6,601 security incidents reported were the most since SIGAR began reporting in November 2012, and the average daily number of incidents that occurred equaled the number in the summer of 2014, as reflected in Figure 3.26.

The Taliban temporarily seized Kunduz City, a provincial capital, as well as 16 district centers, primarily across the north during the period.<sup>105</sup> While the ANDSF were able to regain control of Kunduz City and 13 of the district centers, the UN reports approximately 25% of districts remained contested throughout the country at the end of October.<sup>106</sup>

FIGURE 3.26

AVERAGE NUMBER OF REPORTED SECURITY INCIDENTS PER DAY



Source: UN, reports of the Secretary-General, *The situation in Afghanistan and its implications for International peace and security*, 12/10/2015, p. 5; 9/1/2015, p. 4; 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.

While the majority (62%) of security incidents were in the south, south-east, and east, the UN reported a notable intensification in the north and northeast with Sar-e Pul, Faryab, Jowzjan, Kunduz, and Takhar provinces being the most volatile.<sup>107</sup> The UN reported the presence of the Islamic State of Iraq and the Levant (ISIL), particularly in Nangarhar Province, and of unconfirmed reports of clashes between ISIL affiliates and the Taliban.<sup>108</sup>

The UN reported armed clashes and incidents involving improvised-explosive devices continued to account for the majority (68%) of the security incidents, a 20% increase over the same period in 2014.<sup>109</sup> Among the incidents, 22 involved suicide attacks and 447 involved assassinations and abductions.<sup>110</sup> Seventy-four incidents involving attacks against humanitarian personnel, assets, and facilities were registered with the UN and resulted in 21 humanitarian workers killed and 48 injured. The U.S. forces' mistaken attack on the Doctors Without Borders hospital was the deadliest, killing at least 30 persons and injuring at least 37.<sup>111</sup>

Between August 1 and October 31, 2015, the UN Assistance Mission in Afghanistan documented 3,693 civilian casualties (1,138 persons killed and 2,555 injured), a 26% increase over the same period in 2014.<sup>112</sup> Between January and September 2015, some 235,000 individuals were displaced, excluding the 17,000 families temporarily displaced during the Kunduz crisis, an increase of nearly 70% compared to the same period in 2014. The UN believes 2015 may have been the worst year for conflict-induced displacement in Afghanistan since 2002.<sup>113</sup>

The UN reported the breakdown in the rule of law in Kunduz during the insurgent attack. Their occupation created an environment in which arbitrary killings, violence, and criminality occurred with impunity. The fear of violence was a key factor in the mass displacement of women from Kunduz City and the temporary suspension of services protecting women in several adjacent provinces.<sup>114</sup> Attacks on schools decreased from 41 in the prior period to 22. The offensive in Kunduz led to the temporary closure of all 497 schools. In addition, the UN reported the forced closure of six schools in Nangarhar and the departure of education personnel after receiving threats and intimidation.<sup>115</sup>

Due to the increased risks posed by the conflict, particularly in urban areas, the UN and other civilian actors curtailed program activities and temporarily relocated staff from Kunduz, Baghlan, Badakhshan, and Faryab Provinces.<sup>116</sup>

Calling the ANDSF a good investment to prevent Afghanistan from becoming a terrorist safe haven with an international reach, the Secretary-General and the NATO foreign ministers recommitted support for the ANDSF at a meeting in Brussels on December 1, 2015.<sup>117</sup> The Coalition will maintain its 12,000 force strength in Afghanistan through 2016 and continue to finance the current ANDSF authorized force level of 352,000 members through 2017.<sup>118</sup> The Department of Defense (DOD) will also continue to

“When you go from 100,000 troops down to about 10,000, there should be no surprise that there’s a consequence in the security situation.”

—Andrew Wilder, *U.S. Institute of Peace*

Source: *Foreign Policy*, “Mapped: The Taliban Surged in 2015, but ISIS Is Moving In on Its Turf,” 1/4/2016.

provide funding for the authorized force level of 30,000 Afghan Local Police (ALP) during this period.<sup>119</sup> A campaign to finance the ANDSF from 2018 through 2020 will be addressed at a NATO summit in July.<sup>120</sup>

## Results of the U.S. Investigation into the Air Strike

DOD reported in December 2015 that the October 3, 2015, air strike on a Doctors Without Borders trauma center in the northern city of Kunduz resulted in the death of 30 staff and patients and injury of 37 others.<sup>121</sup> Since then, Doctors Without Borders has informed DOD that the number of victims was significantly higher. DOD continues to work with Doctors Without Borders to identify all those affected by this tragedy and to offer appropriate condolences and compensation using the Commanders Emergency Response Program (CERP) authority.<sup>122</sup> General John Campbell, commander of U.S. forces in Afghanistan, said a U.S. investigation determined that the proximate cause of the incident was avoidable human error compounded by process and equipment failure. Fatigue and high operational tempo, together with system and process failures, also contributed to the incident. These included:

- Loss of electronic communication systems on the aircraft
- The nature of the planning and approval process employed during operations
- The lack of a single system to vet proposed targets against a no-strike list<sup>123</sup>

The investigation also produced specific recommendations to enable U.S. forces to avoid repeating such mistakes.<sup>124</sup> General Campbell announced some U.S. personnel were suspended and could face disciplinary action as a result of the incident.<sup>125</sup>

However, the results of the investigation were not made public and Doctors Without Borders said its own investigation found that at least 42 people had been killed in the strike. Doctors Without Borders has demanded that an international investigation of the incident take place under the Geneva Conventions.<sup>126</sup> The UN reported an Afghan delegation submitted a report on the factors that led to the fall of Kunduz to the Afghan National Security Council, although the findings were not released publicly.<sup>127</sup> U.S. Forces-Afghanistan (USFOR-A) reported that the delegation presented their findings to the President of Afghanistan and that a declassified version of the 200-page report, with accompanying 1,800 pages of supporting documents, is expected to be released in the next few months.<sup>128</sup> USFOR-A said the Resolute Support (RS) mission did not conduct a comprehensive review separate from that conducted by the Afghan government.<sup>129</sup>

## U.S. FORCES IN AFGHANISTAN

According to DOD, approximately 8,950 U.S. forces were serving in Afghanistan as of December 30, 2015, along with approximately 6,650

## INSURGENT ACTIVITY IN AFGHANISTAN

Afghanistan's stability largely depends on whether the ANDSF can maintain security gains won through U.S. and Coalition military assistance over the last several years. This quarter saw a worrisome upsurge in insurgent activity.

In late December 2015, the deputy governor of Helmand Province in southern Afghanistan publicly rebuked President Ashraf Ghani in a Facebook post, claiming that he was unable to contact the president and that without immediate assistance Taliban fighters were positioned to take control of the province. British forces were rushed to assist the ANA in the crucial district of Sangin, which the Taliban seemed close to taking over.<sup>130</sup> In January, U.S. air support helped clear a town in Helmand of insurgents; one U.S. Special Forces soldier died in the battle.<sup>131</sup>

On December 21, 2015, roughly 30 miles north of Kabul, outside of Bagram Air Base, six U.S. Air Force personnel were killed in the most deadly attack on U.S. forces in Afghanistan since 2012. Approximately two weeks after that, a bomb containing an estimated 3,000 pounds of explosives was detonated in the Afghan capital near the U.S. Embassy compound, killing two and wounding dozens more. The Taliban took credit for both attacks.<sup>132</sup>

With the Taliban stepping up attacks long after the typical fighting season, other groups, such as al-Qaeda in the Indian Subcontinent (AQIS)—a relatively new offshoot of al-Qaeda that operates primarily in Afghanistan, Pakistan, and India—and the Islamic State of Iraq and the Levant-Khorasan Province (ISIL-K) expanded their presence. In late October, Army General John Campbell disclosed a multi-day operation in Kandahar Province that involved 200 Special Operations forces and targeted what was “probably the largest” al-Qaeda training camp ever found in Afghanistan, a sprawling complex that covered over 30 square miles. On January 8, 2016, a provincial council official warned the ISIL-K presence in five Nangarhar districts may lead to the provincial takeover if the insurgents are not stopped. That same day, a drone

strike reportedly killed 15 ISIL-K members in the Achin District of Nangarhar.<sup>133</sup>

USFOR-A reports that approximately 71.7% of the country's districts are under Afghan government control or influence as of November 27, 2015. Of the 407 districts within the 34 provinces, 292 districts are under government control or influence, 27 districts (6.6%) within 11 provinces are under insurgent control or influence, and 88 districts (21.6%) are at risk.<sup>134</sup> In a report issued in December, DOD stated that the security situation in Afghanistan has deteriorated. There are more effective insurgent attacks and more ANDSF and Taliban casualties. However, DOD remains optimistic that the ANDSF continues to improve its overall capability as the capabilities of the insurgent elements remain static.<sup>135</sup>

The insurgency in Afghanistan has achieved some success this past year by modifying its tactics. The most notable example is the Taliban's brief capture of Kunduz in September. The insurgency is spreading the ANDSF thin, threatening rural districts in one area while carrying out ambitious attacks in more populated centers. The ANDSF has become reactive rather than proactive, DOD has reported.<sup>136</sup>

While DOD remains outwardly confident its mission to train, advise, and assist will build the ANDSF's capacity, lawmakers in Afghanistan's *Wolesi Jirga* (lower house) are growing concerned. Recently they summoned high-ranking officials within the ANDSF and National Directorate of Security (NDS) to answer questions about the spate of high-profile threats.<sup>137</sup>

RS Commander General Campbell told *USA Today* he is reassessing the situation. In an interview this past December, General Campbell said, “My job as commander on the ground is to continually make assessments. ... If I don't believe that we can accomplish the train, advise and assist and the [counterterrorism] missions, then I owe it to the senior leadership to come back and say, ‘Here's what I need.’ If that's more people, it's more people.”<sup>138</sup>



**Secretary Ashton Carter** and acting Afghan Defense Minister Masoom Stanekzai during a press conference at Forward Operating Base Fenty in Jalalabad, Afghanistan, on December 18, 2015. (DVIDS photo by Staff Sergeant Tony Coronado)

“They are forward deployed with Afghan commando units and they are very much in the thick of these fights. (U.S.) Special operations forces are going to be in the thick of this coming battle whether we want to talk about that or not.”

—Lieutenant General David W. Barno, U.S. Army, Retired

Source: Tolo News, “U.S. Forces Increasingly Drawn Back into Afghanistan’s Battles,” 1/9/2016.

personnel from other Coalition nations. The U.S. force level includes approximately 6,800 military personnel contributing to the NATO-led Resolute Support mission.<sup>139</sup>

Since the RS mission began on January 1, 2015, through January 5, 2016, 11 U.S. military personnel were killed in action, in addition to 10 non-hostile deaths, for a total of 21 U.S. military deaths. During this period, 79 U.S. military personnel were wounded in action.<sup>140</sup> These numbers include the six U.S. service members killed and two wounded in a suicide attack near Bagram Airfield on December 21, 2015, and the loss of one U.S. service member and wounding of two others in an operation in Helmand Province on January 5, 2016.<sup>141</sup> The attack near Bagram Airfield was reported as the deadliest on Coalition troops in four months.<sup>142</sup> Seven U.S. civilians or contractors were killed in action, in addition to nine non-hostile deaths, for a total of 16 DOD, U.S. civilian, or contractor deaths. Eight DOD, U.S. civilian, or contractors were wounded in action during this period.<sup>143</sup>

Four insider attacks against U.S. forces occurred from January 1, 2015, through December 31, 2015, killing three and wounding 15 soldiers.<sup>144</sup> A fifth attack resulted in the death of one U.S. contractor.<sup>145</sup>

This quarter, there were several reports of U.S. Special Forces fighting alongside Afghan security forces. While the United States has two non-combat missions—training Afghan forces and supporting counterterrorism operations against the remnants of al-Qaeda—U.S. forces are also being drawn into fighting the Taliban.<sup>146</sup> The Helmand Province operation in January was not the first time U.S. forces partnered with Afghans in fighting the Taliban. During the Kunduz siege in October, General Campbell reported U.S. forces engaged in heavy fighting for five consecutive days and nights.<sup>147</sup>

## ESSENTIAL FUNCTION TRAIN, ADVISE, AND ASSIST HIGHLIGHTS

Key areas of the RS mission are organized under eight Essential Functions (EF). This quarter’s EF highlights include the following:

- **EF-1 (Multi-Year Budgeting and Execution):** Both the MOD and MOI demonstrated significant progress in identifying unexecuted funds and proposing how to use the funds. Significant challenges exist in procurement and output remains slow. RS created a plan to improve contract execution by setting a deadline for prioritizing procurement plans before the FY 1395 procurement approval board convenes.<sup>148</sup>
- **EF-2 (Transparency, Accountability, and Oversight):** The MOI and MOD demonstrated progress in directing senior leaders to take active roles in countering corruption and mismanagement. MOI and MOD inspectors general (IGs) showed improvement on conducting inspections. The MOI IG referred corruption cases to the Attorney General’s Office for criminal investigation and the MOD IG’s inspection

of the Central Supply Depot revealed significant issues with inventory accuracy and a lack of qualified staff.<sup>149</sup>

- **EF-3 (Civilian Governance of Afghan Security Institutions):** EF-3 is focused on providing training, advice, and assistance to the MOD and MOI on developing processes to prevent, track, investigate, and prosecute gross violations of human rights and significant acts of corruption. RS arranged for the U.S. Defense Institute of International Legal Studies to provide training on the law of armed conflict, human rights, investigations, and fighting corruption during a five-day workshop in November. The ANA is using an Afghan mobile-training team to train ANA corps personnel.<sup>150</sup>
- **EF-4 (Force Generation):** The RS Police Institutional Advisory Team's work with the MOI Training General Command resulted in a plan to train 22,300 ANP and new recruits by June 2016. RS also developed training materials and instructions for transitioning Afghan security personnel from the Soviet-design AK-47 rifle to the U.S. M-16 rifle.<sup>151</sup>
- **EF-5 (Sustainment):** RS focused on right-sizing the ANDSF's vehicle fleets to improve sustainability, effectiveness, and affordability by December 2016. RS is also working on procedures to integrate the Afghans into the long-term planning processes for spending ASFF funds and using DOD's foreign military sales program as well as establishing relationships between U.S. commodity program managers and their MOD and MOI counterparts.<sup>152</sup>
- **EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** This function has two components. For EF-6.1, RS works at the ministerial level.<sup>153</sup> RS partnered with Afghans to develop documents that inform subordinate planners on strategic focus, threats, and resources. The MOI Strategic Planning Directive was signed by the Minister in October and the MOD Minister signed the National Military Strategy in December.<sup>154</sup> For EF-6.2, RS works from the ministerial level through operational- and tactical-level execution. RS established 24-hour advisor support to the National Military Command Center, and the Joint Intelligence Operation Center opened a facility in Kabul.<sup>155</sup>
- **EF-7 (Intelligence):** Afghan intelligence planning and analytic support to multi-pillar, multi-corps ANDSF operations has continued to improve through the creation of intelligence fusion cells. RS transitioned training on conducting credibility assessments based on portable lie-detection tests and on using cellular-exploitation machines that analyze portable electronic devices, to the MOD and MOI in October. RS also made progress on transitioning other training programs at the ministries' Intelligence Training Centers to Afghan instructors.<sup>156</sup>
- **EF-8 (Strategic Communications):** RS assisted President Ghani's communication directorate in establishing a crisis communications/rapid response protocol, which was later implemented. The MOI

## Members of Congress Ask SIGAR to Investigate Sexual Abuse

A bipartisan, bicameral group led by Senator Patrick Leahy (D-VT) and Representative Thomas J. Rooney (R-FL) and 91 additional members of Congress in December asked SIGAR to conduct an inquiry into the U.S. government's experience with allegations of sexual abuse of children committed by members of the Afghan security forces.

The inquiry will also look into the manner in which the Leahy amendment prohibiting DOD and the State Department from providing assistance to units of foreign security forces that have committed gross violations of human rights is implemented in Afghanistan. See Section 2, p. 40, of this report for more information.

**At the Program Management Review (PMR) session held October 26–30, 2015, in Arlington, Virginia, U.S. and Afghan officials discussed ANDSF requirements and capabilities as well as priorities to address program challenges for equipping and arming Afghan forces. The PMR resulted in an Afghan commitment to assume more responsibility for logistics, life-cycle sustainment processes, and the overall health of its vehicle fleet. Participants recognized the importance of ensuring the ANDSF requirements are affordable and sustainable. Officials also discussed the Afghan ability to use the U.S. foreign military sales process effectively.**

Source: CSTC-A, response to SIGAR data call, 12/4/2015; OSD-Policy, response to SIGAR vetting, 1/15/2016.

communications directorate executed all fiscal year (FY) 1394 budget requirements and, for the first time, met the FY 1395 requirements submission date.<sup>157</sup>

- **Gender Office:** Three women were selected for the ANP rank of brigadier general and 389 ANP women graduated from a Turkish police academy.<sup>158</sup>

## ANDSF STRENGTH PULLED DOWN BY ANP DECREASES

This quarter, ANDSF assigned force strength was 322,638 (including civilians), according to USFOR-A.<sup>159</sup> As reflected in Table 3.5, this is 89.6% of the ANDSF target force strength of 360,004, counting MOD civilian employees. (The commonly cited end-strength goal of 352,000 does not count MOD civilians.) The new assigned-strength number reflects a decrease of 2,078 since July 2015 and 9,306 since May 2015.<sup>160</sup>

The ANP bore the brunt of the decrease this quarter with a loss of 2,270 personnel, while the ANA posted an increase of 192 personnel, as shown in Table 3.6.<sup>161</sup>

However, a January Associated Press report alleged that the actual number of ANDSF security forces is far less because the rolls are filled with nonexistent “ghost” soldiers and police officers. In that report, a provincial council member estimated 40% of the security forces in Helmand do not exist, while a former provincial deputy police chief said the actual number was “nowhere near” the 31,000 police on the registers, and an Afghan official estimated the total ANDSF number at around 120,000—less than half the reported 322,638.<sup>162</sup> The success of military operations is at risk, because as one Afghan soldier in Helmand said, they do not have enough men to protect themselves. Additionally, an Afghan lawmaker claimed the government is not responding to the crisis because a number of allegedly corrupt parliamentarians are benefiting from the “ghost” security forces salaries.<sup>163</sup>

TABLE 3.5

ANDSF ASSIGNED FORCE STRENGTH, OCTOBER 2015						
ANDSF Component	Approved End-Strength Goal	Target Date	Current Assigned as of October 2015	% of Target Authorization	Difference Between Current Assigned and Approved End-Strength Goals	Difference (%)
ANA including AAF <sup>a</sup>	195,000	December 2014	169,718	87.0%	(25,282)	(13.0%)
ANA Civilians including AAF Civilians	8,004	-	6,894	86.1%	(1,110)	(13.9%)
<b>ANA + AAF Total</b>	<b>203,004</b>		<b>176,612</b>	<b>87.0%</b>	<b>(26,392)</b>	<b>(13.0%)</b>
Afghan National Police	157,000	February 2013	146,026	93.0%	(10,974)	(7.0%)
<b>ANDSF Total with Civilians</b>	<b>360,004</b>		<b>322,638</b>	<b>89.6%</b>	<b>(37,366)</b>	<b>(10.4%)</b>

Note: AAF = Afghan Air Force; ANA = Afghan National Army; ANDSF = Afghanistan National Defense and Security Forces.

<sup>a</sup> The total “ANA including AAF” numbers for October 2015 is not fully supported by the detailed numbers in the USFOR-A response to SIGAR data call; Trainee, Transient, Holdee, and Students (TTHS) may represent all or part of the unreconciled portion.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; USFOR-A, response to SIGAR data call, 12/14/2015.

TABLE 3.6

ANDSF ASSIGNED FORCE STRENGTH, FEBRUARY 2014–OCTOBER 2015								
	2/2014	5/2014	8/2014	11/2014	2/2015	5/2015	7/2015	10/2015
ANA including AAF <sup>a</sup>	184,839	177,489	171,601	169,203	174,120	176,762	176,420	176,612
ANP <sup>b</sup>	153,269	152,123	153,317	156,439	154,685	155,182	148,296	146,026
<b>Total ANDSF</b>	<b>338,108</b>	<b>329,612</b>	<b>324,918</b>	<b>325,642</b>	<b>328,805</b>	<b>331,944</b>	<b>324,716</b>	<b>322,638</b>

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

<sup>a</sup> The total “ANA including AAF” numbers for July 2015 and October 2015 are not fully supported by the detailed numbers in the USFOR-A response to SIGAR data call; Trainee, Transient, Holdee, and Students (TTHS) may represent all or part of the unreconciled portion.

<sup>b</sup> 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; RS, 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, 6/29/2015, 9/11/2015, and 12/14/2015.

SIGAR has questioned the validity and reliability of Afghan security-personnel numbers (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). The Associated Press report underscores long-standing concerns that the reported ANDSF personnel numbers are not valid or reliable.

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

ANDSF attrition rates are holding steady, according to reports provided to RS by the MOD and MOI. The ANA had a monthly attrition rate of 3.0% in October 2015, up from the 2.4% rate in July 2015. The October rate is, however, below the average monthly attrition rates of 3.52% in February 2013 and 3.62% in February 2014.<sup>164</sup>

The ANP’s monthly average attrition rate was reported to have increased to a 2.5% rate in October from the 1.9% rate of May through July.<sup>165</sup>

DOD reports the total cost to sustain the ANDSF at an end-strength of 352,000 in FY 2016 is approximately \$5 billion, for which the FY 2016 Omnibus Appropriations Act appropriated \$3.65 billion to DOD for that purpose.<sup>166</sup>

## ANDSF ASSESSMENT

USFOR-A reports that U.S. advisors participating in the RS train, advise, and assist mission have little or no direct contact with ANDSF units below the ANA corps and ANP zone headquarters level.<sup>167</sup> This situation contrasts dramatically from the previous International Security Assistance Force (ISAF) mission, when many Coalition advisors were embedded with ANDSF units. Now the smaller troop strength of the RS mission requires Coalition advisors to rely almost exclusively on data provided by the Afghan ministries to evaluate the operational readiness and effectiveness of the ANDSF. The

consistency, comprehensiveness, and credibility of data varies among ANA corps and ANP zone headquarters.<sup>168</sup> USFOR-A said improving the quality of data is a priority for Coalition advisors. Capability gaps are identified and vetted by the advisors during train, advise, and assist activities; through analysis of Afghan data; and through direct reporting by and discussions with Afghan leaders.<sup>169</sup>

The year 2015 found the ANDSF operating with sharply reduced Coalition military support compared to the preceding decade. However, the UN assesses that Afghan security forces have largely withstood the mounting pressures and shown the ability to retake those areas temporarily under control of the insurgency.<sup>170</sup> DOD's December 2015 report, *Enhancing Security and Stability in Afghanistan*, noted the Afghan government retains control of Kabul, major transit routes, provincial capitals, and nearly all district centers.<sup>171</sup>

The December 2015 report of the UN Secretary-General on the situation in Afghanistan assessed the ANDSF response to the October siege in Kunduz. The report highlighted critical deficiencies in ANDSF logistics, planning, intelligence, and air support capabilities. The UN Secretary-General also reported the Afghan government needs to strengthen the working relationships between the security and civilian authorities, which were reported to have been strained in Kunduz prior to the fall of the city.<sup>172</sup>

USFOR-A assesses the ANDSF performance as uneven, with numerous, high-profile tactical and operational setbacks detracting from its overall success in preventing the Taliban insurgency from achieving its strategic goals. ANDSF capability gaps in aviation, intelligence, logistics, maintenance, operational planning, and leadership persist. DOD assessed that the ANDSF continued to improve integration of indirect fire and close-air attack capabilities, but that the ANDSF's capacity to hold areas after initial clearing operations is uneven: they remain in a primarily defensive posture that limits their agility across the country.<sup>173</sup>

DOD reports that although Afghans, especially in rural areas, think checkpoints and a fixed ANDSF presence, rather than patrols or a rotational presence, are important to maintaining area security, the ANDSF reliance on defending static checkpoints has resulted in increased ANDSF casualties. Insurgents, however, can choose to fight when they have the tactical advantage. DOD assesses that on occasion the insurgent tactic of massing forces, certain ANDSF units are being out-maneuvered by an overall numerically inferior insurgent force.<sup>174</sup> Furthermore, USFOR-A assesses the large number of vulnerable checkpoints severely limits the security forces available for operations.<sup>175</sup>

USFOR-A assesses the ANA corps formations of a headquarters kandak, three to four infantry brigades, and various specialty kandaks, are capable of rapid employment in offensive operations. Critical to preparing the ANA for the 2016 fighting season is establishing an operational readiness cycle to

replenish the corps' personnel and equipment, improve unit-level training, and increase recruitment and retention.<sup>176</sup>

DOD reports that after a number of large-scale, multi-corps, and cross-pillar operations, such as in northern Helmand and on the Zabul-Ghazni border early in the year, ANDSF offensive operations tended to be much smaller later in the year. A majority of operations were conducted at the kandak and brigade level and were characterized by the need for stronger cross-pillar coordination and intelligence sharing.

USFOR-A assesses that the Afghan Air Force (AAF) has been critical to the success of the ANDSF in combating the Taliban. However, taking on primary responsibility for close air support, which has elevated operational tempo, has presented a challenge for the AAF.<sup>177</sup>

Although the current focus of the ANP is to combine its capabilities with the ANA to fight the insurgency, DOD reports the long-term goal for the ANP is to transition to a traditional community police force. The ANP forces are often on the front lines during the “hold” phase of counterinsurgency operations. However, they are not sufficiently trained or equipped for traditional counterinsurgency tactics: they have limited crew-served weapons (a weapon that requires more than one person to operate); anti-armor weapons; armored vehicles; and intelligence, surveillance, and reconnaissance capabilities.<sup>178</sup>

DOD reports the ANP commanders must become more adept at translating ministerial-level guidance into operational plans for the ANP to execute and coordinate with their ANA counterparts. Furthermore, the overall deficiencies in the ANP planning process reflect the challenges associated with the MOI decentralized structure and its various force pillars.<sup>179</sup>

USFOR-A reports the 2015 fighting season appears likely to end in stalemate, while the outcome of the 2016 fighting season is predicated on the ability of the ANDSF to institutionalize the lessons learned this season, provide effective wide-area security, and successfully project force into traditional Taliban safe havens and operating areas.<sup>180</sup>

The Monthly ANDSF Assessment Report (MAAR) is one tool used by RS advisors to inform RS leaders of the collective assessment of capacity-development progress. USFOR-A reported the percentage of ANDSF units rated as “capable” or better in the MAAR increased from 73% in January 2015 to 88% (86% if Afghan Special Security Force units are removed) by November 2015.<sup>181</sup> USFOR-A reported that while the MAAR assessments of the ANDSF's performance throughout the year reflect improvements, capability gaps persist and will remain a focus of RS advisors. The trials imposed by an insurgency with years of experience fighting a professional, well-equipped Coalition military force, revealed the ANDSF's uneven performance and deficiencies during a difficult first fighting season of the RS mission.<sup>182</sup> However, USFOR-A assessed that the ANDSF, while leading counterinsurgency operations, has persevered, proven their willingness to

“If we don’t stay engaged here to build their capacity to fight this, keep sanctuary down, it’s coming back to the homeland. So it’s pay a little bit now, build the capability, and keep this an away game as opposed to a home game.”

—RS Commander,  
General John Campbell

Source: *USAToday.com*, “Top U.S. general may seek more troops for Afghanistan,” 12/29/2015.

fight, developed the capacity to learn from mistakes, and prevented insurgents from achieving their strategic objectives.<sup>183</sup>

This quarter, SIGAR will report on the classified aspects of the ANDSF assessment in the classified annex to this report.

## MINISTRIES OF DEFENSE AND INTERIOR

Each RS Essential Function (EF) directorate and the Gender Advisor office use the Essential Function Plan of Action and Milestones (POAM) to assess the essential-function capabilities of the offices in the ministries of Defense and Interior.<sup>184</sup> MOD offices are assessed on 45 milestones; MOI offices are assessed on 40 milestones.<sup>185</sup> The milestones are assessed using a five-stage rating system displayed in Table 3.7.<sup>186</sup> Milestone assessments are combined to determine the overall assessment of a department. Department assessments are then combined to determine the assessment of the overall ministry.<sup>187</sup>

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 advising or involvement.<sup>188</sup> This quarter the first “sustaining capability” assessment rating was achieved by the MOI for an EF-5 (Sustainment) milestone.<sup>189</sup> In addition, two MOI milestones—one in EF-4 (Force Generation) and another in EF-5—sustained a “fully capable” rating since last quarter; however, that actually is a capability reduction as both offices had achieved two “fully capable” ratings last quarter.<sup>190</sup> Within the MOD, a “fully capable” rating for two EF-5 milestones was sustained since last quarter and another “fully capable” rating was achieved for an EF-6 (Strategy and Policy, Planning, Resourcing, and Execution) milestone.<sup>191</sup>

This quarter, the RS assessment indicates the MOD has slightly increased the percentage of its “sustaining capability,” “fully capable,” or “partially capable” development milestones from 55.6% to 57.8%, whereas the MOI has increased its ratings, with 65% of its development milestones at “sustaining capability,” “fully capable,” or “partially capable” compared to 59.5% last quarter.<sup>192</sup>

For a third consecutive quarter, RS revised its forecast by lowering the expected capacity levels the MOD and MOI will achieve by the end of 2016.<sup>193</sup> USFOR-A reported that due to continued changes in the operating environment, the EF directorates again refocused the plans and reassessed the end-of-mission forecast.<sup>194</sup> RS now forecasts that 62% of MOD functions are predicted to be “sustaining” or “fully capable” (the highest and second-highest ratings), a drop from the 69%, 74%, and 90% forecasts in the last three quarters.<sup>195</sup> Lower expectations were forecast for the MOI, where 51% of the functions are expected to be “sustaining” or “fully capable,” reduced from previous quarters’ forecasts of 57%, 68%, and 86%.<sup>196</sup>

# SECURITY

TABLE 3.7

MINISTRY MILESTONE ASSESSMENT USING NATO SYSTEM, AS OF NOVEMBER 2015																																	
RATING MEANING	EF1			EF2			EF3			EF4			EF5			EF6			EF7			EF8			Gender			Total					
	Q3	Q4	+/-	Q3	Q4	+/-	Q3	Q4	+/-	Q3	Q4	+/-	Q3	Q4	+/-	Q3	Q4	+/-	Q3	Q4	+/-												
<b>Ministry of Defense Assessment</b>																																	
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	=
Rating 4 Fully Capable/Effective	0	0	=	0	0	=	0	0	=	0	0	=	2	2	=	0	1	+	0	0	=	0	0	=	0	0	=	0	0	=	2	3	+
Rating 3 Partially Capable/Effective	2	2	=	0	0	=	4	4	=	5	5	=	9	9	=	1	1	=	2	2	=	0	0	=	0	0	=	0	0	=	23	23	=
Rating 2 Initiated (In Development)	4	4	=	4	4	=	0	0	=	1	1	=	1	1	=	2	1	-	1	1	=	0	3	+	2	2	=	15	17	+			
Rating 1 Scoped/Agreed	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	1	+	3	0	-	1	1	=	4	2	-			
Rating 0 Not Scoped/Agreed	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	1	0	-	0	0	=	0	0	=	1	0	-			
<b>EF Total</b>	<b>6</b>	<b>6</b>	<b>=</b>	<b>4</b>	<b>4</b>	<b>=</b>	<b>4</b>	<b>4</b>	<b>=</b>	<b>6</b>	<b>6</b>	<b>=</b>	<b>12</b>	<b>12</b>	<b>=</b>	<b>3</b>	<b>3</b>	<b>=</b>	<b>4</b>	<b>4</b>	<b>=</b>	<b>3</b>	<b>3</b>	<b>=</b>	<b>3</b>	<b>3</b>	<b>=</b>	<b>45</b>	<b>45</b>	<b>=</b>			
<b>Ministry of Interior Assessment</b>																																	
Rating 5 Sustaining Capability	0	0	=	0	0	=	0	0	=	0	0	=	0	1	+	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	1	+
Rating 4 Fully Capable/Effective	0	0	=	0	0	=	0	0	=	2	1	-	2	1	-	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	4	2	-
Rating 3 Partially Capable/Effective	3	3	=	0	1	+	2	2	=	2	3	+	9	9	=	2	2	=	0	1	+	0	2	+	0	0	=	18	23	+			
Rating 2 Initiated (In Development)	3	3	=	2	2	=	2	2	=	0	0	=	1	1	=	0	0	=	3	2	-	0	1	+	2	2	=	13	13	=			
Rating 1 Scoped/Agreed	0	0	=	1	0	-	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	1	1	=	2	1	-
Rating 0 Not Scoped/Agreed	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=	0	0	=
<b>EF Total</b>	<b>6</b>	<b>6</b>	<b>=</b>	<b>3</b>	<b>3</b>	<b>=</b>	<b>4</b>	<b>4</b>	<b>=</b>	<b>4</b>	<b>4</b>	<b>=</b>	<b>12</b>	<b>12</b>	<b>=</b>	<b>2</b>	<b>2</b>	<b>=</b>	<b>3</b>	<b>3</b>	<b>=</b>	<b>0</b>	<b>3</b>	<b>+</b>	<b>3</b>	<b>3</b>	<b>=</b>	<b>37</b>	<b>40</b>	<b>+</b>			

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. Quarter-to-quarter changes: same =, gain +, loss -. Q3 = August 25, 2015; Q4 = November 24, 2015.

Source: USFOR-A, response to SIGAR data calls, 9/4/2015 and 12/4/2015; USFOR-A, response to SIGAR vetting, 1/13/2016.

After the backlash following the security breakdown in Kunduz City, Ghani filled numerous ANP vacancies, appointing eight regional commanders and five provincial police chiefs.<sup>197</sup> However, the MOD minister position remains filled by an individual in an acting capacity, as local officials and former administration officials claim the national-unity government agreement to split appointments between President Ghani and Chief Executive Abdullah Abdullah's political parties had the unintended consequence of undermining the fight against the Taliban and creating chaos in the chain-of-command.<sup>198</sup>

EF-8 reports the Afghan government lacks an effective lead spokesperson, a unifying anti-insurgent narrative, and an effective communications plan. Weaknesses include the ability to align communications assets, empower subordinates with guidance and priorities, and messaging that can reach and influence the Afghan populace and the ANDSF members at the corps/zone/province level.<sup>199</sup> The MOD hired an experienced civilian strategic communications advisor this quarter, which according to RS, will bolster an underperforming office.<sup>200</sup>

## **MOD and MOI Literacy Training Contracts Continue to Await National Procurement Agency Approval**

This quarter USFOR-A reported the MOD and MOI literacy contract packages submitted last year still await final approval by the National Procurement Agency. In the interim, the ANA and ANP are conducting literacy training with internal assets.<sup>201</sup>

USFOR-A reports all ANA and ANP officers and noncommissioned officers are expected to be literate to hold their positions.<sup>202</sup> ANA policy requires officer applicants to be fully literate—able to read, write, and grasp the idea of a topic—and requires noncommissioned officer applicants to be able to read and write.<sup>203</sup>

## **Afghan Local Police**

Afghan Local Police members, known as “guardians,” are usually local citizens selected by village elders or local power brokers to protect their communities against insurgent attack, guard facilities, and conduct local counterinsurgency missions.<sup>204</sup> Effective June 15, 2015, the ALP transitioned to command and control by the Afghan Uniform Police (AUP). However, the ALP was not absorbed into the AUP tashkil (staff roster) and, even though the AUP is one of the ANP’s pillars, the ALP tashkil will remain independent of the ANP’s total authorized strength.<sup>205</sup>

As of October 22, 2015, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A), the ALP has 26,946 guardians, 20,980 of whom were fully trained.<sup>206</sup> NSOCC-A expects a significant decrease in untrained ALP guardians by the end of the winter training surge in May 2016.<sup>207</sup>

According to Afghan reporting, 2.4% of ALP guardians were killed in action from January through November 2015. An additional 5.7% have been dropped from the rolls, 0.06% became disabled, and 2.3% were injured, yielding an aggregate attrition rate of 10.5%.<sup>208</sup> During the first seven months of 2015, approximately 93% of the ALP guardians renewed their contracts.<sup>209</sup>

NSOCC-A reports the FY 2016 cost to support the ALP at its target end-strength of 30,000 is \$117 million. The United States expects to fund approximately \$112.5 million, with the Afghan government contributing the remaining \$4.5 million.<sup>210</sup> CSTC-A reports the total cumulative amount

of ASFF obligated in support of the ALP through September 28, 2015, was \$308.7 million, of which \$219.9 million had been expended.<sup>211</sup> NSOCC-A reports, however, that there are no Coalition advisors outside the Kabul-capital region that maintain consistent situational awareness of the ALP.<sup>212</sup>

As of November 2015, MOI completed an internal assessment of 164 of the 170 districts in which the ALP operates, according to NSOCC-A. Subsequently the Minister of Interior issued 49 reforms focused on personnel recruiting, training, pay, as well as equipment fielding and maintenance.<sup>213</sup>

One of the most critical discrepancies identified in the assessment was misallocation and personnel reported as present for duty but unaccounted for. To remedy such personnel problems, tashkil positions were removed or reallocated to districts that use ALP guardians appropriately. Additionally, all the ALP tashkil were added to the Afghan Human Resources Information Management System (AHRIMS) in an effort to improve personnel accountability and allow payroll auditing.<sup>214</sup> Another finding identified salary payments processed through bank branches in rural areas lacked the transparency and accountability available through an electronic funds transfer (EFT) process. An initiative to implement EFT in Kapisa Province produced such positive results that efforts are now under way to replace the trusted-agent system in Parwan and Kandahar Provinces with an EFT payment process.<sup>215</sup>

Because the assessment indicated the ALP has a higher casualty rate in engagements in remote terrain where other ANDSF elements are sparse, the MOD and MOI coordinated an effort to distribute 30,000 sets of personal protective equipment to better protect the ALP guardians.<sup>216</sup> Other recommendations were to develop an enduring ALP district-level assessment plan and to implement a readiness-reporting system to maintain accountability of personnel, training, and equipment readiness.<sup>217</sup>

DOD reported the most successful ALP units are in areas where the former ISAF mission maintained a persistent Coalition presence alongside local security forces.<sup>218</sup>

## Afghan Public Protection Force

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the MOI, was established to provide fixed-site, convoy, and personal security on a fee-for-service basis. The APPF assumed security roles previously performed by private security companies, which were disbanded by Afghan Presidential Decree 62 in August 2010. The APPF has four directorates:<sup>219</sup>

- government projects
- nongovernmental projects
- international projects
- protection and convoy security

**Essential Function 1 (Multi-Year Budgeting and Execution) reports significant progress, in conjunction with the Afghan Ministry of Finance, toward implementing a Mobile Money program for paying the Afghan Local Police salaries. For more information, see pp. 70-72 of this section.**

CSTC-A reported that through September 29, 2014, the United States had spent more than \$51 million on the APPF.<sup>220</sup> Any additional funding DOD may provide to the APPF is for payment of security services rendered to DOD organizations or contractors. This is the last update SIGAR will be reporting on the APPF. USFOR-A does not conduct a train, advise, and assist mission for the APPF and therefore does not have access to report on APPF status.<sup>221</sup>

## AFGHAN NATIONAL ARMY

As of December 31, 2015, the United States had obligated \$38.6 billion and disbursed \$37.6 billion of ASFF funds to build, train, equip, and sustain the ANA.<sup>222</sup>

### ANA Military Personnel Increase Slightly

As of October 20, 2015, the overall assigned strength within the MOD, including the ANA, the AAF, and civilians, was 176,612 personnel, according to USFOR-A.<sup>223</sup> This is an overall increase of 192 ANA personnel since last quarter, when the July 2015 assigned end strength was reported at 176,420.<sup>224</sup> The number of ANA civilians decreased by 154; the number of ANA military personnel increased by 346.<sup>225</sup> ANA assigned military personnel are at 87% of the approved end strength.<sup>226</sup>

During the month of October 2015, the ANA attrition rate was 3%, with the AAF attrition at 1.5%. ANA and AAF attrition during July 2015 were 2.4% and 0.6%, respectively.<sup>227</sup>

RS EF-4 (Force Generation) advisors and recruiters from the U.S. Army Recruiting Command conducted a roadshow in November 2015 with their ANA Recruiting Command counterparts and ANA 201st Corps leaders to learn the challenges and issues experienced by the ANA recruiting force and to advise on recruiting, attrition, and reenlisting.<sup>228</sup> The joint Afghan-U.S. team also partnered with their National Afghan Volunteer Center (NAVC) counterparts to identify inefficiencies in current NAVC operations in order to give ANA leaders ways to improve recruitment.<sup>229</sup>

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

### ANA Sustainment

As of December 31, 2015, the United States had obligated \$16.2 billion and disbursed \$15.5 billion of ASFF for ANA sustainment.<sup>230</sup> The most prominent use of ASFF sustainment funding is for salaries and incentive payments; other uses include items such as ammunition, organizational clothing and individual equipment (OCIE), aircraft operations and maintenance, and vehicle maintenance.<sup>231</sup> CSTC-A reported the

Recent news-media reporting questions the validity and reliability of ANDSF personnel numbers. For more information, see pp. 72–73 of this section.

total amount expended for all sustainment requirements in FY 2015 was \$552.9 million.<sup>232</sup>

In mid-December, the new computer and server hardware for the ANDSF's inventory and logistics information-management system known as CoreIMS arrived in-country.<sup>233</sup> The CoreIMS logistics system tracks and monitors OCIE stock, among other types of equipment and parts. CoreIMS is updated when OCIE is received in-country and before the equipment is shipped to national supply warehouses. CSTC-A reported approximately 1,700 types of OCIE items were inputted into CoreIMS to enable the national and regional supply centers to account for the OCIE.<sup>234</sup>

The enhancements for the demand-based supply capability will be implemented at the national and regional logistics centers once the CoreIMS hardware is installed.<sup>235</sup> CSTC-A reported 92 of 130 authorized Afghan logistical specialists are now employed at the national and regional centers providing training and assistance to the ANDSF in learning CoreIMS, developing computer skills, and cataloging items.<sup>236</sup>

## ANA Salaries and Incentives

As of September 28, 2015, CSTC-A reported the United States had provided \$2.83 billion through the ASFF to pay for ANA salaries, food, and incentives since FY 2009.<sup>237</sup> CSTC-A reported the funding required for ANA base salaries, bonuses, and incentives will average \$682 million annually over the next five years, with \$676.2 million required in FY 2016.<sup>238</sup> During Afghan solar year 1394 (2015), the U.S. provided \$207.7 million in on-budget support to the MOD for ANA salaries and contractor pay, with the significant majority of the funding, \$138.2 million, applied toward officer base pay. An additional \$69.1 million was used for noncommissioned officers and soldier pay, and \$.4 million for ANA contractors' base pay.<sup>239</sup>

To incentivize the MOD to use electronic-payment systems, CSTC-A plans to provide 100% funding only for those authorized tashkil positions being paid electronically, once the automated pay system is ready for use in 2016; pay for other positions will be 80% funded.<sup>240</sup> USFOR-A reports as of November 27, 2015, that the MOD has input 99% of the ANA forces into AHRIMS with 97% of the force slotted into an approved FY 1394 tashkil position.<sup>241</sup> However, as USFOR-A does not have the applicable AHRIMS access to create the report SIGAR requested on attrition and educational data by rank and province, USFOR-A requested the data from the MOD. Additionally, USFOR-A explained AHRIMS is an MOD- and MOI-owned system and the requested data may or may not be available in AHRIMS at this time as the initial data input effort is prioritizing other key data fields, such as name, rank, identification number, next of kin, and banking information required for electronic salary payments. Additional information pertaining to ANDSF members will be inputted incrementally.<sup>242</sup>

USFOR-A also reported that AHRIMS will transition to the Afghan Personnel Pay System (APPS) in 2016, to provide greater accountability of personnel present for duty, properly assigned to a tashkil position, and paid the proper entitlements. However, SIGAR did not receive clarification if APPS will replace AHRIMS in its entirety or if APPS will replace only some of its functionality.<sup>243</sup>

## ANA Equipment and Transportation

As of December 31, 2015, the United States had obligated and disbursed \$12.8 billion of ASFF for ANA equipment and transportation.<sup>244</sup> Most of these funds were used to purchase vehicles, aircraft, communication equipment, weapons, and related equipment. Approximately 49.5% of U.S. funding in this category was for vehicles and related parts, as shown in Table 3.8.

Since last quarter, the total cost of equipment procured for the ANA increased by over \$530 million, not including the Special Mission Wing (SMW) aircraft costs of \$766.9 million that were realigned from the ANP when the SMW transferred from the MOI to the MOD.<sup>245</sup> There was no change in the amount of equipment transferred to the ANA since the last CSTC-A reporting of June 30, 2015. The vehicles “remaining to be procured” amount changed since the June reporting from “to be determined” to \$604.4 million.<sup>246</sup>

Equipment purchased for the ANA that was later determined to no longer be required by the ANDSF or was damaged before transfer to the Afghan government can be transferred to DOD for disposition, after USFOR-A considers alternative dispositions and the U.S. Congress is notified. DOD notified SIGAR that no notification was processed during this reporting period, so the cumulative value remains at \$215 million.<sup>247</sup>

TABLE 3.8

<b>COST OF U.S.-FUNDED ANA EQUIPMENT, AS OF NOVEMBER 30, 2015</b>			
<b>Type of Equipment</b>	<b>Procured</b>	<b>Procured and Fielded to the ANA</b>	<b>Remaining to be Procured</b>
Weapons	\$642,032,285	\$522,370,326	\$19,045,740
Vehicles	7,293,934,837	6,440,981,649	604,435,625
Communications	840,433,973	703,298,191	82,830,726
Aircraft	2,139,192,713	1,342,811,508	327,131,596
Ammunition	2,469,192,080	2,180,830,996	380,830,461
Transportation Services	40,000,000	13,459,569	0
C-IEDs	418,150,056	341,550,056	0
Other	884,304,375	773,658,682	1,005,377
<b>Total</b>	<b>\$14,727,240,319</b>	<b>\$12,318,960,977</b>	<b>\$1,415,279,525</b>

Note: C-IEDs = Counter-improvised explosive devices. Equipment category amounts include the cost of related spare parts. This quarter aircraft costs, which had been procured for the Special Mission Wing (SMW), were transferred to the ANA as the SMW was transferred from the MOI to the MOD.

Source: CSTC-A, response to SIGAR data call, 1/13/2016.

DOD reports that during the past year the ANDSF have increased usage of their close-air support and lift assets, protected mobility vehicles, mortars and howitzers, and direct-fire systems.<sup>248</sup> A review in early 2015 determined the SMW had intelligence, surveillance, and reconnaissance capabilities that the ANA and AAF did not. This gap is being addressed with the fielding in early 2016 of unmanned aerial vehicles, an additional surveillance tower and aerostat systems (lighter-than-air aircraft such as balloons).<sup>249</sup>

EF-5 (Sustainment) is analyzing the solar year 1394 equipment tashkil, or roster of authorizations of on-hand and required equipment and weapons, to use in identifying the requirements of the upcoming solar year equipment tashkil. The data will be used to “right-size” the ANDSF equipment tashkils through 2024.<sup>250</sup>

## ANA Infrastructure

As of December 31, 2015, the United States had obligated \$6.0 billion and disbursed \$5.7 billion of ASFF for ANA infrastructure such as military head-quarter facilities, schoolhouses, barracks, air fields, and roads.<sup>251</sup>

As of November 30, 2015, the United States had completed 372 infrastructure projects valued at \$5.2 billion, with another 22 projects valued at \$183.9 million ongoing, according to CSTC-A.<sup>252</sup> The largest ongoing ANA infrastructure projects this quarter are the second phase of the Marshal Fahim National Defense University (MFNDU) in Kabul (at a cost of \$76.3 million), to be completed in December 2017, and the Logistics Officers Branch School in Kabul (\$33.6 million) and the fourth phase of the Kabul Military Training Center in Kabul (\$19.7 million), both to have been completed in December 2015.<sup>253</sup>



**Construction of the Marshal Fahim** National Defense University Joint Service Academy building in Kabul. (CSTC-A photo)

## SIGAR AUDIT

An ongoing SIGAR audit will review DOD’s support to the ANA’s portion of the 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.

In addition, three projects were completed at a cost of \$173 million, including the brigade garrisons for the 2nd Brigade of the 201st Corps in Kunar (\$115.7 million), and phases IIIA and IIIB of the MFNDU at a cost of \$38 million and \$19.3 million respectively.<sup>254</sup>

The transfer of the new MOD Headquarters facility to the Afghan government occurred with high-level interest and media attention. A ceremonial passing of the key between the CSTC-A chief engineer and the Afghan chief of the Construction Property Management Division occurred on November 25, 2015.<sup>255</sup> That was followed by an inauguration event on December 28, 2015, with the President of Afghanistan, the Chief Executive, the acting MOD minister, and RS Commander General Campbell in attendance. The 700-room building took 10 years to build and cost approximately \$160 million.<sup>256</sup>

Of the five contracts awarded this quarter at a cost of \$7.7 million, one was for various regional logistical-support centers (\$4 million) and another to construct barracks for females (\$1.7 million).<sup>257</sup> Of the 16 projects (\$190.5 million) in the planning phase, three projects are to construct facilities for females (\$30.1 million) and two projects are to construct facilities for the AAF.<sup>258</sup>

The ASFF-funded national operations and maintenance contract provides maintenance for 24 MOD facilities including the presidential palace, training and higher-learning facilities, a justice center, a detention center, and a hospital.<sup>259</sup>

The FY 1394 MOD financial-commitment letter required the Afghan government to provide CSTC-A a transition and sustainment plan, including the infrastructure security plan, for the facilities constructed with U.S. funding and transferred to the Afghan government.<sup>260</sup> CSTC-A reports that while \$29 million in conditional funding was withheld because the MOD did not provide the plan, the MOD has signed a plan to divest 90 excess facilities and has divested 22 facilities. The draft FY 1395 financial-commitment letter withholds an estimated \$3 million pending the validated divestments of the 90 facilities and a plan for divesting the remaining 68 excess facilities.<sup>261</sup>

## ANA and MOD Training and Operations

As of December 31, 2015, the United States had obligated and disbursed \$3.6 billion of ASFF for ANA and MOD training and operations.<sup>262</sup>

CSTC-A reported 21 ongoing U.S.-funded training programs: 17 focusing on technical training, one on professional military education, two on basic training, and one on English language.<sup>263</sup>

During this quarter, the EF-4 (Force Generation) Army Institutional Advisory Team (AIAT) developed three new officer training courses:

- **Kandak Pre-Command Course:** a two-week course for newly appointed kandak commanders that includes combined-arms operations, cross-pillar coordination, air-to-ground integration,

### SIGAR AUDIT

A January 2016 SIGAR audit, conducted to assess U.S. efforts to increase the ANA's effectiveness through the creation of a National Engineering Brigade, determined the brigade was incapable of operating independently. For more information, see Section 2, pp. 22-23.

operational readiness, and training management. Trained ANA instructors will teach the course with U.S. and UK advisors observing. The course will be held four times a year for approximately 20 students. The first course was held in December 2015.<sup>264</sup>

- **Brigade Pre-Command Course:** a two-week course for newly appointed brigade commanders is to cover the kandak pre-command course topics from a more senior commander's perspective. The course will be held twice a year for approximately 10 students. The first course is scheduled for February 2016.<sup>265</sup>
- **The Leader's Course:** a two-week leadership course for officers assigned to or moving to senior positions in the ANDSF or other government departments. The course, developed by members of the U.S. Army War College and the UK Defense Academy, was modeled after a UK program. The first course started at the end of November 2015.<sup>266</sup>

### Afghan Air Force and the Special Mission Wing

Between FY 2010 and FY 2015, the United States has obligated approximately \$2.4 billion to develop the AAF, including over \$912 million for equipment and aircraft.<sup>267</sup> Since last quarter, DOD realigned its FY 2015 funding applied to the AAF from \$683.3 million to \$925.2 million; the amount applied toward sustainment rose from \$437.6 million to \$780.4 million.<sup>268</sup> Additionally, the FY 2016 request is for \$548.3 million, with the significant majority of the funds for training and sustainment.<sup>269</sup>

According to USFOR-A, this quarter, the AAF aircraft inventory, includes:<sup>270</sup>

- 11 Mi-35 helicopters
- 49 Mi-17 helicopters (three less than last quarter)
- 16 MD-530 helicopters
- 24 C-208 airplanes (two less)
- 4 C-130 airplanes

Of these aircraft, 33 of the Mi-17s and all of the MD-530s, C-208s, and the C-130s were procured using ASFF.<sup>271</sup> Additionally, 20 A-29 Super Tucanos, a light-attack aircraft for counterinsurgency, close-air support, and aerial reconnaissance, have been purchased. DOD said the first four arrived in-country on January 15, 2016.<sup>272</sup> The pilots receive basic flight maneuvers and instrument training in a Beechcraft/Raytheon T-6 Texan II basic trainer aircraft, followed by more advanced fighter tactics, bombing, and strafing training in the A-29s. USFOR-A reports using this two-plane training structure is an efficient methodology that provides the greatest probability of graduating A-29 pilots.<sup>273</sup> On December 17, the first eight pilots and twelve maintainers graduated from A-29 training at Moody Air Force Base, Georgia. Two other Afghan maintainers who were also scheduled to graduate went missing on December 8.<sup>274</sup> As of January 13, 2016, one of the two maintainers was found; a U.S.

## SIGAR SPECIAL PROJECT

In February 2015, SIGAR conducted a fact-finding visit on the A-29 Super Tucanos at Moody Air Force Base in Georgia. SIGAR will conduct ongoing monitoring of the program's roll-out and the training of the Afghan pilots.

Department of Homeland Security spokesman said the search for the other continues.<sup>275</sup>

USFOR-A stated that an additional 12 MD-530s are being purchased and are scheduled for delivery in 2016.<sup>276</sup> In a September 2015 *New York Times* article about the MD-530 helicopters, an AAF corps commander stated that the helicopters were inadequate and dangerous. He claimed that the helicopters did not have the proper range to engage the Taliban, while an AAF pilot complained that the mounted .50-caliber machine guns would often jam.<sup>277</sup> In response to the AAF's criticism, USFOR-A said the initial operational challenges were overcome and the armed MD-530 is a capable aircraft. DOD determined the armed MD-530 was the only suitable alternative to address the close-air support gap that would exist following the end of Operation Enduring Freedom and the fielding of the A-29 Super Tucanos and the Mobile Strike Force Vehicles with 90 mm direct-fire weapons.<sup>278</sup>

The MD-530's operational capability has allowed the AAF to increase air raids against insurgent groups and is in great demand to provide close-air support to the ANDSF during combat operations.<sup>279</sup> AAF leadership reportedly now understands the capability and value of the MD-530, according to USFOR-A.<sup>280</sup>

On December 25, 2015, during Indian Prime Minister Narendra Modi's official visit to Afghanistan, the Prime Minister presented the AAF with three Russian-made Mi-25 assault helicopters, with a fourth to be delivered later.<sup>281</sup> DOD reports this agreement was made strictly between the governments of Afghanistan and India. DOD advised the Afghan government that U.S. funds would not be available to sustain these aircraft due to sanctions concerns. Afghanistan is actively seeking bilateral support from other regional partners.<sup>282</sup> However, USFOR-A reported that Coalition advisors, who have supported the AAF's Mi-17 and Mi-35 programs for several years, could train, advise, and assist the AAF in sustainment of the Mi-25.<sup>283</sup>

CSTC-A reported that between FY 2012 and FY 2015, the United States has invested over \$1.8 billion in the development of the SMW, obligating roughly \$991.1 million of that amount for equipment and aircraft.<sup>284</sup> According to CSTC-A, the SMW fleet of 59 fielded aircraft comprises Mi-17 helicopters and PC-12 turboprop planes that have intelligence gathering, surveillance, and reconnaissance capabilities.<sup>285</sup> Of these aircraft, 30 of the Mi-17s and all of the PC-12s were procured using ASFF.<sup>286</sup> According to NSOCC-A, the SMW has 509 members, of which 108 are pilots, all part of the MOD. Fifty-four additional personnel are undergoing entry, English-proficiency, and security background checks.<sup>287</sup>

## AFGHAN NATIONAL POLICE

As of December 31, 2015, the United States had obligated \$18.7 billion and disbursed \$18.2 billion of ASFF funds to build, train, equip, and sustain the ANP.<sup>288</sup>

### ANP Strength

As of October 22, 2015, the overall assigned end strength of the ANP, including the Afghan Uniform Police, Afghan Border Police, Afghan National Civil Order Police, and MOI Headquarters and Institutional Support (MOI HQ & IS), was 146,026, according to USFOR-A.<sup>289</sup> This is a decrease of 2,270 ANP personnel since last quarter, when the July 2015 assigned end strength was reported at 148,296, and 10,974 below the authorized end strength of 157,000, as reflected in Table 3.9.<sup>290</sup> Police officers represent the largest component of the ANP with 70,886 members, 49,872 noncommissioned officers, and 25,268 officers.<sup>291</sup>

During the months of August, September, and October, the ANP experienced a 2.35%, 2.32%, and 2.5% attrition rate, respectively. The prior three months' attrition rate was approximately 1.94%.<sup>292</sup> Within the ANP, the Afghan National Civil Order Police continues to endure the highest attrition rates: 4.69%, 4.36%, and 5.53% over the three months.<sup>293</sup>

The UN Office of the Special Representative of the Secretary-General for Children and Armed Conflict reported two verified cases of the ANP and ALP recruiting children in a June 2015 report.<sup>294</sup> CSTC-A reported the ANP Inherent Law, dated October 2010, requires that no recruits be under the age of 18.<sup>295</sup> While restricting child police/soldier recruitment is not a condition for U.S. funding in the annual CSTC-A financial-commitment letters, USFOR-A says advisors will forward any human-rights violations to the RS Mission Legal Office.<sup>296</sup>

Recent news-media reporting questions the validity and reliability of ANDSF personnel numbers. For more information, see pp. 72–73 of this section.

TABLE 3.9

ANP Component	Authorized			Assigned		
	Q3 2015	Q4 2015	Quarterly Change	Q3 2015	Q4 2015	Quarterly Change
	AUP	90,139	91,000	861	86,754	85,976
ABP	22,955	23,313	358	21,775	21,520	(255)
ANCOP	15,223	16,200	977	15,169	14,511	(658)
MOI HQs & IS	28,523	26,487	(2,036)	24,598	24,019	(579)
<b>ANP Total (as reported)</b>	<b>156,840</b>	<b>157,000</b>	<b>160</b>	<b>148,296</b>	<b>146,026</b>	<b>(2,270)</b>

Note: Quarters are calendar-year; Q3 2015 data as of 7/2015; Q4 2015 data as of 10/2015. AUP = Afghan Uniformed Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; MOI = Ministry of Interior; IS = Institutional Support personnel.

Source: USFOR-A, response to SIGAR data calls, 9/11/2015 and 12/14/2015.

## ANP Sustainment

As of December 31, 2015, the United States had obligated \$7.7 billion and disbursed \$7.5 billion of ASFF for ANP sustainment.<sup>297</sup> This includes contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries, the most prominent ASFF sustainment funding. Other uses of ANP sustainment funding include vehicle and radio maintenance; organizational clothing and individual equipment; and ammunition.<sup>298</sup>

The U.S. contribution to LOTFA for calendar year 2015 was \$112.3 million to fund salaries, incentives, and the UN Development Programme management fee.<sup>299</sup> CSTC-A reports the U.S. funding required for LOTFA over the next five years will depend on the contributions of Coalition partners. The estimated annual expenses range from a high of \$616.3 million to a low of \$608.1 million, for an average of \$613.2 million.<sup>300</sup>

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.<sup>301</sup> To incentivize the MOI to use electronic payment systems, CSTC-A is to provide funding only for those authorized tashkil positions being paid electronically, once the automated pay system is ready for use later in 2016.<sup>302</sup>

USFOR-A reports as of November 22, 2015, that the MOI has input 90.8% of the ANP forces into AHRIMS.<sup>303</sup> However, USFOR-A does not have the applicable AHRIMS access to create the report SIGAR requested on attrition and educational data by rank and province and, therefore, requested the data from the MOI. USFOR-A explained AHRIMS is a MOD- and MOI-owned system and the requested data may or may not be available at this time because the initial data-input effort is prioritizing other key data fields, such as name, rank, identification number, next of kin, and banking information required for electronic salary payments. Additional information pertaining to ANDSF members will be inputted incrementally.<sup>304</sup>

USFOR-A additionally reported that AHRIMS will transition to the APPS in 2016, to provide greater accountability of personnel present for duty, properly assigned to a tashkil position, and paid the proper entitlements. However, SIGAR did not receive clarification if APPS will replace AHRIMS in its entirety or if APPS will replace only some of its functions.<sup>305</sup>

## ANP Equipment and Transportation

As of December 31, 2015, the United States had obligated and disbursed \$4.1 billion of ASFF for ANP equipment and transportation.<sup>306</sup> Most of these funds were used to purchase vehicles, aircraft, ammunition, weapons, and communication equipment as shown in Table 3.10. More than 68% of funding in this category was used to purchase vehicles and vehicle-related equipment.

Since last quarter, the total cost of equipment procured for the ANP increased to over \$76.6 million, all within the weapons and vehicle

TABLE 3.10

<b>COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF NOVEMBER 30, 2015</b>			
<b>Type of Equipment</b>	<b>Procured</b>	<b>Procured and Fielded to the ANA</b>	<b>Remaining to be Procured</b>
Weapons	\$291,495,548	\$205,851,400	\$19,045,740
Vehicles <sup>a</sup>	3,468,042,669	3,109,856,026	164,435,625
Communications	230,376,282	224,995,225	11,588,547
Ammunition	738,345,011	419,352,362	0
Transportation Services	20,026,263	7,770,471	0
C-IEDs	115,581,810	115,581,810	2,165,915
Other	243,097,382	91,438,300	14,412,160
<b>Total</b>	<b>\$5,106,964,965</b>	<b>\$4,174,845,594</b>	<b>\$211,647,987</b>

Note: C-IEDs = Counter-improvised explosive devices. Aircraft costs are no longer shown for the ANP: The Special Mission Wing (SMW) for which they were procured has been transferred to the ANA, moving from MOI to MOD control.

<sup>a</sup> Vehicle costs includes vehicles and parts.

Source: CSTC-A, response to SIGAR data call, 1/4/2016.

categories.<sup>307</sup> As with the ANA, there was no change in the amount of equipment that had been transferred to the ANP since the last CSTC-A reporting dated June 30, 2015.<sup>308</sup> The weapons “remaining to be procured” amount changed since the June reporting from “to be determined” to \$19 million. In addition, the vehicles “remaining to be procured” amount changed since the June reporting from “to be determined” to \$164.4 million.<sup>309</sup>

In early 2015, DOD approved a CSTC-A plan to transition the ANP to U.S. standard weapons.<sup>310</sup> The plan will transition up to 78,000 of the MOI’s AK-47 supply to the M-16A4 over the next several years. CSTC-A will develop a plan with the Afghans to consolidate, demilitarize, and ensure proper accountability of weapons turned in, consistent with DOD’s response to SIGAR’s July 2014 audit report, *Afghan National Security Forces: Actions Needed to Improve Weapons Accountability* (14-84-AR).<sup>311</sup> CSTC-A will not transfer any new weapons until the Afghan ministries meet the turn-in, turnover, and demilitarization conditions.<sup>312</sup>

Equipment purchased for the ANP 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. DOD notified SIGAR that no notification was processed during the quarter, so the cumulative value of ANP equipment transferred to DOD remains at \$18.4 million.<sup>313</sup>

## ANP Infrastructure

As of December 31, 2015, the United States had obligated \$3.1 billion and disbursed \$3.0 billion of ASFF for ANP infrastructure.<sup>314</sup>

As of November 30, 2015, the United States had completed 729 infrastructure projects valued at \$3.7 billion, with another four ongoing projects valued at \$73.5 million, according to CSTC-A.<sup>315</sup> The largest ongoing ANP



**Newly inaugurated MOI Headquarters** building in Kabul. (CSTC-A file photo)

infrastructure projects this quarter are the remaining facilities at the MOI headquarters complex in Kabul that began in March 2012 and are expected to be completed in February 2016, and two compounds for females in Nangarhar and Kabul (\$6.4 million and \$3.4 million respectively).<sup>316</sup>

While no projects were completed this quarter, the President of Afghanistan, the Afghan Minister of Interior, and RS Commander General Campbell presided over the formal inauguration of the new Ministry of the Interior building in Kabul on December 21, 2015.<sup>317</sup> Three contracts were awarded at a cost of \$10.1 million, including the two compounds for females and a fueling point at a regional logistics center in Nangarhar (\$273 thousand).<sup>318</sup> In addition, CSTC-A reports 13 projects are in the planning phase (\$52.75 million).<sup>319</sup>

The ASFF-funded national operations and maintenance contract provides maintenance for five MOI facilities including the MOI headquarters and national and regional logistics centers. CSTC-A reports maintenance for four facilities is scheduled to transition to the MOI by the end of March 2016, and for the MOI headquarters by the end of February 2017.<sup>320</sup>

## ANP Training and Operations

As of December 31, 2015, the United States had obligated \$3.7 billion and disbursed \$3.6 billion of ASFF for ANP and MOI training and operations.<sup>321</sup>

CSTC-A reported six ongoing U.S.-funded training programs: five focused on technical training and one focused on basic training.<sup>322</sup> The largest U.S.-funded training includes operational-specialty training, such as special-operations intelligence, vehicle maintenance, counter-improvised-explosive-device procedures, explosive-ordnance disposal, and radio operation and maintenance.<sup>323</sup>

## STATUS OF WOMEN IN THE ANDSF

This quarter RS reported 3,728 women serving in the ANDSF, a slight decrease from the 3,753 reported last quarter.<sup>324</sup> However, with the overall decrease in the ANDSF end strength, the percentage of women serving in the ANDSF stayed constant at 1.16%.<sup>325</sup> Of the total, 2,802 were serving with the ANP: 1,208 officers, 1,258 NCOs, 1,119 soldiers, and 143 cadets.<sup>326</sup> The number of women in an officer position increased by 381 since last quarter, not including three additional MOI females who were selected to the rank of brigadier general.<sup>327</sup>

The Women in Security Advisory Committee—General Campbell chairs and first lady Rula Ghani is an honorary member—provided strategic input to several initiatives. One proposal was to increase overseas training options as a way to increase recruiting and training capacity, as in-country training is limited to 485 women annually. The committee also contributed to the dialogue for national-level endorsement for female police officers to carry weapons.<sup>328</sup>

RS also reported the draft FY 1395 gender commitment letter will require the MOD to create 5,000 positions for women by the end of solar year 1395. These ANA tashkil positions are deemed essential to provide career-advancing pathways for women.<sup>329</sup> However, the ANDSF has not met its recruitment goals for women once in the 14 years the Coalition has been in Afghanistan.<sup>330</sup>

## ANDSF MEDICAL/HEALTH CARE

While the overall number of doctors and other medical staff increased this quarter, according to CSTC-A, the number of physician vacancies also increased due to the increase in the number of authorized positions.<sup>331</sup> As of November 25, 2015, CSTC-A reports there are 911 physicians and 2,678 other medical staff within the ANDSF health-care system.<sup>332</sup>

This quarter CSTC-A reported two accomplishments within the ANDSF health-care system. The first was the Afghan presidential decree approving the formation and charter of the Afghan Medical Council on November 12, 2015. The council serves the function similar to a U.S. state medical board, setting and enforcing medical standards, hospital accreditation, and physician licensing and education.<sup>333</sup> The second accomplishment was a policy changing the maximum age of new hires, which should help to alleviate the personnel shortages at ANDSF hospitals. In November, the MOD approved hiring physicians above age 27, with an exception for physician specialists over age 40. The accession policy also eliminated the age restriction for hiring physician assistants and nurses.<sup>334</sup>

CSTC-A reports RS is to purchase critical medical equipment that the MOD and MOI were unsuccessful in purchasing on-budget last year.<sup>335</sup>

## REMOVING UNEXPLODED ORDNANCE

The Department of State's Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA) manages the conventional-weapons destruction program in Afghanistan to enhance the security and safety of the Afghan people. Since FY 2002, State has provided \$328.3 million in weapons destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has two-year funding, and the majority of FY 2015 funds have been obligated. FY 2016 funds have not yet been made available for obligation.<sup>336</sup>

State directly funds five Afghan nongovernmental organizations (NGO), four international NGOs, and one U.S. government contractor. These funds enable the clearance of areas contaminated by explosive remnants of war (ERW) and support the clearance of conventional weapons used by insurgents to construct roadside bombs and other improvised explosive devices. As of September 30, 2015, State-funded implementing partners have cleared more than 177 million square meters of land (approximately 68.3 square miles) and removed or destroyed approximately 7.7 million landmines and other ERW such as unexploded ordnance, abandoned ordnance, stockpiled munitions, and home-made explosives since 1997 (see Table 3.11).<sup>337</sup>

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 213.1 square miles of contaminated minefields and battlefields. During the quarter, 1.8 square miles were cleared. However, ongoing surveys identified 4.6 square miles of additional contaminated areas, bringing the known contaminated area to 220.4 square miles at the end of the quarter. PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.<sup>338</sup>

TABLE 3.11

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2009–2015						
Year	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m <sup>2</sup> )	Estimated Contaminated Area Remaining (m <sup>2</sup> )*
2010	13,879	663,162	1,602,267	4,339,235	39,337,557	650,662,000
2011	10,504	345,029	2,393,725	21,966,347	31,644,360	602,000,000
2012	11,830	344,363	1,058,760	22,912,702	46,783,527	550,000,000
2013	6,431	203,024	275,697	10,148,683	25,059,918	521,000,000
2014	12,397	287,331	346,484	9,415,712	22,071,212	511,600,000
2015	2,134	33,078	88,798	4,062,478	12,101,386	570,800,000
<b>TOTAL</b>	<b>57,175</b>	<b>1,875,987</b>	<b>5,765,731</b>	<b>72,845,157</b>	<b>176,997,960</b>	<b>570,800,000</b>

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. There are about 4,047 square meters (m<sup>2</sup>) to an acre.

\* 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, 6/26/2015, and 12/29/2015.

The U.S. Agency for International Development (USAID), in partnership with the UN Mine Action Centre for Afghanistan (UNMACA), provides services for victims and survivors of mines and ERW, as well as for civilians affected by conflict and persons with disabilities, through the Afghan Civilian Assistance Program (ACAP). The goal of this project is to mitigate the short-term and long-term impact of conflict on civilians, including victims of mines and ERW. UNMACA draws on its wider network under the Mine Action Programme of Afghanistan (MAPA), which consists of 50 international and national organizations, to access beneficiaries and communities. One of those organizations, the Mine Action Coordination Centre of Afghanistan (MACCA), collects casualty data on mine/ERW victims to help prioritize its clearance activities. According to USAID, ACAP funding will allow MACCA to expand its victim-assistance activities beyond service provision and data collection to include immediate assistance for individual survivors and their families. The \$30.2 million ACAP program has expended \$9.6 million to date and will conclude in February 2018.<sup>339</sup>

## COUNTERNARCOTICS

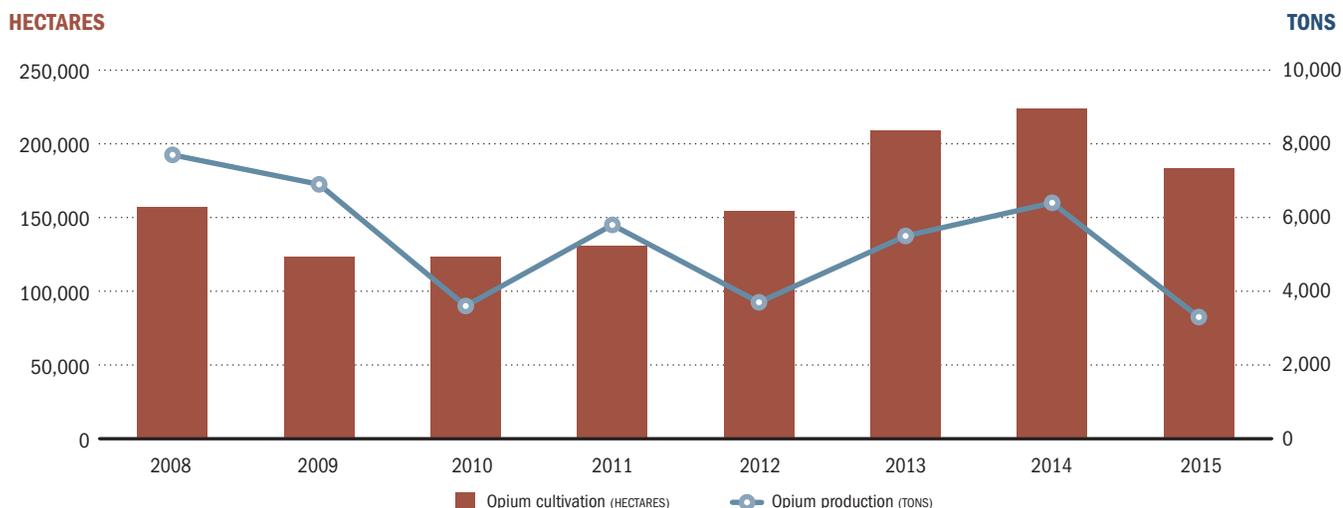
As of December 31, 2015, the United States has provided \$8.4 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated most of these funds through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3 billion), the ASFF (\$1.4 billion), the Economic Support Fund (ESF) (\$1.6 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account (\$2.2 billion). USAID's alternative-development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding through direct appropriations to operate in Afghanistan.<sup>340</sup> (See Appendix B.)

In October 2015, the Afghan government approved its National Drug Action Plan (NDAP), developed in collaboration with the U.S. government. State's Bureau of International Narcotics and Law Enforcement Affairs (INL) said it will support the NDAP by using available resources and future funding requests to bolster counternarcotics efforts. The United States is updating and revising its counternarcotics strategy for Afghanistan to support the goals and objectives outlined in the NDAP.<sup>341</sup>

In December 2015, the UN Office of Drugs and Crime (UNODC) published its *Afghanistan Opium Survey 2015*. UNODC estimated that the area under cultivation was 183,000 hectares, a 19% decrease from the previous year. Afghan opium production (3,300 tons) also decreased 48% from its 2014 level. However, UNODC cautioned that it changed its methodology between 2014 and 2015, which could make changes appear larger than they actually were. The decreases do not result from a single factor

FIGURE 3.27

## AFGHAN OPIUM CULTIVATION AND PRODUCTION SINCE 2008



Source: UNODC, *Afghanistan Opium Survey 2008*, 11/2008, p. 5; *Afghanistan Opium Survey 2009*, 12/2009, p. 5; *Afghanistan Opium Survey 2010*, 12/2010, p. 7; *Afghanistan Opium Survey 2011: Summary Findings*, 10/2011, p. 1; *Afghanistan Opium Survey 2013*, 12/2013, p. 12; *Afghanistan Opium Survey 2014: Cultivation and Production*, 11/2014, p. 7; *Afghanistan Opium Survey 2015: Cultivation and Production*, 12/2015, p. 8.

### The Partners for Afghanistan and

**Neighboring Countries:** Also referred to as the Regional Programme for Afghanistan and Neighboring Countries, it was created in December 2011 by the UN to combat illicit drug and opium production and cultivation in the region. The program fosters cooperation, information sharing, networking, and partnerships between the countries in the region through a strategic framework.

Source: UNODC, *Regional Programme for Promoting Counter Narcotics in Afghanistan and Neighbouring Countries, Semi-Annual Progress Report Issue No. 5, January–June 2014*, pp. 5, 6, and 10.

or policy measure and do not represent a downward trend. According to UNODC, the declines are mainly a consequence of repeated crop failures in the southern and southwestern regions of Afghanistan. Production and cultivation results had been rising for the past decade, as illustrated in Figure 3.27.<sup>342</sup>

In December 2015, INL took part in two UNODC international meetings, the High-Level Meeting of **Partners for Afghanistan and Neighboring Countries** and the **Paris Pact** Consultative Group Meeting. The NDAP was presented at both. At these meetings, the United States reaffirmed support for counternarcotics efforts in Afghanistan and encouraged international commitments to the NDAP. During a recent winter visit to Afghanistan, the UNODC regional representative for Afghanistan and neighboring countries told Special Inspector General John F. Sopko that regional and international coordination is critical to achieve sustainable reductions in drug production. According to the regional representative, the UN was best suited to coordinate efforts to improve the efficiency of donors' assistance.<sup>343</sup>

## Drug Demand Reduction

Although INL itself reports in its 2015 *International Narcotics Control Strategy Report* that “the prevalence of addiction and severity of

consumption [in Afghanistan] is the highest documented in the world,” INL is reducing funding to all treatment centers.<sup>344</sup>

In January 2015, INL transitioned its first group of 13 treatment programs to the Afghan Ministry of Public Health (MOPH) responsibility. Another 15 treatment centers will begin transitioning in January 2016; the remaining 69 treatment centers will be transitioned by the end of 2019. INL reduced funding to all facilities (including the original MOPH portfolio of 23 centers and the 13 that were in transition during 2015) by approximately 20% in 2015. According to INL, further cuts are necessary in the coming year.

During 2015, the MOPH and INL’s implementing partner, the **Colombo Plan**, collaborated to transfer the clinical staff from the first group of treatment centers onto the Afghan government payroll. According to INL, this will be complete by January 2016. A total of 67 clinical staff members were trained between January and March 2015 by the Colombo Plan; additional staff were hired this quarter and 25 trained in December 2015. In 2015, UNODC provided training to 140 staff on new treatments and the MOPH provided “train the trainer” training to 120 staff on treatment methodologies.<sup>345</sup>

During the quarter, INL began working with the Ministry of Higher Education on the possibility of establishing an addiction studies department at Kabul University and continued its efforts with the Ministry of Education on preventative drug education teacher training.<sup>346</sup>

INL contributed over \$4.6 million to the Colombo Plan in April 2015 and \$12.9 million during 2015 for drug treatment and education programs. In 2014, INL contributed \$7.6 million to the Colombo Plan and \$9.4 million for drug treatment and education programs. SIGAR has written in previous quarterly reports about the insufficient number of treatment centers to address Afghanistan’s growing domestic addiction problem. In addition to the significant number of heroin and opiate users, Afghanistan has seen a rise in methamphetamine (crystal meth) users. The first crystal meth seizure was in 2008 in Helmand. In 2015, there were seizures in 14 provinces. Although Iran is the leading producer of crystal meth in the region, its manufacture is on the rise in Afghanistan. The meth seized in Afghanistan is of high quality, 90% or higher purity. This recent phenomenon has prompted the Counter Narcotics Police of Afghanistan (CNPA) to urge stronger legal penalties for trafficking in methamphetamine.<sup>347</sup>

If the numbers of crystal meth users and local manufacturing labs continue to rise, it will intensify the challenge of addressing the country’s already robust illicit drug economy.

## Counter Narcotics Community Engagement

INL funds the nationwide Counter Narcotics Community Engagement (CNCE) program, which focuses on discouraging poppy cultivation,

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

**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 (ACCE), a training unit of treatment experts to assist governments in developing a professional certification process for addiction professionals in Asia and Africa.

Source: Paris Pact, “What is it?” [www.paris-pact.net](http://www.paris-pact.net), accessed 7/16/2014; The Colombo Plan Secretariat, “History,” [www.colombo-plan.org](http://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.

preventing drug use by raising public awareness, and encouraging licit crop production. Since 2013, INL has expended \$9.18 million on the program. The program was extended for one year on April 4, 2015, with an additional cost of \$1.55 million. The program has a total cost of \$9.7 million.<sup>348</sup>

The program pays an Afghan company, Sayara Media Communications, to place 42 reporters in Afghan provinces, to gather information and gauge perceptions of counternarcotics policies and messaging. Sayara assesses the effectiveness of campaigns and seeks to identify the provincial drivers of drug trafficking, opium cultivation, and public sentiment. According to INL, activities during the quarter focused on the 2016 preplanting-season campaign as well as numerous public outreach events, to include print, television and radio campaigns organized by the Ministry of Counter Narcotics (MCN).<sup>349</sup>

Sayara monitors counternarcotics-related items in the media and evaluates any changes on a monthly basis. The effectiveness of this media campaign is unclear. INL said 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. 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 [counternarcotics] 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)."<sup>350</sup>

## Independent Directorate of Local

**Governance (IDLG):** Created in 2007, the IDLG was established with the mandate of transferring civilian responsibilities of the Ministry of Interior to an independent entity. IDLG supports the provincial councils and is responsible for local governance.

Its strategic plan is carried out in the national priority program on subnational governance. IDLG has developed the mentioned program for the purpose of strengthening subnational governance with the cooperation of relevant entities and agreement of the international partners.

Source: Government of Afghanistan, Independent Directorate of Local Governance website, "History," accessed 1/11/2016.

## Governor-Led Eradication Program

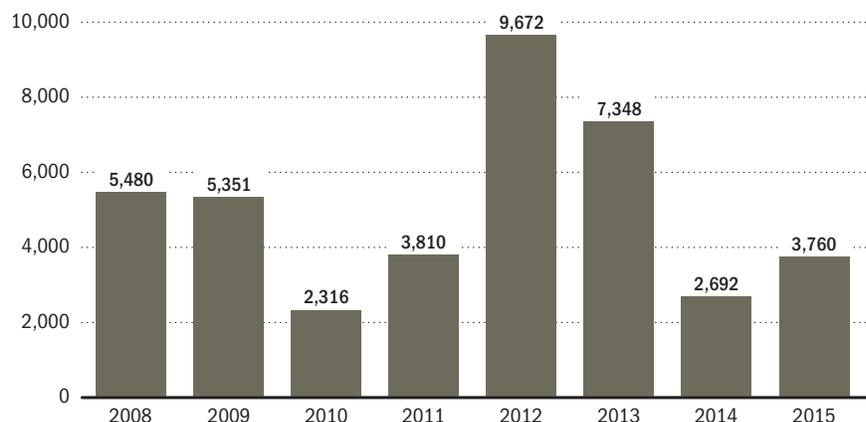
INL funds the Governor-Led Eradication Program (GLE) program, which reimburses provinces for the cost of eradicating poppies. Since 2007, INL has contributed \$10 million to the MCN for the GLE program, which accounts for less than 2% of INL's annual counternarcotics budget for Afghanistan. The MCN tracks cumulative results—which are verified by UNODC. According to UNODC, a total of 3,720 hectares were eradicated in 2015, a 40% increase from last year's results.<sup>351</sup>

Eradication results have been declining over the past few years, as shown in Figure 3.28. There were few security incidents during eradication, which UNODC attributes to improved coordination between the MCN, MOD, MOI and the **Independent Directorate of Local Governance**. Eradication took place near active military operations in Helmand and Kandahar, which reportedly improved security but also underscored the lack of government control in those areas.<sup>352</sup>

This quarter, INL made no GLE payments to the ministry. After UNODC verified the 2015 results in September, INL requested that the MCN fully

FIGURE 3.28

## GOVERNOR LED OPIUM-POPPY ERADICATION, 2008–2015 (HECTARES)



Note: Program results are based on UNODC-verified eradication figures.

Source: UNODC, *Afghanistan Opium Survey 2008*, 11/2008, p. 5; *Afghanistan Opium Survey 2009*, 12/2009, p. 5; *Afghanistan Opium Survey 2010*, 12/2010, p. 7; *Afghanistan Opium Survey 2011: Summary Findings*, 10/2011, p. 1; *Afghanistan Opium Survey 2013*, 12/2013, p. 12; *Afghanistan Opium Survey 2014: Cultivation and Production*, 11/2014, p. 7; *Afghanistan Opium Survey 2015: Cultivation and Production*, 12/2015, p. 8.

account for advances it paid to provinces during 2015 and reconcile unearned advances by provinces from previous years. INL said it will disburse final payment once this occurs. The MCN has not finalized its 2016 eradication plans, which are expected to align with milestones laid out in the recently adopted National Drug Action Plan.<sup>353</sup>

### Good Performer's Initiative

INL's Good Performer's Initiative (GPI) is a program implemented by the MCN that seeks to incentivize provincial counternarcotics performance. As of November 30, 2015, a total of 253 GPI projects with a value of more than \$119.5 million have been approved. Some 195 projects have been completed, 56 were ongoing, and two were nearing completion.

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. In September 2014, the MCN began implementing a redesigned GPI to encourage more integrated counternarcotics action and provide more focused support for rural alternative livelihoods. Under the new GPI (GPI II), the award categories for "good performers" were expanded to include progress in public outreach and law enforcement, in addition to cultivation. The

new program will continue to link action with rewards: provinces must demonstrate verifiable counternarcotics achievements against defined standards to receive awards.<sup>354</sup> Negotiations on GPI II between the Afghan Government and U.S. Embassy Kabul are ongoing.<sup>355</sup>

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.<sup>356</sup>

## Ministry of Counter Narcotics Capacity Building

The memorandum of understanding between INL and the MCN that provided funding for 24 Afghan advisors to help build capacity expired in September 2015. It was not extended due to the poor security conditions that limited the ability of U.S. advisors to access the MCN and hampered oversight of the program. To date, INL has obligated \$331,479 and spent \$126,491 on capacity-building items and \$742,549 on the salaries of advisors.<sup>357</sup>

INL shifted from providing capacity-building support through embedded advisors to offering skills-based training to ministry staff and integrating the Asian University for Women fellows into the work of the MCN.<sup>358</sup>

In April 2015, INL published its independent risk assessment of the MCN's public financial-management system, which identified significant deficiencies that increased the potential for misstatements in financial reporting, inefficient and ineffective operations, and noncompliance with laws and regulations. Areas of particular concern were internal control, program management and monitoring, and fixed-asset management. INL said it is procuring a contractor to implement the remediation plan.<sup>359</sup>

## ALTERNATIVE DEVELOPMENT/ALTERNATIVE LIVELIHOOD

USAID's alternative-development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. INL funding supports supply-reduction and alternative-development programs. 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.<sup>360</sup>

TABLE 3.12

<b>ALTERNATIVE LIVELIHOOD PROGRAMS</b>					
<b>Agency</b>	<b>Project Title</b>	<b>Start Date</b>	<b>End Date</b>	<b>Total Estimated Cost (\$)</b>	<b>Cumulative Disbursements, as of 12/31/2015 (\$)</b>
State (INL)	Strengthening Afghan Governance and Alternative Livelihoods (SAGAL)	7/21/2014	1/20/2016	\$11,884,816	\$7,321,345
USAID	Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	12/30/2016	45,296,184	45,081,411
USAID	Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW)	3/2/2009	9/30/2015	159,878,589	156,401,307
USAID	Kandahar Food Zone (KFZ)	7/31/2013	8/30/2016	27,695,788	20,530,000
USAID	Regional Agricultural Development Program (RADP)-South	10/7/2013	10/6/2018	125,075,172	45,241,343
USAID	Regional Agricultural Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	13,710,191
USAID	Regional Agricultural Development Program (RADP)-West	8/10/2014	8/9/2019	69,973,376	14,038,692

Note: USAID programs listed are not necessarily funded from the agency's Alternative Development Fund.

Source: USAID, response to SIGAR data call, 12/28/2015; USAID, *Quarterly Pipeline Analysis Report as of 12/31/2015*, 1/11/2016; INL, response to SIGAR data call, 12/23/2015.

## Strengthening Afghan Governance and Alternative Livelihoods

The nongovernmental Aga Khan Foundation and its partners implement activities across 16 provinces under INL's \$11.9 million Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) grant. The implementers favor activities, rather than stand-alone projects, with the following five objectives:

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

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. SAGAL has expended \$7.3 million to date and will conclude in January 2016.<sup>361</sup>

Table 3.12 provides summary financial information on SAGAL and other alternative livelihood programs.

## Kandahar Food Zone (KFZ)

The Kandahar Food Zone (KFZ) is a three-year, \$27.7 million, USAID alternative livelihood project, implemented by International Relief and Development Inc. 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 Province through grants for activities that improve community infrastructure, strengthen alternative livelihoods, and support small businesses.<sup>362</sup> KFZ expended \$2.15 million between July

and September 2015. During year two, KFZ completed the construction or rehabilitation of 12 canals; conducted surveys and designs for another four canals; identified and awarded contracts for building greenhouses; and conducted training for recently hired staff to conduct village surveys to identify new infrastructure projects and identify the drivers of poppy cultivation. Cumulative disbursements, since the program's inception in 2013, total \$20.5 million as of December 31, 2015. For funding information on this alternative livelihood program, please refer to Table 3.12 on page 99 of this report. More information on KFZ is available in SIGAR's October 30, 2015, *Quarterly Report to the United States Congress*.<sup>363</sup>

## Regional Agricultural Development Program

The Regional Agricultural Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. RADP projects are under way in the southern, western, and northern regions of Afghanistan. The projects focus on strengthening the capacity of farmers to improve the productivity of wheat, high-value crops, and livestock. 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.<sup>364</sup> As of December 31, 2015, USAID has made cumulative disbursements of \$32.6 million to RADP-North, \$30.9 million to RADP-South, and \$28.0 million to RADP-West.

RADP-North is a five-year, \$78.4 million program covering Baghlan, Balkh, Jowzjan, Kunduz, and Samangan provinces. This quarter, the program conducted a short-message service (SMS or "text message") marketing campaign to farmers and suppliers. The program also sponsored 22 agribusinesses to participate at the October Kabul International Agricultural Fair and provided training for the November 2015 "WorldFood Kazakhstan" industry exhibition.<sup>365</sup>

The purpose of RADP-South is to improve food and economic security for rural Afghans in Helmand, Kandahar, Zabul, and Uruzgan. It began in October 2013 and is scheduled to end in October 2018 with an estimated cost of \$125 million. Between October 2014 and October 2015, RADP-South's key accomplishments included teaching over 22,000 farmers new production and productivity practices for wheat, high value crops, and livestock; providing new cooling techniques, improving packing materials and practices, which increased product shelf life for more than 3,100 high-value-chain farmers; and providing nutrition as well as entrepreneurship training for over 3,100 women, in addition to supporting 58 veterinary field units.<sup>366</sup> The training for farmers involved on-farm and field demonstrations as well as classroom sessions to improve management practices and use of new techniques to increase crop yield.<sup>367</sup>

The implementing partner noted that insecurity presents challenges for monitoring project activities in the field. As a result, RADP-South will

**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.

explore options for third-party monitoring by partners with a significant presence in southern provinces. As of October 1, RADP-South suspended all activities with Coordination of Humanitarian Assistance, the key implementing partner in Helmand Province, as instructed by USAID's Office of the Inspector General. USAID said after the suspension, it deployed a support team to ensure logistical and operational continuity.<sup>368</sup> The project's intended outcomes are to

- increase agricultural productivity and profitability
- increase and sustain the adoption of licit crops
- increase profitability of small, medium and large agribusinesses
- increase women's participation in agriculture value chain activities

In July 2015, SIGAR published a financial audit of the Southern Regional Agricultural Development (SRAD) program which ended in 2012. The audit revealed two material weaknesses and one internal control deficiency resulting in \$28.4 million in questionable costs. SRAD, the precursor to RADP-South, focused its activities on cash-for-work temporary employment activities and agricultural voucher packages, to develop the region into a sustainable and prosperous agricultural economy. Prior SIGAR *Quarterly Reports to the United States Congress* (see July 30, 2012, for instance) addressed the waste and mismanagement under the \$65 million SRAD program.<sup>369</sup>

The \$160 million Incentives Driving Economic Alternatives for the North, East and West (IDEA-NEW) ended September 30, 2015. RADP-East, which is scheduled to start around March 2016, will pursue similar activities in the region as IDEA-NEW. USAID told SIGAR it foresees no negative impact despite the time gap between the end of IDEA-NEW's activities and the start of RADP-East. As with most agriculture projects, RADP-East alternative livelihood activities will be more intense during nonwinter months.<sup>370</sup>

IDEA-NEW had partnered with micro, small, and medium-sized enterprises on the demand and supply sides of high-growth value chains; it also provided matching grants and promotional-activity grants that benefited the enterprises. According to USAID, RADP-East will leverage these partnerships and accomplishments to increase the impact of its activities. RADP-East will continue three successful IDEA-NEW interventions:

- Use short message service (SMS) or "text message" marketing to deliver key information (i.e., crop-specific timing of fertilizer and pesticide application, availability of agriculture inputs, location of provider-sponsored farmer field days and training activities) to targeted farmers.
- Employ "radio-based marketing and extension" through live radio shows that will be supported through the cost-share approach with suppliers. With limited reliance on donor funding, useful **agricultural extension** information is disseminated, while linking suppliers and existing/prospective buyers.

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**Agricultural extension:** refers to the application of scientific research and new knowledge to agricultural practices through farmer education. Agricultural extension has now become recognized as an essential mechanism for delivering information and advice as an "input" into modern farming. In the less developed countries, the main focus remains on agricultural (mainly food) production.

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Source: FAO, *Improving Agricultural Extension, A Reference Manual*, 1997, Chapter 1, [www.fao.org/docrep/w5830e/w5830e00.HTM](http://www.fao.org/docrep/w5830e/w5830e00.HTM), accessed 1/5/2016.

- Conduct “farmer field days,” where food processors and suppliers demonstrate and provide samples (fertilizers, tree saplings, farm equipment) to farmers.<sup>371</sup>

RADP-West focuses on helping rural Afghans in the western provinces of Herat, Farah, and Badghis. Despite security challenges during its first year, the program trained 603 wheat farmers in Herat and Badghis in harvesting, threshing, and storage; enabled private enterprises to contract with over 4,400 farmers to plant 100 metric tons of wheat; provided high value crops to beneficiaries; and established a sustainable vegetable-seedling production center in Herat. The program supported and trained 16 veterinary field units in Herat and Badghis. RADP-West also enabled several farmers to contract with a food processing company in Herat to supply 12 metric tons of yellow carrots. Other activities resulted in establishing 21 female-operated vegetable plots and training 25 female workers on livestock disease, care, and food security.<sup>372</sup>

For summary information on this alternative livelihood program, see Table 3.12 on page 99 of this report.<sup>373</sup>

## Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a \$45.3 million USAID program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production. As of December 31, 2015, USAID has disbursed \$45.1 million for CHAMP projects. CHAMP works to reduce poverty among rural Afghan farmers by helping them shift from relatively low-value subsistence crops, such as wheat and corn, to high-value crops such as fruits and vegetables.<sup>374</sup>

CHAMP has worked in half of the provinces of Afghanistan, providing training in agricultural best practices, building storage facilities, and helping grape farmers convert from traditional ground-level vineyards to higher-output trellis systems. The program has been extended from its earlier end date of December 2014 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.

CHAMP is carrying out activities throughout six main value chains (apples, apricots, almonds, grapes, melons, and pomegranates). 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.<sup>375</sup>

Since 2010, CHAMP’s various achievements include training 109,000 farmers, including 3,400 women, to improve agricultural techniques; planting nearly three million saplings and root cuttings benefitting 19,500 farmers; and exporting 38,000 tons of produce valued at \$40.5 million to

international markets. CHAMP enabled the construction of over 230 storage facilities and created over 7,600 full-time jobs in agribusiness.<sup>376</sup>

During the third quarter of 2015, CHAMP provided training to over 1,500 farmers, including 174 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 July 2015, CHAMP arranged training on food safety, hazard analysis, and critical control points. The program also arranged linkage meetings between farmers and traders during the export season. During the third quarter of 2015, the program facilitated deal negotiations resulting in the export of 86 metric tons of apricots, melons, and grapes to the United Arab Emirates and India.<sup>377</sup>

Between July and September 2015, CHAMP provided training to

- 174 women grape producers from the provinces of Kabul, Kapisa, and Parwan on winter-season practices such as composting, pruning, and fertilizer application
- 305 women from Kabul and Parwan provinces in raisin-drying training
- 478 women on sulphur drying of apricots<sup>378</sup>

For summary financial information on this program, see Table 3.12 on page 99 of this report.<sup>379</sup>

## Interdiction Operations and Results

The Counternarcotics Police of Afghanistan consists of regular narcotics police and specialized units across the country. The specialized units include the Sensitive Investigation Unit (SIU), National Interdiction Unit (NIU), and the Intelligence Investigation Unit. Nearly half of the CNPA's 2,800 personnel are assigned to Kabul. The INL interdiction program supports the maintenance of NIU/SIU and DEA facilities and a judicial wire intercept unit.<sup>380</sup>

DOD reported that from October 1 to December 16, 2015, Afghan security forces and law-enforcement agencies conducted 25 drug-interdiction operations and detained 45 individuals. These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. DOD is currently working with INL and DEA to relocate personnel to the international zone to enable DEA to continue mentoring and training the CNPA's specialized investigative units. U.S. interdiction activities in Afghanistan throughout 2015 were minimal, as only one counternarcotic operation was conducted in April.<sup>381</sup>

Most interdiction activities occurred in the eastern and capital regions. In the past, interdictions were concentrated in southern regions, where the majority of opiates are grown, processed, and smuggled out of Afghanistan. DOD said the Coalition drawdown has had a negative impact on the CNPA and other Afghan counternarcotics agencies. The impact is most

# SECURITY

TABLE 3.13

INTERDICTION RESULTS, FISCAL YEARS 2008–2016										
	2008	2009	2010	2011	2012	2013	2014	2015	2016*	TOTAL
Number of Operations	136	282	263	624	669	518	333	265	25	3,115
Detainees	49	190	484	862	535	386	441	391	45	3,383
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	24,784	114,466	887,227
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,052	2,845	332	32,386
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	26,083	3,531	422,633
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	130,846	36,250	53,184	234,981	–	695,548

Note: The significant difference in precursor chemicals total seizures between 2014 and 2015 is due to a 12/22/2015 seizure of 135,000 liters (L) of precursor chemicals.  
\* Results for period 10/1–12/16/2015 only.

Source: DOD, response to SIGAR data calls, 9/24/2015 and 12/29/2015.

pronounced in the provinces of Helmand and Kandahar where the Coalition surge was focused and the subsequent withdrawal has had the greatest impact. According to DOD, the decrease of overall counterdrug missions is likely a result of less frequent partnering of U.S. and Coalition forces with Afghan forces and the need to use counternarcotic forces for general security roles due to the country’s declining security situation.<sup>382</sup>

In 2015, given the U.S. military’s reduced capabilities in Afghanistan, DOD created a Regional Narcotics Interagency Fusion Cell (RNIFC) to combat the regional drug trade. The RNIFC, located in Bahrain, tracks and interdicts the illicit movement of Afghan heroin and other illicit commodities on dhows (traditional sailing vessels) destined for the Middle East and East Africa. In addition to the CNPA, Afghan organizations contributing to interdiction activities include the Afghan Border Police, ANP, AUP, and the General Command of Police Special Unit.<sup>383</sup>

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

- 3,531 kg of opium
- 331.5 kg of heroin
- 114,465.5 kg of hashish/marijuana

There were no precursor chemicals seizures this quarter.<sup>384</sup>

As noted in previous SIGAR reports, interdiction results have been declining since 2012, as shown in Table 3.13.

## Aviation Support

Between September and December 2015, State’s Air Wing counternarcotics support to INL consisted of 45.7 flight hours, 187 sorties, 529 personnel transported, and 25,217 pounds of cargo moved. Air Wing support to DEA (air shuttle and National Interdiction Unit movements) consisted of

**Precursor chemical:** a 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.

23.3 flight hours, 45 sorties, 406 personnel transported, and 19,650 pounds of cargo moved.<sup>385</sup>

INL's ability to support tactical operations in the south and southwest regions of the country has been constrained since the June 2015 closure of INL's base at Kandahar Airfield. NIU personnel continue to staff the regional law enforcement centers in Kandahar, Herat, and Kunduz. Additionally, NIU personnel occasionally support other MOI operations outside of Kabul. INL continues to assist the NIU and SIU with enablers, including operations and maintenance, while NIU typically uses the Special Mission Wing (SMW) for aviation support. See pages 85–86 of this report for more information on the SMW.<sup>386</sup>

## GOVERNANCE CONTENTS

<b>Governance</b>	<b>106</b>
<b>Key Events</b>	<b>107</b>
<b>National Unity Government Commitments</b>	<b>108</b>
<b>U.S. Assistance to the Afghan Government Budget</b>	<b>110</b>
<b>National Governance</b>	<b>115</b>
<b>Subnational Governance</b>	<b>117</b>
<b>Quarterly Highlight: USAID Ceases Stability Programming</b>	<b>119</b>
<b>Reconciliation and Reintegration</b>	<b>124</b>
<b>Rule of Law and Anticorruption</b>	<b>125</b>
<b>Human Rights</b>	<b>131</b>

## GOVERNANCE

As of December 31, 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 (State) and the U.S. Agency for International Development (USAID). The fiscal year (FY) 2016 ESF appropriation for Afghanistan was still being determined when this report went to press.

### KEY EVENTS

This quarter, President Ashraf Ghani announced one component of the Jobs for Peace program, a 24-to-30-month, jobs-focused stimulus and stabilization program. The overall program is meant to provide short-term, labor-intensive employment in rural and urban areas. The initial cost of the first component is expected to be \$100 million, growing to approximately \$350 million as it expands to all provinces. The Afghan government initially estimates the entire Jobs for Peace program will cost approximately \$1.18 billion, though some components still require budget estimates.<sup>387</sup> In December, the United States announced plans to contribute \$50 million to support the Afghan government's job-creation efforts.<sup>388</sup>

On January 11, Afghan, Pakistani, U.S., and Chinese officials met in Islamabad in an effort to lay the groundwork for new talks with the Taliban. The Quadrilateral Coordination Group (QCG) emphasized the immediate need for direct talks between representatives of the Afghan government and Taliban groups. Pakistani officials recommended that the Afghan government not demand concessions from Taliban leaders before beginning talks. Additionally, Pakistani officials said threats against Taliban members who refused to join the talks would be “counterproductive.”<sup>389</sup>

In December, the Asia Foundation released their 2015 *Survey of the Afghan People*. The survey found that in 2015, 36.7% of respondents nationwide say their country is moving in the right direction, down from 54.7% in 2014. This represents the lowest level of optimism recorded over the past 10 years, following last year's record high during the presidential runoff election. Among the 57.5% of Afghans who say their country is moving

in the wrong direction, the most frequently cited reason is insecurity (44.6%, up six percentage points from 2014), followed by unemployment (25.4%), corruption in general (13.0%), a bad economy (12.4%), and bad government (11.4%).<sup>390</sup>

Despite government efforts to curb corruption, 89.9% of Afghans say that corruption is a problem in their daily lives, the highest percentage reported in a decade, with 61.1% saying it is a major problem and 28.8% saying it is a minor problem. This year, over half (53.3%) of Afghans who had contact with police within the past year say they paid a bribe, up from 45.1% in 2014. The frequency of bribes paid to officials in the municipality/district office (66.0%), judiciary and courts (63.4%), customs office (61.2%), provincial governor's office (60.9%), state electricity supply (54.9%), Afghan National Police (ANP) (53.3%), public health services (52.6%), and Afghan National Army (ANA) (43.2%), and when applying for a job (58.7%), and for admissions to school/university (43.0%) all rose in 2015.<sup>391</sup>

On January 18, the elections commission announced that parliamentary and district council elections would occur on October 15. A spokesman for Chief Executive Abdullah responded that the election commission lacks legitimacy and that election reform is a precondition for elections. The elections commission chairman further stated that the Afghan government does not have the authority to remove elections commissioners. Abdullah, however, promised that a new commission will carry out the elections.<sup>392</sup>

## NATIONAL UNITY GOVERNMENT COMMITMENTS

### Refreshed Mutual Accountability

On September 5, international donors and the Afghan government met in Kabul for the second Senior Officials Meeting (SOM). The meeting was a continuation of the annual high-level meetings to follow up on mutual commitments from the July 2012 Tokyo Conference. The purpose of the SOM was to review progress on the Afghan reform program, discuss key policy issues, and to jointly decide the way forward.<sup>393</sup>

As a result of the September SOM, the Self-Reliance through Mutual Accountability Framework (SMAF) has superseded the Tokyo Mutual Accountability Framework (TMAF). The SMAF will now guide the activities of the Afghan government and the international community at least to the end of the term of the present government. The SMAF covers six areas: (1) improving security and political stability (with three associated indicators); (2) anticorruption, governance, rule of law, and human rights (14 indicators); (3) restoring fiscal sustainability and integrity of public finance and commercial banking (nine indicators); (4) reforming development planning and management, and ensuring citizens' development rights (three indicators); (5) private-sector development and inclusive growth and

# GOVERNANCE

TABLE 3.14

STATUS OF AFGHAN GOVERNMENT SMAF SHORT-TERM DELIVERABLES (DUE BY THE END OF 2015)	
Short-Term Deliverable	Completed?
Appoint an attorney general; fill vacant deputy minister and governor posts	No
Five revenue-based ministries (Finance, Mines and Petroleum, Commerce and Industries, Transport and Civil Aviation, Communication and Information Technology) prepare anticorruption plans	No
An approved National Action Plan for Women Peace and Security implementation plan, including consultation with donors	No
Development councils approved and functioning to manage different sectors	No
Memorandum of understanding between government and civil society approved	Yes
Launch national program to survey informal settlements and provide 100% coverage of land tenure certificates in cities of Kabul, Herat, Kandahar, Mazar-e Sharif, and Jalalabad	No
Launch program to provide 5,000+ rural communities with funds for labor-intensive works to repair agricultural infrastructure	Yes
Launch pilot program for market gardening in urban peripheries	No
Complete new power-distribution systems to provide electricity to 40,000 poor households	No

Source: USAID, OPPD, response to SIGAR data call, 12/28/2015.

development (four indicators); and (6) development partnerships and aid effectiveness (eight indicators).<sup>394</sup> In addition to the SMAF indicators, there are 39 short-term deliverables across the same six areas that are collectively due to be completed by the end of 2016.<sup>395</sup>

As shown in Table 3.14, nine SMAF short-term deliverables were due to be completed by the end of 2015. According to USAID, as of December 28, 2015, only two were complete.<sup>396</sup>

Overall, SOM donors reaffirmed their Tokyo commitment of providing \$16 billion to Afghanistan through 2015, and sustaining support through 2017 at or near the levels of the past decade.<sup>397</sup> USAID said that although it cannot identify funds that may be awarded or withheld directly related to compliance or noncompliance with SMAF targets and indicators, noncompliance with SMAF indicators could erode donor confidence and reduce aid contributions.<sup>398</sup>

## Electoral Reform Challenges

According to State, the Afghan government made some progress on electoral reform this quarter. On December 16, President Ghani issued a presidential decree announcing the seven members of a selection committee that will decide on the candidates for the new Independent Election Commission (IEC) and the Central Complaints Commission (CCC) commissioners. The IEC will establish the timeline for parliamentary and district-council elections, as well as administer and supervise the elections. On December 21, the Special Elections Reform Commission (SERC) presented its final electoral-system recommendations. The SERC proposed that the IEC and the Electoral Complaints Commission (ECC) be merged, that election violations be prosecuted, and that a special court for election disputes be established.<sup>399</sup>

On December 26, the lower house of parliament rejected President Ghani's electoral decree. This threw the status of the electoral selection committee into confusion; the head of the IEC supported parliament's move, while the deputy of the selection committee accused the IEC of having lost its credibility.<sup>400</sup> Chief Executive Abdullah Abdullah, reacting to parliament's move, insisted that new commissioners would be appointed to the IEC and ECC.<sup>401</sup>

The 2014 presidential elections, which international monitors noted had experienced substantial fraud, highlighted Afghanistan's continuing need for electoral reforms.<sup>402</sup> 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."<sup>403</sup>

Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his former election rival, current Chief Executive Abdullah, after the troubled presidential elections. The September 2014 agreement that led to formation of the national-unity government called for the immediate establishment of a special commission for election reform with the aim of implementing reform before the 2015 parliamentary elections, and distribution of electronic identity cards to all Afghan citizens as quickly as possible.<sup>404</sup>

## 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.<sup>405</sup> Donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference and again at both the December 2014 London Conference and the September 2015 SOM.<sup>406</sup>

As shown in Table 3.15, USAID expects to spend \$1.07 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. USAID has disbursed \$105 million to the Afghanistan Infrastructure Trust Fund (AITF).<sup>407</sup>

The U.S. government announced in March 2015 that it intends to seek funding to support the Afghan National Defense and Security Forces (ANDSF), including the army and police, at the authorized force level of 352,000 personnel through at least 2017.<sup>408</sup> The Department of Defense (DOD) was appropriated \$3.7 billion to support the ANDSF for fiscal year (FY) 2016.<sup>409</sup>

**On-budget assistance:** encompasses donor funds that are aligned with Afghan government plans, included in Afghan government budget documents, and approved 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; State, response to SIGAR vetting, 1/14/2016.

# GOVERNANCE

TABLE 3.15

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 12/31/2015 (\$)	
<b>Bilateral Government-to-Government Projects</b>							
Power Transmission Expansion and Connectivity Project (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	Yes	1/1/2013	12/31/2018	\$670,000,000	\$66,354,254	
Partnership Contracts for Health Services (PCH) Program	Ministry of Public Health (MOPH)	Yes	7/20/2008	12/31/2015	259,663,247	233,127,964	
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	38,078,735	
Afghanistan Workforce Development Project (AWDP)	Ministry of Education (MOE)	Yes	9/18/2013	4/3/2016	30,000,000	1,321,456	
Basic Education, Literacy, and Training (BELT) - Textbooks Printing and Distribution	MOE	Yes	11/16/2011	12/31/2015	26,996,813	24,970,742	
E-Government Resource Center (EGRC)	Ministry of Communications and Information Technology (MOCIT)	Yes	8/28/2013	6/1/2016	3,900,000	405,000	
<b>Multi-Donor Trust Funds</b>							
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	3/31/2017	1,900,000,000	1,061,302,620	
Afghanistan Infrastructure Trust Fund (AITF)**	Multiple	No	3/7/2013	3/6/2018	113,670,184	105,000,000	

Note:

\* USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards are currently \$2,433,293,815.

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

Source: USAID, response to SIGAR data call, 1/11/2016.

At the 2012 NATO Summit in Chicago, the United States, NATO allies, and other coalition partners announced an agreed vision for the ANDSF and committed to providing adequate funding for this force. This vision included a drawdown of the 352,000 ANDSF “surge” force by the end of 2015. This drawdown was predicated upon an improving security environment that would then allow for an enduring force of 228,500 ANDSF personnel at an estimated cost of \$4.1 billion by the end of 2017. The summit participants agreed, however, to continue to work closely with the Government of Afghanistan to evaluate conditions on the ground, making adjustments as needed. According to DOD, security conditions have not yet warranted such a drawdown. As a result, in March 2015, Secretary of Defense Ashton Carter announced that DOD would seek funding for the 352,000 authorized force level through at least 2017.<sup>410</sup> At a December meeting in Brussels, Belgium, NATO foreign ministers agreed to begin steps to secure international funding for the ANDSF through the end of 2020.<sup>411</sup>

For 2016, the United Nations Development Programme (UNDP) expects the U.S. to contribute \$114 million for police salaries via the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>412</sup>

At press time, DOD's commitment letter for direct contributions to MOD was not finalized. DOD expects to contribute approximately \$412 million in direct contributions to the MOI.<sup>413</sup>

## SIGAR AUDIT

This quarter, SIGAR initiated a follow-up audit of the ARTF. In July 2011, SIGAR found that the World Bank and the Afghan government had established mechanisms to monitor and account for ARTF contributions, but that several limitations and challenges should be addressed. This audit will assess the extent to which the World Bank and the Afghan government (1) monitor and account for U.S. contributions to the ARTF; (2) evaluate whether ARTF-funded projects have achieved their stated goals and objectives; and (3) utilize and enforce any conditionality on ARTF funding.

## Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with four Afghan government entities and (2) contributions to two multidonor trust funds, the ARTF and the AITF.<sup>414</sup> According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance for each program.<sup>415</sup>

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.<sup>416</sup> The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.<sup>417</sup> 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.<sup>418</sup>

Last quarter, USAID released the first \$100 million tranche of funds for the \$800 million, USAID-administered New Development Partnership (NDP). The NDP utilizes already budgeted or requested funding and is delivered via the ARTF.<sup>419</sup> The NDP contains its own, independent conditions that were negotiated bilaterally between the U.S. and Afghan governments.<sup>420</sup> In August, the U.S. and Afghan governments signed a memorandum of understanding (MOU) governing the NDP that proposed 40 development results that the Afghan government will be expected to achieve. Currently, 31 development results and indicators have been agreed to with nine to be determined. USAID noted that the results and indicators for 2017 and beyond may be modified given Afghanistan's uncertain future. The Afghan government will receive \$20 million through U.S. funds provided via the ARTF's recurrent-cost window for achieving each development result.<sup>421</sup>

The Afghan government met several NDP indicators due by the end of 2015. The results partially met this quarter include the following indicators to justify the release of \$80 million: (1) the issuance of a legislative decree from President Ghani on the ratification of the new banking law; (2) the development and approval of a salary scale for certain Afghan government civil servants as well as a salary scale for externally funded project staff; (3) the issuance of a preventative measure regulation by the central bank that complied with the Financial Action Task Force's (FATF) action plan; (4) verification that 87.5% of senior Afghan government officials who are required by

the Afghan constitution to declare their assets have done so; and (5) submission of an approved anti-harassment regulation for the public sector. The NDP indicators that were not completed by the December 31 deadline include: (1) legal amendments to the 2015 budget to increase revenues, including mobile phone top-ups and business receipt tax and (2) implementation by the customs department of an effective cash courier regulation for airports.<sup>422</sup>

In December 2014, the U.S. Embassy Kabul negotiated direct access to the Afghanistan Financial Management Information System (AFMIS) as one of two conditions for the accelerated release of \$25 million to address a severe Afghan government budget gap. Direct AFMIS access was intended to give U.S. officials the ability to analyze Afghan government expenditures in real time. Technical issues, however, continue to prevent the U.S. Embassy Kabul from connecting to AFMIS. According to USAID, embassy personnel receive fiscal data on the Afghan government's budgets but are unable to generate more detailed, customized reports such as Afghan government revenue broken out by province and source.<sup>423</sup> State, however, questions the value of having U.S. government personnel review the raw AFMIS data saying, "we are not certain the raw data in [AFMIS] will be of significant benefit to U.S. government officials without devoting full time staff who are trained in the use of the database and tracking the data over time on a regular basis."<sup>424</sup>

## On-Budget Assistance to the ANDSF

A large portion of on-budget U.S. 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 multi-donor LOTFA.<sup>425</sup> Administered by the UNDP, LOTFA primarily funds Afghan National Police (ANP) salaries and incentives.<sup>426</sup> Direct-contribution funding is provided to the Ministry of Finance, which allots it incrementally to the MOD and MOI, as required.<sup>427</sup>

In February 2011, the Under Secretary of Defense Comptroller authorized the Combined Security Transition Command-Afghanistan (CSTC-A) to provide direct contributions to the Afghanistan government from ASFF 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, ensure proper controls and compliance with documented accounting procedures, and compliance with the provisions in the annual commitment letters.<sup>428</sup>

The commitment letters express CSTC-A's conditions for MOD and MOI assistance.<sup>429</sup> MOD and MOI compliance with the conditions in the FY 1394 commitment letters has been mixed, CSTC-A said. The ministries have shown satisfactory progress toward a majority of conditions—35 for MOI

# GOVERNANCE

TABLE 3.16

<b>NUMBER OF FY 1394 MOD AND MOI COMMITMENT LETTER CONDITIONS</b>		
<b>Status</b>	<b>Number of MOD-specific conditions</b>	<b>Number of MOI-specific conditions</b>
Satisfactory progress to date	35	32
Insufficient progress due to MOD (or MOI) failure with no financial penalty	4	4
Insufficient progress due to MOD (or MOI) failure with a financial penalty	2	2
Insufficient progress due to factors beyond the control of MOD (or MOI)	3	5
Unresolved	0	0

Source: CSTC-A, response to SIGAR data call, 12/31/2015.

and 32 for MOD—to date. Table 3.16 provides the number of conditions by status as assessed by CSTC-A.<sup>430</sup>

According to CSTC-A, the conditions requiring the MOI and MOD to input personnel information into the Afghan Human Resources Information Management System (AHRIMS) were examples of successful conditionality. According to CSTC-A, both the MOI and MOD made significant progress towards inputting 100% of personnel data in AHRIMS following, in the MOI's case, imposition of progressively increasing penalties. After the MOI missed a March 1 deadline to have all police records loaded into AHRIMS, CSTC-A levied a 1% penalty on MOI operations-and-maintenance funds for March and April, and a 5% penalty in May. CSTC-A has now shifted its focus to validating the data loaded into AHRIMS.<sup>431</sup>

However, as reported on pages 78–88 of this report, the AHRIMS database appears incomplete, lacking data on attrition, province of origin, and educational levels for MOI and MOD personnel.

For the commitment-letter conditions that were not met or enforced, CSTC-A deemed the circumstances were outside of MOD or MOI control. Generally, these conditions fell into one of three areas:

- conditions based on assumptions about Afghan capacity and capability that did not mature as anticipated
- conditions based on metrics or conditions that were not measurable or assessable as originally anticipated
- conditions whose enforcement as written would have been overly detrimental to key capabilities required during the 2015 fighting season<sup>432</sup>

This quarter, CSTC-A concluded new commitment letters with the MOD and MOI to cover FY 1395. There were several new requirements for the Afghan government. MOI is required to jointly develop an anticorruption plan with CSTC-A by April 2016, load all personnel records into AHRIMS by March 2016, develop a plan by June 2016 for divesting excess facilities, ensure that untrained Afghan police do not represent more than 5% of the

total force, and develop a randomized schedule for assessing each Afghan Local Police district at least once per year to check for “ghost” personnel.<sup>433</sup>

Ghani’s effort to reduce procurement-related corruption has slowed procurement and created what CSTC-A has labeled the “[Afghan fiscal year] 1394 Procurement Crisis.”<sup>434</sup> According to CSTC-A, of the 648 MOD contract requirements, 544 have been submitted to the MOD acquisition agency and 285 contracts have been awarded, an increase from the 136 contracts awarded as of last quarter. The MOI is experiencing a similar backlog with 925 defined requirements, 378 of which have been submitted to the MOI procurement directorate, and 83 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.<sup>435</sup>

## NATIONAL GOVERNANCE

### 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.<sup>436</sup> As shown in Table 3.17, active programs include USAID’s \$38 million Leadership, Management, and Governance Project that aims to strengthen Afghanistan’s financial-management systems and the capacity of the Ministry of Public Health and the Ministry of Education to meet requirements set at the 2010 Kabul International Conference for increased on-budget aid.<sup>437</sup> USAID is also funding the Ministry of Women’s Affairs (MOWA) Organizational Restructuring and Empowerment (MORE) project, a \$14 million project that, among other things, assists the ministry to improve its financial management, as required for future on-budget assistance.<sup>438</sup>

This quarter, MORE provided 70 scholarships for MOWA staff to attend private Afghan universities, supported MOWA’s development of a five-year

TABLE 3.17

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL						
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)	
Leadership, Management, and Governance Project (LMG)	Ministry of Public Health, Ministry of Education	9/25/2012	12/31/2015	\$38,341,106	\$37,674,506	
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	12,966,693	
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2015	14,182,944	8,037,128	

Source: USAID, response to SIGAR data call, 1/11/2016.

strategy, and conducted a communications campaign on women's rights and gender-based violence.<sup>439</sup>

## National Assembly

Despite a constitutional requirement to hold elections 30–60 days prior to the expiration of the *Wolesi Jirga* (the lower house) term, the lower house's term expired on June 22, 2015, with no elections held. President Ghani granted an extension to the lower-house members, but critics called that unconstitutional. Within parliament there were increased political tensions between the two houses, with members of the upper house questioning the legitimacy of the lower house due to the lack of new parliamentary elections.<sup>440</sup> On January 18, the elections commission announced that parliamentary and district council elections would occur on October 15.<sup>441</sup>

Recently, the lower house rejected several presidential decrees covering a draft law to impose tax on mobile-phone recharge cards, an amendment to the customs laws, the establishment of a presidential economic advisory unit, and an amendment to allow acting security ministers to stay in their posts beyond their temporary appointments.<sup>442</sup> Additionally, on December 21, the lower house rejected the government's draft 2016 budget. On January 18, almost a month after the start of the new budget year, the parliament approved a revised budget.<sup>443</sup>

Parliament has traditionally faced challenges with achieving a quorum. Since the start of the current parliamentary session, the lower house achieved a quorum in 40% of its sessions; the upper house achieved a quorum in 77% of its sittings. The occurrence of two major Afghan holidays during this time affected attendance.<sup>444</sup>

USAID funds the \$25 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.<sup>445</sup> ALBA provides assistance through the Afghanistan Parliamentary Institute (API). The API conducts specialized training for members of parliament and support staff as needed. According to USAID, API conducts daily training for approximately 300 participants from the staff of the upper and lower houses, members of parliament, and Ministry of Parliamentary Affairs staff in legal English, French, and Arabic and on information technology.<sup>446</sup>

In June, USAID issued a contracted midterm performance evaluation of ALBA. The evaluation found that ALBA's support to legislative capacity building often took the form of direct technical assistance by ALBA staff rather than teaching parliamentary personnel the skills needed to perform legislative analysis, drafting, and amendment functions unaided. The result was capacity substitution rather than capacity building.<sup>447</sup> According to USAID, ALBA is now focused on teaching parliamentary commission staff—rather than providing direct support—to ensure they enhance Afghan government institutional capacity.<sup>448</sup>



**Afghan senators conducted** an oversight trip to Balkh Province. (USAID photo)

## SUBNATIONAL GOVERNANCE

### Rural Stabilization Programs

USAID has conducted several stabilization programs aimed at helping the Afghan government extend its reach into unstable areas and building local governance capacity. The only programs active this quarter are the Community Cohesion Initiative (CCI) program and the Afghan Civilian Assistance Program III (ACAP III).<sup>449</sup> Table 3.18 summarizes total program costs and disbursements to date.

Last quarter, SIGAR reported on the work of the Measuring Impacts of Stabilization Initiatives (MISTI) program, a three-year, \$19 million effort to measure and map changes in stability over time as well as evaluate the impact of USAID stabilization programs in key areas of Afghanistan.<sup>450</sup> MISTI published the results of its data collection in 107 districts between September and November 2014 that builds upon previous surveys. According to MISTI, stability is an aggregate measure of whether participatory local-development projects succeed in strengthening perceptions of good governance and effective service delivery, thereby improving citizens' lives and addressing local grievances that might otherwise contribute to support for insurgents. Resilience, on the other hand, measures how well local leaders are able to mobilize their communities to solve local problems with or without government support.<sup>451</sup>

MISTI found that villages that received USAID stability programming registered lower scores for stability—comparing surveys from June 2014 with the final survey that ended in November 2014—than those villages that did not receive assistance. MISTI characterized the period surveyed as one of “deep political uncertainty and unseasonable violence” and hypothesized that the villages selected to receive assistance were initially relatively stable, with higher expectations that were frustrated due to the violence and uncertainty surrounding the presidential elections. MISTI also found that villages receiving Stability in Key Areas (SIKA) assistance registered lower perceptions of Afghan government performance but higher perceptions of traditional-leader performance.<sup>452</sup> USAID responded that while it agrees that expectations in villages receiving assistance were likely higher, it does not believe that the lower stability scores were exclusively

### SIGAR AUDIT

SIGAR has an ongoing audit of the 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 planning and implementing 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.

TABLE 3.18

USAID SUBNATIONAL (RURAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Afghanistan Civilian Assistance Program (ACAP III)	4/20/2015	2/14/2018	\$30,223,597	\$9,644,000
Community Cohesion Initiative (North, West)*	9/10/2013	12/2015	29,569,265	22,426,599

Note: \* As of 12/28/2015.

Source: USAID, response to SIGAR data calls, 12/28/2015 and 1/11/2016.

**MISTI's finding that USAID stability programming in Taliban-controlled villages increased support for the Taliban was based on analysis of the 72 villages MISTI determined were both (1) under Taliban control and (2) recipients of USAID stability assistance. These 72 villages were a subset of 860 villages that received USAID stability programming. According to the report, there was "a large average increase" in Taliban support in five of these 72 villages and a substantial boost in Taliban local popularity in 13 of the 72 villages. This finding was apparently significant enough for MISTI to highlight in the executive summary and to argue that the policy implication is that projects should not be implemented in areas under Taliban control. USAID and MISTI—in a later-added addendum—have said that the "five villages were not representative of the large majority of villages where stabilization programming took place between 2012 and 2014." However, the report does not describe the stability outcomes of the other villages covered by MISTI's two-factor determination.**

Source: Management Systems International, *MISTI Stabilization Trends and Impact Evaluation Survey Analytical Report, Wave 5: Sep 28 – Nov 3, 2014 (Updated with Addendum)*, 11/25/2015, pp. xxiii, 9, 14, 323–333, 357; USAID, OAPA, response to SIGAR vetting, 1/20/2016.

due to USAID's stability projects. USAID and the MISTI report cited external factors, such as general insecurity and political instability, as possible causes for the lower scores; however, these external factors would have affected all villages, not exclusively villages that received USAID stability assistance.<sup>453</sup>

USAID has publicly responded that the finding of increased Taliban support was **only in a few villages**, and the evaluation shows that "the vast majority of villages we worked in either increased or maintained support for the Afghan government."<sup>454</sup> The MISTI report, on the other hand, says district-level stability scores—containing the results for villages that received USAID assistance as well as those that did not—remained largely flat since September 2012. The report further states that while the overall opinion of the Afghan government has improved since September 2012, confidence varies at the local level at which USAID implemented its programs.<sup>464</sup>

Additionally, the report found that across all the villages MISTI surveyed, including those that received USAID assistance and those that did not, Afghans generally support the Taliban less than the Afghan government. Despite this, MISTI found that the majority of survey respondents are "on the fence" and have roughly equal support for both the Taliban and the Afghan government, or, conversely, are indifferent to both. MISTI did not find that relative support for one side over the other shifted significantly over the five surveys MISTI commissioned.<sup>465</sup>

While MISTI does say that stabilization programming has a negative impact on support for the Taliban, this appears to be contradicted by the village-level results comparing the most recent survey results with the previous survey results.<sup>466</sup> In order to determine the impact of USAID stability projects, MISTI examined the differences in responses between villages that received USAID assistance with similar villages that did not receive USAID assistance.<sup>467</sup> Using this method, MISTI reported that villages that received USAID assistance showed a marked decrease in their stability scores relative to the overall decrease in stability scores for both villages that did and those that did not receive USAID assistance. According to MISTI, the lower score for villages that received USAID assistance may be the consequence of villages having expectations raised while discussing project ideas, but having them dashed when implementation challenges followed.<sup>468</sup>

## Stability in Key Areas

MISTI recently issued its final performance evaluation for the SIKA programs, which collectively spent \$306 million from 2011 to 2015. According to MISTI, the SIKA programs "did not, generally speaking, improve stability or good formal governance."<sup>469</sup>

The programs did, however, improve community cohesion, resiliency, and perceptions of local leaders, albeit at the expense of government

## USAID CEASES STABILITY PROGRAMMING

Since 2003, USAID has spent at least \$2.3 billion on stability programs meant to engage and support at-risk populations, extend the reach of the Afghan government to unstable areas, provide income generation opportunities, build trust between citizens and their government, and encourage local populations to take an active role in their development.<sup>455</sup>

This quarter, when SIGAR asked USAID whether the goals and/or approaches of stability programming no longer apply to the Afghanistan contingency, USAID responded simply that they have no plans to continue stabilization activities, and that they have not received resources from Congress for peace and security programming for FY 2015.<sup>456</sup> Stability, however, remain central to U.S. goals for a secure, stable, and unified Afghanistan that can prevent the emergence of future threats.<sup>457</sup>

The findings of a USAID-contracted, third-party evaluation program on the impacts of its stabilization projects raise worrying questions. The MISTI program reported, for example, that villages receiving USAID stability projects scored lower on stability—an aggregate measure of whether the projects strengthened perceptions of good governance and effective service delivery—than similar villages that received no such assistance. And some villages reportedly under Taliban control that received USAID stability projects subsequently showed greater pro-Taliban support.<sup>458</sup>

SIGAR has not attempted to validate these findings, nor does it maintain that MISTI’s methodology is the only or best way to assess stability outcomes. Nonetheless, these findings point to a more general weakness in U.S. implementing agencies’ use of economic tools for stability. If the United States aims to increase stability as part of a whole-of-government effort to defeat an extremist threat, project impacts must be assessed against these political outcomes.<sup>459</sup>

USAID stability projects are not the only ones advancing stability-related outcomes. According to the U.S. Foreign Assistance for Afghanistan Post Performance Management Plan (2010–2015), even initiatives as diverse as public health, governance, education, and agriculture shared common security and stability goals. These goals included building active support for

the government (health), supporting and reinforcing efforts to improve security in Afghanistan (governance), increasing the legitimacy of the Afghan government (education), and increasing confidence in the Afghan government and “undercutting the appeal of the insurgency to potential recruits by offering economic alternatives and providing stability to communities that are on the frontlines of the war” (agriculture).<sup>460</sup>

USAID appears to have made no effort to assess the political outcomes for these other non-stability programs other than to reference national-level surveys like the Asia Foundation’s *Survey of the Afghan People*.<sup>461</sup> However, it is unclear whether shifting Afghan perceptions have any appreciable impact on pro- or anti-government behaviors. For example, the survey firm employed by both MISTI and the Asia Foundation for their respective surveys recently wrote:

More than 90 percent of the Afghans surveyed do not want to return to Taliban rule, but they are caught between a government stating that they will punish any that assist the anti-government elements and the Taliban stating they will kill those who do not provide assistance.<sup>462</sup>

USAID appears to be largely indifferent to the implications of the MISTI findings. Last quarter and this quarter, SIGAR asked USAID for its perspective on two recent MISTI reports and the implications of the conclusions, but USAID did not express any opinion. For example, when SIGAR asked for USAID’s view of a key finding that the SIKA program “did not, generally speaking, improve stability or good formal governance,” despite SIKA’s goal to expand Afghan government authority and legitimacy, USAID responded by supplying an unrelated paragraph from the report that said, among other items, that SIKA “improved the perceptions of local leaders, albeit at the expense of government officials.” In another instance, USAID responded simply that SIGAR should read the report.<sup>463</sup>

It may be that MISTI’s approach was not precise or accurate enough to measure stability changes over time. However, SIGAR is concerned that USAID does not appear to have an alternative means of defining and measuring stability.



**High school students** in Badghis Province paint for peace thanks to support from the USAID Community Cohesion Initiative. (USAID photo)

officials. The SIKA programming method reportedly had the unintended effect of causing local residents to generally credit local, informal leaders for project benefits instead of formal government institutions. Part of the challenge MISTI identified is that SIKA projects were implemented in a number of districts (1) where there was only a token security apparatus and no functional district government, (2) where district governments lost authority and territory to insurgents and, (3) in some cases, where districts were under total insurgent control.<sup>470</sup>

According to MISTI, how SIKA local Afghan staff managed to implement project activities in these areas is still an open question, as expatriate monitoring and evaluation specialists were unable to personally monitor or verify what was being reported by local staff.<sup>471</sup> USAID responded that “local staff were able to conduct regular phone calls and skype monitoring as well as initiate and verify with [Afghan government] counterparts on monitoring and communications regarding projects.”<sup>472</sup>

MISTI recommended that stabilization programming adhere to an explanatory “theory of change” that reflects the program’s strategic objective.<sup>473</sup> In the case of the SIKA programs, the strategic objective was for Afghans to have increased confidence in their district government, leading to the expansion of Afghan provincial government authority and legitimacy.<sup>474</sup> According to MISTI, “a fundamental fault of each SIKA project was the inability to focus on the strategic objective, instead choosing to focus on intermediate results that, when combined, did not fulfill the strategic objective.” MISTI also recommended that USAID require thorough and outcomes-based monitoring and evaluation, saying that senior implementing partner management and USAID personnel need to “take [monitoring and evaluation] results seriously when assessing programming effects.”<sup>475</sup>

MISTI concluded that although the “SIKA projects performed considerably well in executing their contracts, implementing all four intermediate results, and building up the capacity of [Ministry of Rural Rehabilitation and Development]-developed institutions, ... the success of each SIKA project was measured not only in each [implementing partner’s] ability to execute its contract, but also in each project’s ability to contribute towards achievement of the stated USAID program and strategic objectives ... which the SIKA program as a whole was unable to achieve.”<sup>476</sup>

## Community Cohesion Initiative

USAID’s Community Cohesion Initiative (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.<sup>477</sup>

As of September, CCI has focused on operational, administrative, and financial closeout processes. All CCI activities were fully implemented by early November.<sup>478</sup>

In November, the CCI independent monitoring unit (IMU) issued a report on Afghan government perspectives of CCI programming. The IMU interviewed 90 Afghan government officials in northern and western Afghanistan. According to the report, Afghan officials had a good understanding of CCI, its goals, and detailed knowledge of many CCI activities. The vast majority (85%) of Afghan government officials believed CCI programming to be organized well, transparent, and successful in achieving its objectives. Most Afghan government officials (90%) agreed that CCI programming contributed positively to community security and stability, and to improving relationships between the general public and the Afghan government. As one Afghan official in Herat Province stated

Of course this project to some extent helped in bringing solidarity and improving security. This has also helped to bring smiles and happiness on the faces of the people who are most part of the years busy in earning money for their families or busy in agriculture. The smile on their face is huge support in reaching to the objectives which are stability, conflict resolutions, disputes resolving and improving overall security situation.<sup>479</sup>

## Jobs for Peace

In November, President Ashraf Ghani announced the first portion of the Jobs for Peace program, a 24-to-30-month jobs-focused stimulus and stabilization program that the Afghan government initially estimates will cost approximately \$1.18 billion, though some components of the program still require budget estimates. The program is meant to provide short-term, labor-intensive employment in rural and urban areas.<sup>480</sup> It not only aims to create short-term employment, but will also focus on political aspects of unemployment by targeting areas and populations that are especially susceptible to destabilization and insurgent recruitment.<sup>481</sup> In December, the United States announced plans to contribute \$50 million to support the Afghan government's job-creation efforts.<sup>482</sup>

The Afghan government proposed the following initiatives as part of the Jobs for Peace program:

- **Rehabilitating agricultural infrastructure:** This program would provide block grants to Community Development Councils (CDCs) that they could use to rehabilitate agricultural infrastructure, in particular water-resource management (irrigation, drainage) and field leveling to prepare farms for the coming year. Labor-intensive road and canal maintenance through the existing national roads and irrigation programs to work with CDCs would also be included. These programs are already up and running as they build upon the National Solidarity Program (NSP). This is estimated to cost approximately \$350 million.



The Afghan Department of Education's sports manager opens a volleyball tournament supported by the USAID Community Cohesion Initiative in Faryab Province. (USAID photo)

- **Labor intensive urban cleanup and repair:** Following the survey of urban settlements, this NSP urban program would release small block grants for labor-intensive cleanup, drainage, and greening programs in poor urban neighborhoods. Urban programming can also include useful job opportunities for restive, educated youth, such as social work, field monitoring, contract teaching, and collective organizing for neighborhood improvement. This is estimated to cost approximately \$200 million.
- **Fortifying urban peripheries:** This initiative would involve establishing a civilian conservation corps to plant trees, form parks, and patrol the mountains around all of Afghanistan's large cities. It will employ large numbers of at-risk youth and provide security benefits for the vulnerable urban peripheries. The program would also support market gardening for women and girls. This is estimated to cost approximately \$80 million.
- **Micro-grants for female heads of households:** This initiative would provide women producers small grants to buy farming inputs and productive equipment such as greenhouses, nurseries, or tools. Additionally, the Afghan government would aim to purchase products produced by poor women. Poor women, particularly female heads of households, will also be given employment maintaining community public infrastructure. This is estimated to cost approximately \$50 million.
- **Housing finance:** This program would use a state-owned enterprise to construct (through contracting) a large quantity of housing in at-risk urban peripheries, primarily Kabul. The program's overall objective is to produce 200,000 units of affordable housing. This is estimated to cost \$500 million.
- **Cash transfers against stunting and malnutrition:** This program would provide a cash transfer and a health packet or (in urban areas) food vouchers for providing nutrition to stunted or malnourished children. No budget has yet been estimated.
- **Rebuilding the civil service:** Under this program, the Afghan government would work with International Monetary Fund specialists to weed out underqualified, "legacy" Afghan civil servants and offer training to new recruits. The target groups of civil servants would include teachers, city police, urban managers, and community health workers.
- **Refugee return and migrant labor:** This set of programs plans to use existing Afghan refugee-repatriation systems but to couple those with preferential refugee access to housing and certain types of job opportunities. Additionally, these programs aim to build up skills and systems that will allow family members thinking about migration to find employment in-country or through legal employment in the countries of the Middle East or Asia.<sup>483</sup>

Several of the Afghan government's proposed Jobs for Peace initiatives build on the NSP and aim to advance stabilization goals. As SIGAR reported

previously, USAID used to “preference” (earmark) funds to the NSP, via the ARTF, to advance counterinsurgency objectives in areas newly under Afghan government control. To its credit, USAID stopped preferencing funds to NSP after reviewing documents, including a 2011 SIGAR audit, that found that NSP is implemented in very insecure areas but does not mitigate violence or improve attitudes toward the government in those areas. USAID acknowledged a lack of evidence that NSP increases stability in insecure parts of Afghanistan and adjusted its funding accordingly. Prior to the change, USAID had preferenced a total of \$865 million directly for NSP.<sup>484</sup>

## 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 3.19 summarizes total program costs and disbursements to date.

TABLE 3.19

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$73,499,999	\$9,675,134
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	4,064,477

Source: USAID, response to SIGAR data call, 1/11/2016.

## 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.<sup>485</sup>

ISLA will operate from five regional hubs: Kabul, Mazar-e Sharif, Jalalabad, Kandahar, and Herat. Pending agreement with the Afghan government, it plans work in 16 provinces: Badghis, Baghlan, Balkh, Farah, Faryab, Ghazni, Ghor, Herat, Kandahar, Kunar, Laghman, Logar, Nangarhar, Parwan, Wardak, and Zabul.<sup>486</sup>

## 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

**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.

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, Herat, Mazar-e Sharif, and Jalalabad.<sup>487</sup>

## RECONCILIATION AND REINTEGRATION

According to the United Nations Secretary-General, the peace process is "at an impasse" with the Taliban showing no commitment to resuming direct talks with the Afghan government.<sup>488</sup>

In early December, Pakistan hosted a Heart of Asia summit attended by President Ghani, senior Chinese officials, and a U.S. delegation led by the Deputy Secretary of State. The summit was a forum for regional players to discuss their commitments to an Afghan-led and Afghan-owned peace process. According to State, Afghan officials were generally pleased by the positive statements issued by their Pakistani hosts. Pakistan's Chief of Army Staff General Raheel Sharif later followed up with a visit to Kabul on December 27. On December 29, the Afghan Presidential Palace announced the four-way talks with Pakistan, the United States, and China that took place in the first week in January.<sup>489</sup>

## 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.<sup>490</sup> The APRP is the only institutional mechanism within the Afghan government with capacity to pursue both high-level reconciliation negotiations and provincial-level reintegration of insurgent fighters.<sup>491</sup> For more information, see SIGAR's October 2014 *Quarterly Report to the United States Congress*, pages 149–151.

According to State, as of September 30, the APRP has facilitated a total of 10,578 reintegrees, 988 of whom were reportedly "commanders." A total of 143 reintegrees were documented recidivists.<sup>492</sup> Since September 30, there have been an additional 396 reintegrees processed.<sup>493</sup>

Nangarhar (156 reintegrees), Ghor (49 reintegrees), Badghis (42 reintegrees), and Farah (39 reintegrees) provinces dominated the results since September. The top five reintegration provinces for 2015 are Badghis (1,646 reintegrees), Baghlan (1,211 reintegrees), Herat (813 reintegrees), Nangarhar (766 reintegrees), and Ghor (569 reintegrees).<sup>494</sup>

According to State, reintegration efforts likely slowed because of intensified insurgent violence in the latter part of 2015.<sup>495</sup> Continued violence diminishes the credibility of the APRP to promise a secure future for potential reintegrees and denies APRP personnel the space to advance the program's objectives for peace and reconciliation.<sup>496</sup>

# GOVERNANCE

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.<sup>497</sup>

In March, the United States announced that it will provide up to \$10 million to UNDP to support APRP. According to State, this assistance is meant to support APRP's provincial efforts in the event of peace talks and improve APRP's strategic-communications capacity.<sup>498</sup>

## 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 3.20.

In the area of anticorruption, USAID has a 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 funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.<sup>499</sup>

This quarter, USAID modified the Afghanistan Electoral Reform and Civic Advocacy (AERCA) program to focus on anticorruption matters. AERCA is developing a work plan to identify reform efforts to (1) strengthen Afghan civil society organizations' ability to perform

TABLE 3.20

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	2/29/2016	\$224,142,053	\$203,431,814
Electoral Reform and Civic Advocacy (AERCA)*	7/13/2009	6/30/2017	51,302,682	36,857,948
Corrections System Support Program (CSSP III)	1/1/2015	2/29/2016	22,161,965	12,939,270
Justice Training Transition Program (JTTP)	1/2/2013	3/31/2016	47,435,697	47,435,697
Delegated Cooperation Agreement (DCAR) with the Department for International Development (DFID) for Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)	5/19/2015	8/31/2020	3,000,000	500,000

Note: \* On November 1, 2015, USAID extended the AERCA award beyond the planned December 31, 2015, end date, added \$12.6 million in estimated costs, and incorporated additional anticorruption activities into the program description. The information in the table refers to the entire award, not simply the new anticorruption portion covered by the modification.

Source: State, INL, response to SIGAR data call, 12/23/2015; USAID, response to SIGAR data calls, 12/28/2015 and 1/11/2016.

watchdog functions and (2) support the Afghan government in implementing reforms that will combat corruption. AERCA aims to increase the demand from civil-society organizations to spur the Afghan government's efforts to reduce administrative corruption while building a foundation of lawfulness that can over time chip away at what the World Bank has called "grand corruption." USAID is also designing a new, five-year anticorruption program—AMANAT (Afghanistan's Measure for Accountability and Transparency)—that will build upon the anticorruption activities carried out under AERCA.<sup>500</sup>

The State Department's JSSP objectives include continuing to develop a case-management system (CMS) to track cases throughout Afghanistan's justice system and to build the capacity and administrative skills of ministry officials.<sup>501</sup>

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 by identifying when cases are not being processed in a statutory manner.

Ministries routinely utilize the CMS to analyze and 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.<sup>502</sup> From 2013 to December 2015, JTTP has reviewed 2,724 CMS cases of which 91% were found to be accurate. In the provinces, Balkh Province had the lowest amount (66%) of correct CMS files to date.<sup>503</sup>

The State Department's JTTP provides regional training to justice-sector officials on a wide range of criminal-justice topics.<sup>504</sup> JTTP aims to increase the confidence of Afghan citizens in their justice sector and to achieve two outcomes: (1) increase the capacity and competencies of Afghan justice sector professionals in delivering justice according to Afghan law, and (2) ensure that Afghan justice institutions are capable of managing the sustainable implementation of training programs.<sup>505</sup>

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. 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 code). 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.<sup>506</sup>

JTTP legal advisors visit courtrooms of judges who have graduated or will graduate from JTTP courses. If the legal advisors are granted access to the courtroom for a given trial, the trial is reported as “open.” If they are not permitted access to a courtroom for a given trial, and there is no permissible reason for the restriction, the trial is reported as “closed.”<sup>507</sup>

From 2013 to December 2015, JTTP observed a total of 808 trials, of which 93% were open. In the provinces, Nangarhar Province had the lowest overall percentage of open trials to date (39%).<sup>508</sup>

## The Supreme Court and the Formal Justice Sector

According to the SMAF, short-term deliverables related to the justice sector include the launch of a justice-sector reform plan and a draft of a revised penal code, both to be completed December 2016.<sup>509</sup>

In a statement issued last quarter, the MEC said, “The justice sector remains largely incapable of investigating and prosecuting corruption cases, especially against well-connected individuals who operate with near impunity, secure in the knowledge that they are effectively above the law.”<sup>510</sup>

## 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 6.51% annually over the past five years. As of October 31, the GDPDC incarcerated 25,823 males and 713 females, while the Ministry of Justice’s Juvenile Rehabilitation Directorate (JRD) incarcerated 888 male juveniles and 101 female juveniles. These incarceration totals



**Parliamentarians reviewed prisoner sentences** and prison conditions during an oversight trip to Herat Province. (USAID photo)

do not include detainees held by any other Afghan governmental organization, as INL does not have access to their data.<sup>511</sup>

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adult males, although state-funded prison construction has added some new prison beds and presidential-amnesty decrees have reduced the prison population significantly. As of October 31, the total male provincial-prison population was at 190% of capacity, as defined by the International Committee of the Red Cross's (ICRC) minimum standard 3.4 square meters per inmate. The total female provincial-prison population was at 50.5% of the ICRC-recommended capacity. The JRD's juvenile-rehabilitation centers' population was at 72% of ICRC-recommended capacity.<sup>512</sup>

According to State, the GDPDC made tremendous strides over the past two years in the implementation of an industries program with the assistance of the Correction System Support Program (CSSP), which is meant to assist in the development of Afghanistan's national corrections system. This quarter, GDPDC remodeled a large hangar at the central prison to provide space for the mechanized production of uniforms and boots for corrections officers. Thirteen provincial prisons will function as satellite uniform production facilities, using industrial sewing machines and boot-making equipment procured by CSSP for GDPDC. Remodeling of the hangar at the central prison was financed by GDPDC with money generated from the industries programs. With materials donated by CSSP, the industries program can produce as many as 12,000 uniforms per year for GDPDC officers.<sup>513</sup>

## Anticorruption

This quarter, serious anticorruption questions were raised when senior Afghan government officials announced a partnership with one of the key figures from the Kabul Bank scandal. In November, Khalilullah Ferozi—who was sentenced to 10 years in prison—was introduced by senior Afghan government officials as a business partner in an Afghan government township project.<sup>514</sup> Additional details appear on pages 144–146 of this report.

## Afghan Attorney General's Office

The Afghan government has yet to nominate a new attorney general.<sup>515</sup> The appointment of a new attorney general by the end of 2015 is a SMAF short-term deliverable.<sup>516</sup>

## Independent Joint Anti-Corruption Monitoring and Evaluation Committee

The MEC was formally established in March 2010 by presidential decree. The MEC's mandate is to develop anticorruption recommendations and benchmarks, to monitor efforts at fighting corruption, and to report on

these 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 notes that the MEC may increase its staff since President Ghani has increasingly sought analytical products from it.<sup>517</sup>

According to State, the MEC continues to demonstrate administrative competence 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.<sup>518</sup> In November, President Ghani issued a decree confirming two new international commissioners for the MEC.<sup>519</sup>

According to USAID, President Ghani has shown interest in expanding the MEC's work beyond its current monitoring framework.<sup>520</sup> However, the *Wall Street Journal* reported in December that donors have threatened to stop funding the MEC following accusations of irresponsible spending, abusing travel policies, and ignoring salary guidelines. The MEC executive director was quoted as saying he is resigning because "There was no oversight over the roles and activities of the committee." Another resigning MEC member said that despite his hope that anticorruption would be a priority of the Afghan government, "Basically everything is standing still."<sup>521</sup>

This quarter the MEC issued reports on a selection of foreign assistance programs, a vulnerability to corruption assessment of the Education Quality Improvement Program (EQUIP), corruption associated with the World Food Program's distribution initiatives with the Ministry of Education, and conflicts of interest among government officials.

In the review of selected foreign assistance programs report, the MEC found that there is a lack of consensus on what truly constitutes a worthwhile, effective project in Afghanistan. According to the MEC, many respondents believed that aid effectiveness was implicit in program alignment with Afghan government developmental goals and objectives. Additionally, divergent strategies, lack of consensus, and unprecedented volume of projects compromised true donor coordination. According to MEC, the relationship between the donor community and the Afghan government is still evolving, with donors becoming increasingly aware of the need to employ Afghans, where possible, but still hesitant to do so because of the widespread corruption that affects many Afghan government agencies.<sup>522</sup>

The MEC review of the World Bank-supported EQUIP concluded that although 72 schools funded by EQUIP were of good quality, the program's myriad failures counterbalanced this achievement. According to the MEC, poor planning, unrealistic budgeting, and inadequate monitoring combined to create a toxic synergy that led to failed projects and misspent funds. The lack of trained personnel, nepotistic recruiting practices, substandard reporting policies, and no investigation or punishment of wrongdoers

only served to worsen these structural flaws. Widespread corruption has led to the misuse or wasting of funds representing almost 30-40% of the project's \$517 million budget and has prevented EQUIP from meeting its expectations.<sup>523</sup>

The MEC's review of the World Food Program's (WFP) efforts to increase school enrollment by distributing food items to students found that while enrollment increased, weak oversight, inadequate monitoring, and instances of mismanagement allowed corrupt actors to embezzle funds and abscond with items intended for the students, and profit from the sale of those items. According to the MEC, the Afghan Ministry of Education (MOE) was insufficiently transparent in its administration of the program and often failed to submit to WFP any reports on MOE activities in remote provinces. WFP officials admitted to the MEC that there was at least 20% "wastage" caused by corruption in the food-distribution process administered by the MOE. MEC reports that recent WFP actions to mitigate corruption in the food-distribution process are apparently effective; however, no actions have been taken on the wrongdoing and profiteering which has occurred thus far.<sup>524</sup>

Finally, in a report on conflicts of interest among high-ranking Afghan government officials, the MEC found that the Afghan government's procurement system is riddled with corruption. According to the MEC, an official from the Afghan National Procurement Authority said that pilot studies indicate about 80% of bids and contracts during the past 13 years were affected by corruption. Multiple senior officials interviewed by the MEC also indicated that contracts were either sold by a successful bidder to another bidder, or distributed among several bidders who were operating as part of a cartel. While the current Afghan administration has sought to centralize procurement in the hope of reducing corruption, the MEC notes that centralized procurement offices are not without risks of their own.<sup>525</sup>

## **High Office of Oversight and Anticorruption**

The High Office of Oversight and Anti-Corruption (HOO) was established in July 2008 by presidential decree to oversee and coordinate 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 that it receives before referring allegations to the Attorney General's Office (AGO) for further investigation and possible prosecution. According to USAID, these investigations seldom lead to prosecution. Mutual recrimination between AGO and HOO is common.<sup>526</sup>

A SMAF short-term deliverable includes the requirement for 90% of government officials required to declare their assets to do so by mid-2016.<sup>527</sup> In November, the HOO announced that President Ghani, Chief Executive

Abdullah, second Vice President Sarwar Danish, and Special Representative for Reform and Good Governance Ahmad Zia Massoud had registered their assets.<sup>528</sup>

## **Security Services**

According to DOD, both the MOD and MOI began developing ministry-specific counter- and anticorruption plans following President Ghani's direction at the September Senior Officials Meeting. These plans are to be implemented no later than the end of 2016. CSTC-A has included a requirement in the 1395 MOD and MOI commitment letters for these plans to be completed by April 2016.<sup>529</sup>

## **Ministry of Defense**

Three active forums are currently addressing corruption issues within the MOD: the Counter Corruption Working Group (CCWG), the Senior High Level Committee on Anti-Corruption (SHCAC), and the newly formed Senior Leader Counter Corruption Panel (SLCCP).

This quarter, DOD reports that the CCWG has shown improvement through regular, monthly meetings and review of corruption cases. The SHCAC mechanism demonstrated its value as a decision-making body with the resolution of a long-standing weakness of the corps-level Transparency and Accountability Committees (TAC). At the last SHCAC meeting, the deputy minister of defense ordered that members of the TACs must be excluded from procurement committees to remove conflicts of interest. The SLCCP, chaired by the minister of defense, held its first meeting in November.<sup>530</sup>

## **Ministry of Interior**

Two quarters ago, the Afghan government removed the former MOI Inspector General (IG) and appointed Major General Rahimullah to the post.<sup>531</sup> According to DOD, the new MOI IG has yet to start reforming the role, structure, and composition of his office. The MOI IG has focused on inspecting fuel processes, accountability, and inventories. These inspections will expand to 10 provincial police headquarters, an Afghan National Civil Order Police headquarters, the border police, and an MOI special forces unit over the next two months.<sup>532</sup>

## **HUMAN RIGHTS**

### **Refugees and Internal Displacement**

As of November, the United Nations High Commissioner for Refugees (UNHCR) estimated that at least 236,342 Pakistanis continue to reside in Afghanistan's Khowst and Paktika Provinces since the June 2014 Pakistan military operations in neighboring North Waziristan. According to State, it

## SIGAR AUDIT

Last quarter, SIGAR issued an audit of State's efforts to assist Afghan refugees living in Pakistan and Iran, and Afghan returnees. The audit found that the UNHCR and State are unable to independently verify the number of Afghan refugees reported by the Pakistani and Iranian governments. The audit also found that the Afghan Ministry of Refugees and Repatriation—the ministry responsible for coordinating refugee and returnee affairs with other ministries and international organizations—has limited capacity to fulfill its obligations or to work with other ministries, and had been beset by allegations of corruption.

is unlikely that there will be significant returns to Pakistan until 2016 due to the reconstruction needs in North Waziristan.<sup>533</sup>

According to the Afghan Ministry of Refugees and Repatriation, in 2015 more than 150,000 Afghans have left and sought asylum in Europe. Of those having left Afghanistan, approximately 3,000 returned.<sup>534</sup>

According to State, 58,412 Afghan refugees returned from Pakistan and Iran as of December. 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. While the rate of refugee returns from Pakistan are significantly higher than 2014, the returns from Iran are 35% lower than the previous year.<sup>535</sup>

As of November, UNHCR recorded a total of 1,116,546 conflict-affected internally displaced persons. During the first ten months of 2015, approximately 270,000 individuals in Afghanistan were displaced by conflict, far surpassing total internal displacement in 2014 (188,766) and representing an increase of approximately 104% compared to the same period during 2014. According to State, the surge in instability and fighting between armed groups and the Afghan security forces—particularly in northeastern Afghanistan—is the main cause for increased internal displacement.<sup>536</sup>

## Gender

The largest gender-focused initiative in USAID's history is the Promote partnership that aims to assist over 75,000 Afghan women in achieving leadership roles over five years in all parts of society, including business, academia, politics, and public policy.<sup>537</sup> As shown in Table 3.21, USAID has committed \$216 million to Promote and hopes to raise an additional \$200 million from other international donors.<sup>538</sup> However, no donors have committed to contribute funds to Promote.<sup>539</sup>

In August, the Japan International Cooperation Agency signed a memorandum with USAID agreeing to cooperate on efforts that work towards advancing equality for women in Afghanistan. This partnership includes leadership training for Afghan female police recruits.<sup>540</sup>

This quarter, the Promote Women in Government (WIG) program is negotiating with the Afghan Independent Administrative Reform and Civil Service Commission to identify the first 200 interns to receive civil service training and certification. According to USAID, Afghan government ministries have expressed interest in accepting 1,428 WIG interns in the first two years of the program.<sup>541</sup> The Promote Women's Leadership Development program is currently preparing 679 trainees for graduation in January 2016.<sup>542</sup>

The SMAF includes several short-term deliverables related to women's rights, including the requirement for a national action plan for women peace-and-security implementation and financing plan approved by the

# GOVERNANCE

TABLE 3.21

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Afghan Women's Leadership in the Economy	7/1/2015	6/30/2020	\$71,571,543	\$1,906,692
Women's Leadership Development	9/23/2014	9/22/2019	41,959,377	7,251,508
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	1,969,805
Promote: Women's Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	522,141
Promote: Economic Empowerment of Women in Afghanistan	5/8/2015	5/7/2018	1,500,000	300,000
Promote: Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522

Source: USAID, response to SIGAR data call, 1/11/2016.

end of 2015, with implementation starting by mid-2016; an antiharassment regulation for improving working environments for public-sector women, to be issued by mid-2016; and dedicated violence-against-women prosecution units established in 26 provinces by December 2016.<sup>543</sup> As of December, the requirement for an implementation and financing plan was not met.<sup>544</sup>

This quarter, the Afghanistan Independent Human Rights Commission (AIHRC) issued two women's rights-focused reports: a 1394 update on violence against women and a report on forced gynecological exams.

According to the AIHRC, "violence against women is the most serious human rights violation in Afghanistan." AIHRC found at least 2,579 registered cases of violence against women in the first six months of 1394, a 7% increase over the same period the previous year. Of the 190 cases in which a woman was killed, the perpetrators of 51 cases (26.84% of all the cases) were arrested and their files forwarded to the court.<sup>545</sup>

In a related report, the AIHRC interviewed 53 female detainees from 12 provinces held on charges of adultery to determine the extent to which women are subjected to virginity tests. According to AIHRC, while Afghan law is not clear on the legal status of compulsory virginity tests, such tests without the victim's consent are a violation of human rights. Of the 53 female detainees, 48 were subjected to virginity tests with only nine reporting they did so willingly to refute accusations. The AIHRC called on the Afghan government to end virginity tests for moral crimes.<sup>546</sup>

## ECONOMIC CONTENTS

Key Events	135
Economic Profile	136
Banking and Finance	141
U.S. Economic and Development Support	147
Agriculture	149
Essential Services and Development	151
Transportation	157
Economic Growth	160
Education	162
Health	165

## ECONOMIC AND SOCIAL DEVELOPMENT

As of December 31, 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—nearly \$18.6 billion—were appropriated to the U.S. Agency for International Development’s (USAID) Economic Support Fund. Of this amount, \$17.1 billion has been obligated and \$13.7 billion has been disbursed.<sup>547</sup> The Consolidated Appropriations Act, 2016, provided additional funding for the Economic Support Fund, but the total amount designated for Afghanistan will not be known until the State Department (State) completes the fiscal year (FY) 2016 congressional notification process.

### KEY EVENTS

This quarter saw several developments that could affect Afghanistan’s prospects for economic and social development:

- Afghanistan began FY 1395 (December 22, 2015–December 21, 2016) without an approved budget, but parliament approved a \$6.6 billion budget on January 18, 2016.<sup>548</sup>
- Domestic revenues collected in the first 11 months of FY 1394 (December 22, 2014–December 21, 2015) rose 21.1% above the same period in FY 1393, covering 40% of total expenditures. Expenditures increased 1.1% compared to the same period last year.<sup>549</sup>
- On December 17, 2015, World Trade Organization (WTO) trade ministers approved Afghanistan’s terms of accession. Afghanistan has until June 30, 2016, to ratify the deal, which the government hopes will create new economic opportunities.<sup>550</sup>
- The International Monetary Fund (IMF) issued an updated assessment of Afghanistan’s economic development and policies, known as the Article IV consultation report, which included a review of Afghanistan’s performance under the Staff-Monitored Program. It concluded that while progress has been made toward implementing macroeconomic policies and a structural-reform agenda, Afghanistan’s economy is dependent on the government’s commitment to these reforms, improved security conditions, and continued donor support.<sup>551</sup>

## ECONOMIC PROFILE

Every other South Asian economy grew faster than Afghanistan's in 2014 and 2015, a trend the Asian Development Bank (ADB) expects to continue in 2016.<sup>552</sup> Agriculture drives Afghanistan's economy and is the main source of gross domestic product (GDP), employment, and subsistence, according to the World Bank.<sup>553</sup> The IMF said, "Apart from agriculture, (recent) economic activity has been subdued."<sup>554</sup> Agricultural output and income, though, fluctuate with the weather and economic growth based on this sector is necessarily volatile.<sup>555</sup> Meanwhile, construction, trade, and services, all of which previously benefitted from the Coalition's large presence, security spending, and aid flows, now remain depressed.<sup>556</sup> Generally, the Afghan government said economic conditions were "not conducive to the kind of private sector investment that could drive a diversified and sustainable economy."<sup>557</sup>

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

Source: Asian Development Bank, *Outlook 2015*, 3/2015, p. 167.

Afghanistan's real (net of inflation) GDP, excluding opium, slowed significantly in 2014 to a World Bank-estimated \$20 billion—1.3% growth versus 3.7% in 2013. The World Bank projected Afghanistan's real GDP to grow 1.9% in 2015 to \$20.4 billion, with medium-term performance expected to remain sluggish because of the deteriorating security environment. Afghan economic growth prospects, according to the World Bank, depend on the government's progress on reforms, the country's ability to create a sufficient number of jobs to meet the growing demand, and improved security.<sup>558</sup>

Private investment declined in 2014 and remained flat in 2015, according to the World Bank, which is indicative of Afghanistan's risky market conditions and political developments. The number of new firm registrations—a measure of investor confidence—in 2014 dropped 26% across all economic sectors. New firm registration in the first six months of 2015 matched 2014, year-on-year.<sup>559</sup> The ADB reported that investor and consumer confidence was low in the first half of 2015 as the political and security situation declined and the government struggled to deliver anticipated reforms. Foreign direct investment declined by 30%.<sup>560</sup>

Consumer price inflation, for both food and non-food items, dropped to an IMF-estimated average -1.3% in 2015 compared to 1.4% in 2014. This was attributed to weak economic activity, declining global food and fuel prices, and waning domestic demand.<sup>561</sup> The World Bank said this deflationary pressure on Afghanistan's economy was being offset by the inflationary pressure of their currency, the afghani, depreciating against the U.S. dollar. Exchange-rate depreciation would normally cause higher consumer prices for an import-dependent nation like Afghanistan, but this was offset by declining global prices.<sup>562</sup>

The Afghan government acknowledged that the speed, scale, and depth of its economic crisis and associated human costs is unsustainable. Although it is working with the IMF and other donors on long-term

reforms to the economy, the government reported that the country is suffering from a major economic downturn that has led to “large-scale job loss, deep popular unhappiness, widespread human suffering, and a large upswing in out-migration as disillusioned Afghans leave for Europe and beyond.”<sup>563</sup>

The government said it miscalculated the economic costs of the Coalition withdrawal. Lower foreign military spending has reduced demand for services, leading to tens of thousands of jobs lost, and negatively impacted domestic demand for products and services. Meanwhile, the strength of the insurgency has caused the government to spend more on the military and less on job-creating investments, reducing its ability to provide jobs for an estimated 700,000 Afghans entering the workforce annually, including 400,000 high school and college graduates.<sup>564</sup> In response, President Ashraf Ghani announced this quarter a jobs-focused stimulus and stabilization program—Jobs for Peace—that aims to provide short-term, labor-intensive employment in rural and urban areas.<sup>565</sup> For more information, see pages 121–123 of this report.

## Afghanistan’s Fiscal Outlook

Afghanistan’s fiscal vulnerability remains high, according to the World Bank, and will require a large increase in revenues and sustained levels of aid. Its medium-term economic outlook is “unfavorable.”<sup>566</sup> While domestic revenues have increased, the World Bank said security costs have grown beyond donors’ initial projections.<sup>567</sup> The 2012 NATO summit in Chicago predicted Afghanistan’s contribution to the Afghanistan National Defense and Security Forces (ANDSF) costs would be at least \$500 million in 2015.<sup>568</sup> Afghanistan did not meet this commitment.<sup>569</sup>

The Department of Defense (DOD) reported that the Afghan economy cannot grow quickly enough in the next five years to cover a significantly larger share of ANDSF costs. Those costs were estimated at \$5.4 billion in FY 2015, of which the United States paid \$4.1 billion. FY 2016 costs are projected to be \$5 billion.<sup>570</sup>

## FY 1394 Revenues and Expenditures Update

Total collected domestic revenues—a figure that excludes donor grants—stood at 106.7 billion afghanis (AFN) (\$1.6 billion) in the first 11 months of FY 1394, about 21.1% above the same period in FY 1393, but below initial targets.<sup>571</sup> The Afghan government is close to meeting the IMF’s revised (lower) 2015 revenue target of AFN 114.2 billion.<sup>572</sup>

Still, domestic revenues paid for less than half (40%) of Afghanistan’s total budget expenditures of AFN 266.8 billion (\$4.0 billion) in that time; donor contributions make up the difference. Afghan government expenditures in FY 1394 increased by AFN 3.0 billion (by 1.1% or \$45.1 million in current dollars) compared to the same period last year.<sup>573</sup>

**Donor funding commitments made at the 2012 Chicago summit were for ANDSF only, which comprises the Afghan National Army and Afghan National Police. Afghanistan’s other security-related expenditures—the National Directorate of Security and the Presidential Protective Service, for example—are funded through other means.**

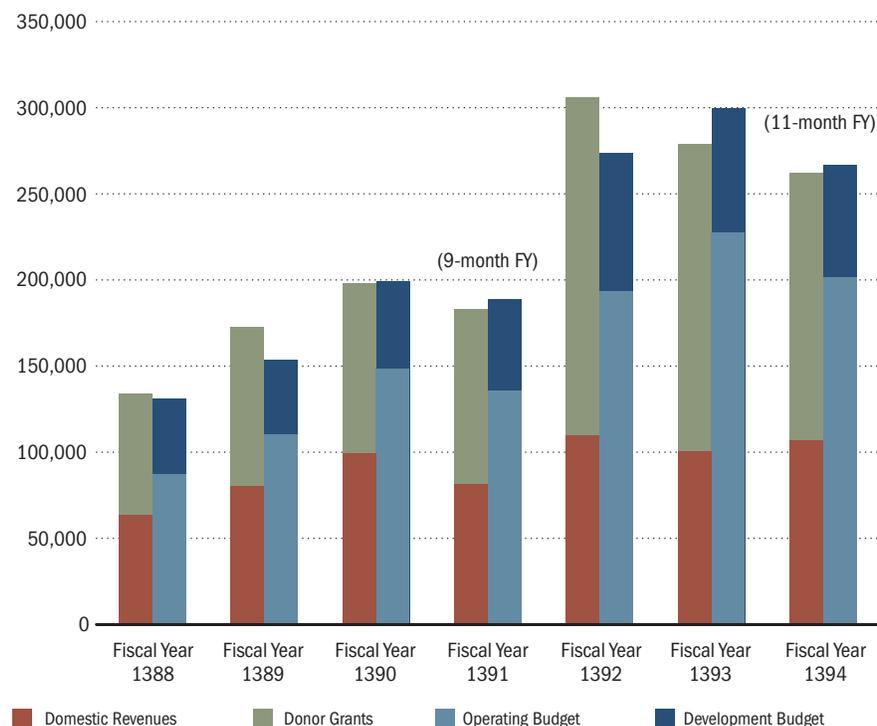
Source: DOD, *Enhancing Security and Stability in Afghanistan*, 12/2015, p. 79.

## FY 1394 Budget Gap

Afghanistan's fiscal gap is large. Donor assistance either narrows or closes this gap, as depicted in Figure 3.29. In the first 11 months of FY 1394, Afghanistan had a \$2.4 billion total budget deficit against domestic revenues; donor contributions reduced that deficit to \$72.2 million. The operating budget, which includes recurring costs such as public-sector payroll, would have had a \$1.4 billion deficit if not for donor assistance, which produced a \$205.3 million surplus. Without donor assistance, the development budget would have had a \$963.5 million deficit. After donor funds, the deficit was reduced to \$277.5 million.<sup>574</sup>

FIGURE 3.29

### AFGHANISTAN'S DOMESTIC REVENUES AND DONOR GRANTS COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (AFN 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 fiscal year 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. FY1394 is first 11 months only. FY 1394 operating and development budget revenue and expenditure data are as of 12/3/2015.

Source: MOF, *Aqrab Financial Statements FY 1394, 12/3/2015*; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 1/28/2015; MOF, "1393 National Budget," 2/1/2014.

A fiscal gap can widen or shrink, depending on variables including budget-execution rates, donor grants received, qualification for donor incentive funds, revenue collection, and changing expenditures.<sup>575</sup> As this report was being prepared for press, the Afghan parliament approved a \$6.6 billion national budget for FY 1395 on January 18, 2016.<sup>576</sup>

## International Monetary Fund Staff-Monitored Program

On November 3, 2015, the IMF completed the results of its first review of Afghanistan's implementation of macroeconomic policies and structural-reform agenda under the Staff-Monitored Program, which ran April–December 2015. It deemed Afghanistan's performance satisfactory, but the deteriorating security environment and delays in forming a government complicated implementation efforts. Most June 2015 fiscal and monetary quantitative targets were met, as were the September **indicative targets**, except for social and other priority spending targets. Revenue missed its September target by AFN 500 million.<sup>577</sup>

Progress on structural benchmarks through June 2015 was slower than planned. Revenue-generation measures like increased business-receipt taxes, fuel fees collected at customs, and a new telecommunications tax were delayed by several months. However, a new banking law was enacted in August and the structural benchmark for hiring an independent auditor to audit bad-debt recoveries at an unnamed state bank was met in September. The benchmark of issuing a regulation on currency reporting also was met, and was to be strengthened by the end of 2015.<sup>578</sup>

The IMF also said earlier bank reforms are not progressing as quickly as anticipated. All weak Afghan banks were subject to enforcement actions in 2015, notably two vulnerable publicly unidentified banks. One of these banks increased its capital and reduced foreign-exchange exposure. The other prepared a five-year operating strategy that is under review, hired chief operating and credit officers, but not a chief executive officer. Its capital targets appear to have been met as of June.<sup>579</sup>

Overall, the IMF concluded that while progress has been made, Afghanistan's economy is dependent on the government's commitment to reforms, improved security conditions, and continued donor support. IMF staff recommended the government step up efforts to mobilize revenue, prioritize spending, improve budget management, instill confidence in its currency, and "vigorously" implement their new banking, anti-money laundering, and combating the financing of terrorism laws and regulations. Staff said the Afghan authorities are aware of the challenges and are committed to reform.<sup>580</sup>

## Trade

Afghanistan's trade balance—negative \$8.1 billion (39.6% of GDP) in 2014 and an estimated negative \$8.4 billion (39.2% of GDP) in 2015—is

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

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

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“The principal connection between the Afghan economy and the rest of the world are donor inflows. These inflows finance most imports and dwarf (licit) exports...”

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Source: IMF, *Staff Report for the 2015 Article IV Consultation and the First Review Under the Staff-Monitored Program*, 11/3/2015, p. 13.

unsustainable, and shows an urgent need for an environment that promotes domestic and foreign investment.<sup>581</sup> The Afghan government pledged to simplify the visa process and work to identify ways to “expedite, rather than impede exports.” The government aims to increase the number of border crossings, develop dry ports to advance trade and transit agreements, and increase customs cooperation.<sup>582</sup>

**The IMF noted that like other data from Afghanistan, balance of payments data, which include the current account, suffer from weaknesses in coverage and consistency, but are broadly adequate for surveillance.**

Source: IMF, *Staff Report for the 2015 Article IV Consultation and the First Review Under the Staff-Monitored Program*, 11/3/2015, p. 24.

## Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-projected positive current-account balance of 4.5% of GDP—about \$872 million—in 2015. Without it, the IMF estimates Afghanistan would have a current-account deficit equivalent to 38.9% of its GDP—about \$7.9 billion. This estimate is \$416 million (or 32.3%) lower than Afghanistan’s 2014 current account.<sup>583</sup>

During 2013–2014, Afghanistan exported around \$3.2 billion—\$4 billion worth of goods and services annually, but is projected to export \$2.6 billion in 2015, not including illicit narcotics, according to the IMF.<sup>584</sup> Unsurprisingly, IMF staff said that Afghanistan needs to increase and diversify its exports, which will stimulate innovation and good management.<sup>585</sup> During 2013–2014, Afghanistan imported between \$11.3 billion—\$10.8 billion worth of goods and services annually. The IMF estimated Afghanistan’s 2015 imports at more than \$10.6 billion of goods and services, with about \$8.8 billion paid for by official donor grants.<sup>586</sup>

## 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; (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.<sup>587</sup>

To achieve sustainable economic growth, job creation, enhanced delivery of government services, and fiscal sustainability, it assumes that the Afghan government will carry out its commitments to reform, and a stable security environment will allow the private sector to take advantage of an improved business climate.<sup>588</sup>

On December 3, 2015, Afghanistan’s Customs Department and central bank expanded a program to allow customs duties in Balkh Province to be paid electronically from any commercial bank, rather than at central bank offices within customs houses. This follows a successful pilot program at Kabul International Airport and at Kabul’s inland customs office completed last quarter. The State Department said electronic payments expedite the release of goods at the border, reduce the need to carry cash, and reduce opportunities for graft.<sup>589</sup>

ATAR's 2015 midterm evaluation found it was able to improve the government's capacity to draft WTO-related legislation when it worked directly with staff, but not when it worked remotely and handed legislation to the government without proper explanation or Afghan input. The government also showed little capacity to implement or comply with WTO-related legislation.<sup>590</sup> However, USAID said the evaluation took place in the early stages of ATAR's capacity-building efforts; these efforts are ongoing with better results expected over the next two years.<sup>591</sup>

## World Trade Organization Accession

On December 17, 2015, WTO trade ministers approved terms for Afghanistan's accession to the organization. Afghanistan has until June 30, 2016, to ratify the deal, and would become a full member 30 days after notification. Should that occur, Afghanistan would become the ninth least-developed country to become a member since the organization was established in 1995. Afghanistan applied for membership in 2004.<sup>592</sup>

Afghanistan's First Deputy Chief Executive described the accession requirements as an engine for achieving sound structural reforms, and a way for the country to embrace market-economy principles, an open and transparent economy, rule of law, good governance, non-discrimination, and market instruments.<sup>593</sup> The WTO director-general said approval for Afghanistan's accession was an endorsement of its efforts in this regard.<sup>594</sup>

## BANKING AND FINANCE

The World Bank said access to finance remains low and is a major constraint to economic growth. Only 5.7% of Afghan firms are reported to have a bank loan, and only 2% use banks to finance investments. More generally, less than 10% of the Afghan population uses banks,<sup>595</sup> preferring to hold cash. The ADB said this reflects continued distrust of banks and weak banking-sector performance since the massive Kabul Bank failure.<sup>596</sup>

The IMF reported that lax governance and regulatory enforcement in early 2014 caused the financial positions of some Afghan banks to deteriorate, two of which were characterized as in "hazardous condition." Recognizing the necessity of banking-sector profitability, Afghan authorities, with donor and IMF assistance, began to address banking vulnerabilities in 2015. The IMF said important, albeit delayed, progress was made, including passing a new banking law to strengthen bank governance, amending the anti-money laundering law, improving revenue and customs department capacities, and renewing preparations to sell New Kabul Bank. Additionally, the IMF said supervisory and regulatory enforcement is getting stronger, the restructuring of weak banks continues, and the newly established Bad Debt Commission is helping recover nonperforming loans (participation for public banks is required, but voluntary for private banks).<sup>597</sup>

“Our country’s accession to the WTO will serve as a catalyst for domestic reforms and transformation to an effective and functioning market economy that attracts investment, creates jobs and improves the welfare of the people of Afghanistan.”

—President Ashraf Ghani

Source: WTO, “Afghanistan WTO Accession Package Ready for Formal Adoption in Nairobi,” 11/11/2015.

**APFM is the United States' principal off-budget effort to help strengthen the Afghan government's ability to generate domestic revenue, manage its budget, and become more fiscally sustainable. It aims to build the government's capacity for forecasting revenue; increase payment compliance, collection, and transfers to the treasury; and strengthen budget planning, execution, monitoring, reporting, and coordination.**

Source: USAID, response to SIGAR data calls, 9/23/2015 and 10/8/2015; USAID, Contract Number AID-306-TO-15-00065, 7/27/2015.

## U.S. Treasury Assistance

The U.S. Treasury's Office of Technical Assistance (OTA) continued implementing its March 23, 2015, agreement to develop technical assistance and capacity-building programs for Afghanistan's Ministry of Finance (MOF).<sup>598</sup>

### Budget and Treasury Management

This quarter, OTA conducted its third mission to Kabul, December 1–14, to discuss cooperation and capacity building for budget and treasury management with MOF officials, U.S. embassy in Kabul staff, and donor partners.<sup>599</sup> OTA clarified key MOF needs, including support for the macro-fiscal policy directorate, guidance on linking national planning programs to the national and provincial budgeting process, and development of baseline budgets and forward estimates. OTA expects new budget processes to help the MOF make more informed decisions about unavoidable budget reductions in the future.<sup>600</sup>

The MOF also provided feedback to OTA's proposal to strengthen Afghanistan's policy development, budget formulation and results monitoring process. OTA will incorporate some key concepts of the national planning system already developed by the Afghan government.<sup>601</sup> Additionally, OTA met with USAID about their Afghanistan Public Financial Management (APFM) project, which will include budget and revenue technical assistance, and about their joint development of a five-year fiscal performance management improvement plan for the MOF that will be linked to New Development Partnership and Afghanistan Reconstruction Trust Fund incentive milestones.<sup>602</sup>

### Banking and Financial Services

OTA embarked on an initial assessment mission in September 2015 to strengthen Afghan bank supervision and problem-bank resolutions. OTA is seeking funding from USAID to support a banking-supervision assistance program for Afghanistan's central bank. Meanwhile, OTA is reviewing the central bank's five-year supervision action plan, and is discussing assistance plans with other donors, including the World Bank, USAID, and the United Kingdom's Department for International Development (DFID), to better understand how the potential work of OTA advisors would relate to other efforts.<sup>603</sup>

### Challenges

OTA said security-imposed travel restrictions are a major constraint in establishing a more sustained presence in Afghanistan. A revised threat assessment by the U.S. Embassy in Kabul in November limits the types of missions it will allow and the length of stay for visiting officials to three to four days. The embassy also said it lacks housing for U.S. personnel.<sup>604</sup>

OTA also said additional funding is needed for more robust engagement with Afghan authorities in FY 2016. USAID is finalizing an interagency agreement that would provide \$2 million for OTA budget, banking, and

tax assistance activities. The State Department's Bureau of International Narcotics and Law Enforcement is preparing an agreement to provide \$178,000 for OTA assistance to help Afghan authorities combat economic crimes.<sup>605</sup>

## Financial Action Task Force

At its most recent plenary session in Paris, France on October 21–23, 2015, the **Financial Action Task Force (FATF)** chose to keep Afghanistan on its “Improving Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Global Compliance” document, also known as the “gray list.” This means that while Afghanistan has strategic AML/CFT deficiencies, its government has developed an action plan, made a high-level political commitment to address those deficiencies, and is making progress.<sup>606</sup>

In October, FATF reported on Afghanistan's progress since the June 2015 plenary, issuing a “fit and proper” regulation for the financial sector, and a regulatory framework to implement a cross-border system to detect the transportation of cash and bearer negotiable instruments.<sup>607</sup> Treasury had previously said that Afghanistan's draft banking law, which required prospective bank owners to be deemed “fit and proper” contained a problematic loophole for anyone “convicted by an authorized court of an offense for which he was sentenced to imprisonment *unless such sentence was motivated by his religious or political views or activities*” (emphasis added).<sup>608</sup>

FATF determined that certain strategic deficiencies remain and 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 further establish and implement effective controls for cross-border cash transactions.<sup>609</sup> Treasury explained that Afghanistan's efforts to resolve deficiencies in its cross-border declaration system at airports are greatly hampered by general capacity limitations and resource challenges that are exacerbated at porous land borders in often fractious areas. Treasury remains concerned about these deficiencies and Afghanistan's implementation of the legal framework for freezing terrorist assets.<sup>610</sup> This is the fifth consecutive FATF review in which Afghanistan has maintained this status since being downgraded to the “gray” list in February 2014.<sup>611</sup>

## Kabul Bank Theft Accountability

Under the Tokyo Mutual Accountability Framework, the basis for donor support to Afghanistan until September 2015, the Afghan government was required to take all possible steps to recover more assets stolen from Kabul Bank. However, the current basis for support, the Self-Reliance through Mutual Accountability Framework (SMAF), does not. Instead, SMAF includes a general “zero-tolerance” for corruption policy and calls for transparent and accountable governance.<sup>612</sup>

**Financial Action Task Force (FATF):** an intergovernmental policy-making body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system. Its 36 members include the United States, United Kingdom, Switzerland, and the European Union; observers include the UN and the Asian Development Bank.

Source: Financial Action Task Force website, “Who We Are,” and “Members and Observers,” accessed 1/3/2016.

## The U.S. Treasury and the FATF

Treasury leads the U.S. delegation to the FATF and participates closely in all working group discussions. Specifically, within the FATF, the International Cooperation Review Group (ICRG)—co-chaired by the United States and Italy—is tasked with leading the process to identify and monitor countries with AML/CFT deficiencies. Afghanistan was one of over 20 countries the ICRG reviewed at the October 2015 FATF plenary. Before each ICRG meeting, Treasury reviews the information provided by the monitored countries, including laws or regulations, other legal instruments, and supporting materials, and then discusses with other agencies in the U.S. delegation what action(s) should be taken at the FATF on the identified countries of concern. It then works to establish consensus with fellow FATF members during deliberations.

Source: Treasury, response to SIGAR data call, 12/30/2015.

The United States continually stresses in meetings with Afghan officials that it will hold the government accountable to its promises to address endemic corruption, including taking action against those responsible for the more than \$900 million stolen from Kabul Bank.<sup>613</sup> However, while some U.S. funding through the \$800 million New Development Partnership with the Afghan government is tied to anticorruption initiatives, none is explicitly conditioned on resolving the Kabul Bank case.

The U.S. Department of Justice (DOJ) said Afghan authorities have been successful recently in continuing to monitor and arrest low-level Kabul Bank debtors, but not in adhering to the rule of law regarding the Kabul Bank judgment. In August 2015, the Afghan government released convicted ex-Kabul Bank chief executive officer Khalilullah Ferozi from prison, reportedly at behest of high-ranking Afghan government officials, after he had served only a fraction of his 10-year sentence.<sup>614</sup> DOJ and State said Ferozi has returned to prison to serve out his remaining sentence.<sup>615</sup> Ferozi and ex-Kabul Bank Chairman Sherkhan Farnood are two of 36 individuals and companies who were convicted in the nearly \$1 billion theft that brought the bank near collapse in 2010.<sup>616</sup>

DOJ was not aware of any new investigations this quarter.<sup>617</sup> According to State, cases referred to Afghanistan's Attorney General's Office (AGO) have not progressed and it remains to be seen whether the AGO has the political will to carry out prosecutions. State added that the AGO's Anti-Corruption Unit does not currently possess the necessary political will to be fully effective.<sup>618</sup>

For its part, the AGO said it provided names of Kabul Bank debtors who have not signed a repayment agreement with the government to Afghan authorities, but no arrests were made.<sup>619</sup> The AGO also added Ahmad Fahim Turab to the no-fly list. An employee of the Shaheen Money Exchange, Turab was one of Farnood and Ferozi's 16 aiders and abettors.<sup>620</sup> On June 22, 2015, President Ghani set a one-week deadline for debtors to settle their accounts or be referred to the AGO for prosecution and banned from leaving the country.<sup>621</sup> Last quarter, the AGO listed 14 primary Kabul Bank debtors who failed to settle their obligations on official no-fly lists, although it is believed that they are no longer living in the country.<sup>622</sup>

## **Khalilullah Ferozi and the "Smart City" Project**

Ferozi was introduced as a major contributor to a government-backed land development project this quarter. On November 4, 2015, the Afghan government inaugurated a \$900 million "Smart City Township" project in a ceremony that featured Ferozi; President Ghani's legal advisor and head of the Kabul Bank Clearance Committee, Dr. Abdul Ali Mohammadi; Special Representative for Reforms and Good Governance Ahmad Zia Massoud; and Minister of Urban Development Sayed Saadat Mansur Naderi. Ferozi was supposed to be in prison, but instead he was introduced at the ceremony as a shareholder and signed a memorandum of understanding

with Minister Naderi through which he would provide land for the project and the Nabi Zada Construction Company would perform the work.<sup>623</sup> Dr. Mohammadi said this collaboration is part of a plan to enable Kabul Bank debtors to start businesses to help satisfy their debts.<sup>624</sup>

The collaboration with Ferozi seemed to contradict the intent of President Ghani's October 2014 decree ordering the pursuit and prosecution of all those involved in the Kabul Bank case, as well as the government's September 2015 self-graded assessment that its actions taken in response to Kabul Bank broke the "aura of impunity that had surrounded high level malfeasance."<sup>625</sup> The Afghanistan Analysts Network reported palace insiders describing "scenes of stunned disbelief and exasperation when the news broke."<sup>626</sup>

Afghan officials initially defended the arrangement but, on November 7, 2015, President Ghani declared the memorandum of understanding nonbinding, null, and void; reaffirmed that no government branch outside the judiciary has the authority to amend the court's verdict against Ferozi; and ordered a review on transferring Ferozi's property to the government as compensation for his debts.<sup>627</sup> Ferozi is reportedly back in prison.<sup>628</sup> On November 18, President Ghani suspended his legal advisor, Dr. Mohammadi, relieving him of all responsibilities, and ordered an investigation into the Kabul Bank loan-recovery process. Mohammadi, the only person held accountable so far, reportedly told parliamentarians that President Ghani and the Kabul Bank Clearance Committee—established by a March 2015 presidential decree to look into and help resolve the Kabul Bank case—knew in advance of the Smart City project plan and its association with Ferozi.<sup>629</sup>

## Cash and Asset Recoveries

The Kabul Bank Receivership (KBR) informed the Justice Department that *actual* recoveries reportedly stand at \$250.9 million as of October 29, 2015, \$4.7 million more than reported last quarter. KBR also reported *total* recoveries—a new category—of \$569.2 million. This figure comprises cash recoveries, forgiven Kabul Bank debts, and assets recovered or seized, as well as the amount still owed by 12 major debtors who signed loan-repayment agreements in 2015, typically to be indemnified within three to five years. KBR calculated the outstanding loan portfolio at \$417.8 million. DOJ is unaware of any Afghan government rationale for the methodology it uses to calculate recoveries—actual or total—from Kabul Bank debtors.<sup>630</sup> However, the methodology may be contained in the monthly KBR activity and cost reports, which include the status and financial details of asset recovery, required by the IMF's Staff Monitored Program.<sup>631</sup>

## Farnood and Ferozi Repayments

The Afghan government has been unable to compel full repayment from Farnood and Ferozi.<sup>632</sup> Farnood, who also remains in prison, is said to have paid back approximately \$62 million in cash—not quite 11% of his

## SIGAR INVESTIGATION

As a result of SIGAR's investigation that uncovered corruption in the award of a nearly \$1 billion, multi-year Afghan Ministry of Defense fuel contract, this quarter the Afghan government requested SIGAR's assistance in helping it recover some of the funds stolen from Kabul Bank. SIGAR agreed to provide support.

\$571.6 million obligation—as well as \$18.2 million in assets. KBR’s estimates of what the two men owe is dramatically lower than the judgment of Afghanistan’s appellate court. According to the KBR, Farnood still owes \$336.8 million.<sup>633</sup> The KBR puts Farnood’s total obligations at \$417 million, or \$155 million lower than the appellate court judgment.<sup>634</sup>

KBR has reportedly collected approximately \$10.1 million from Ferozi—about 3% of the \$333.8 million court judgment, which includes embezzled amounts, interest, and fines.<sup>635</sup> State said Ferozi also pledged \$127 million in collateral assets, which the KBR considers a recovery.<sup>636</sup> KBR puts Ferozi’s total obligations at approximately \$137.2 million, or \$197 million lower than the appellate court judgment.

**After Kabul Bank’s near-collapse in 2010, the MOF issued an eight-year, \$825 million bond to the central bank to compensate it for the losses it incurred. 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 calls, 6/25/2015 and 12/30/2015.

## Cash and Asset Recovery Challenges

The KBR said its main 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. Integrity Watch Afghanistan, a donor-supported independent civil society organization, blamed the Afghan government for lacking the political will to support the KBR and the AGO in their efforts to collect debts.<sup>637</sup> Although President Ghani predicted that his government would “make history” by recovering the public money lost in the scandal, State acknowledged KBR’s continuing challenges, and DOJ said it has seen no evidence this quarter that the Afghan government has overcome any of them.<sup>638</sup>

## U.S. Assistance

Justice Department officials met with the Afghan Attorney General, the director of the AGO’s Anti-Corruption Unit, and the deputy director of the Kabul Bank Receivership this quarter. The Justice Department requests to travel with these and other Afghan justice sector representatives to other meetings were either rejected or cancelled by the U.S. Embassy-Kabul’s Regional Security Officer due to security conditions in Kabul.<sup>639</sup>

In May 2015, Afghanistan requested legal assistance from DOJ to recover Kabul Bank assets. DOJ said mutual legal assistance agreements play a vital role in criminal prosecutions, allowing the prosecuting country to obtain evidence and information they would otherwise not have a legal or jurisdictional basis to collect.<sup>640</sup> However, DOJ deemed Afghanistan’s request deficient and identified corrective actions needed before DOJ could assist. DOJ reviewed these actions again this quarter with the director of the AGO’s Anti-Corruption Unit. Neither the U.S. Embassy-Kabul nor DOJ received new or revised diplomatic notes, or other official requests, from the Afghan government about recovering Kabul Bank assets and beginning discussions to request mutual legal assistance.<sup>641</sup>

DOJ said Afghanistan’s AGO has a critical need for anti-money-laundering training. DOJ continued to provide that training this quarter, hosting a

one-day anti-money laundering program for 32 prosecutors from the anti-corruption and antiterrorism units at the AGO and several representatives from the High Office of Oversight. DOJ said it is too soon to assess whether the trainees have made or will make use of the training.<sup>642</sup>

## New Kabul Bank

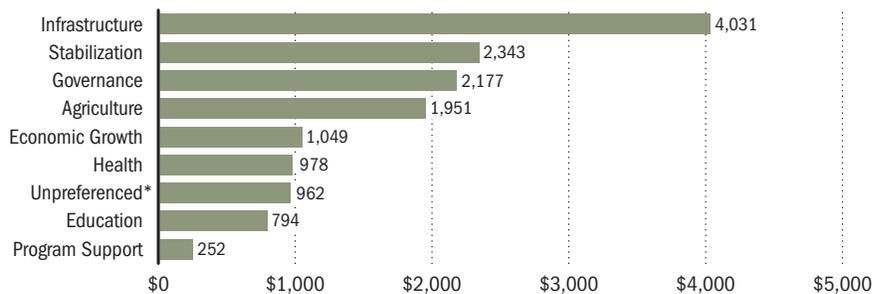
New Kabul Bank (NKB) is a temporary “bridge bank” containing the good assets and deposits from Kabul Bank. NKB operates at a loss, \$65 million over the last six years by one estimate, due in part to its lack of lending portfolio, restrictions on developing lending, and the need to maintain a conservative asset-management strategy prior to its contemplated sale.<sup>643</sup> Privatizing NKB, which provides salary payment and direct-deposit services to hundreds of thousands of government employees, has been a long-standing objective of Afghanistan’s central bank and the international community.<sup>644</sup> Past efforts were unsuccessful.<sup>645</sup> With IMF assistance, the Afghan government reinitiated efforts to sell NKB and announced a new bid for the bank on December 26, 2015. Responses were due on January 28, 2016. Further details will be provided to qualified investors thereafter.<sup>646</sup>

## U.S. ECONOMIC AND DEVELOPMENT SUPPORT

Most assistance from the Economic Support Fund goes toward USAID’s development programs. In September 2015, USAID published an updated Performance Management Plan to guide and measure its development objectives, and articulate its development strategy through 2018. The plan will be reviewed at least annually and updated as necessary.<sup>647</sup> Figure 3.30 shows USAID assistance by sector.

FIGURE 3.30

**USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF DECEMBER 31, 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.

\* Unpreferred 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, 1/11/2016; SIGAR analysis of World Bank, ARTF, Administrator’s Report on Financial Status, as of December 21, 2015, accessed 1/17/2016.

## Development Of Natural Resources

President Ghani listed mining as one of the country's most important economic assets in his September 2015 interview with SIGAR. So far, however, mining has contributed only slightly to the country's GDP.<sup>648</sup> Actual receipts were only about AFN 613 million (31% of the budget projection) in the first 11 months of FY 1394. Compared to the same time last year, extractives revenue decreased approximately 33.5%.<sup>649</sup> The need for infrastructure financing, progress on regulatory and legislative frameworks, and an improved security environment make the timing of significant revenues from this sector uncertain.<sup>650</sup>

The majority of mining contracts and tenders are still being reassessed by the Ministry of Mines and Petroleum (MOMP) due to what the minister called a lack of transparency in the award process under the Karzai administration.<sup>651</sup> 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, and has instructed the MOMP to proceed cautiously.<sup>652</sup>

## Mining Investment and Development for Afghan Sustainability

USAID's Mining Investment and Development for Afghan Sustainability (MIDAS) program aims to strengthen MOMP and relevant private sector entity capacities to exploit Afghanistan's natural resources, in accordance with international standards.<sup>653</sup> In recent months, Minister of Mines and Petroleum Daud Saba has put a hold on new drilling activities. USAID said he modified the types of assistance he wanted from MIDAS. He requested MIDAS be rescoped to help develop legal and institutional frameworks, followed by on-the-job trainings, for the sustainable and efficient development and exploitation of Afghanistan's natural resources.<sup>654</sup>

Also this quarter, MIDAS advisors continued training Afghan Geological Survey staff to prepare, process, and analyze samples for a future granite tender. MIDAS also supported geospatial/geographic-data training, and geophysics training for Geological Survey staff; legal training on mineral-contract reviews and negotiations for MOMP legal advisors; and gender awareness training for extractives sector employees.<sup>655</sup> MIDAS and USAID's other extractives-assistance programs are listed in Table 3.22.

## 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.<sup>656</sup> 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.<sup>657</sup> The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran, representing roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.<sup>658</sup>

### SIGAR AUDIT

This quarter, SIGAR published the second of two reports focused on the U.S. efforts to develop Afghanistan's extractive industries. It determined that these programs had mixed success, largely due to challenges in dealing with the Afghan government. The report recommended that the USAID administrator (1) use the results of the assessments done to date to develop a plan with the MOMP and its component organizations addressing the structural reforms needed at the ministry and establish milestones for achieving them; and (2) condition any future on-budget assistance to the MOMP on the ministry achieving the milestones in the agreed-upon plan. For more information, see pp. 18–22.

TABLE 3.22

USAID EXTRACTIVES-ASSISTANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Sheberghan Gas Generation Activity (SGGA)	12/21/2011	7/31/2016	\$30,440,958	\$23,178,440
Sheberghan Gas Development Project (SGDP)	5/15/2012	8/31/2016	90,000,000	21,895,875
Mining Investment and Development for Afghan Sustainability (MIDAS)	3/31/2013	3/30/2016	50,096,175	24,351,004

Source: USAID, response to SIGAR data call, 1/11/2016.

## Sheberghan Programs

The Sheberghan gas fields hold the potential for cheap natural-gas-generated power that could be competitive with imported power from Uzbekistan, according to the World Bank.<sup>659</sup> 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 \$30.4 million, off-budget Sheberghan Gas Generation Activity (SGGA) for capacity building and technical assistance to the MOMP.<sup>660</sup>

Although the entire Sheberghan program is behind its original 2012 schedule due to a year-long absence of a minister of mines and petroleum, and because the government had to replace almost the entire Afghanistan Petroleum Authority staff, this quarter, USAID said SGDP is keeping to its revised schedule. Turkish Petroleum Corporation, SGDP's drilling contractor, succeeded in drilling one new well and rehabilitating another.<sup>661</sup>

SGGA issued and received responses to a request for proposals for evaluating data and reserve estimates for seven Sheberghan gas fields; helped train Afghanistan Petroleum Authority staff on drilling contract payment processes; and briefed the authority's leadership on critical drilling program administrative matter.<sup>662</sup> In November, SGGA reported that the MOMP continued to demonstrate an inability and unwillingness to make petroleum operation-related decisions. For example, the ministry refused to remove a well from a drilling contract and appointed a committee to study the matter, even though the same study had already been conducted by the Afghanistan Petroleum Authority and USAID had already rescinded funding. The delay in the ministry's decision to cancel a second well also far exceeded commercial industry norms.<sup>663</sup>

## AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population, accounting for about 25% of GDP, employing more than 50% of the labor force, and affecting 75% of Afghans who depend

on agricultural activities for their livelihoods.<sup>664</sup> USAID believes agriculture can stimulate and sustain Afghan-led economic growth. USAID's agricultural projects focus on wheat, high-value horticultural crops, and livestock, and aim to help farmers improve their output and sales through new technology, management practices, and the cultivation of key high-value crops, while also focusing on improving natural-resource management, and creating or rehabilitating irrigation and drainage systems.<sup>665</sup>

USAID is implementing two projects previously under the auspices of the U.S. Department of Agriculture that are aimed at strengthening the capacity of the Ministry of Agriculture, Irrigation, and Livestock (MAIL): (1) The Afghan Agricultural Extension Program, which has established 268 farmer field schools and trained more than 1,300 government staff; and (2) the Capacity Building and Change Management Program, which has already placed specialists at 14 of MAIL's provincial-level affiliates, conducted monitoring and evaluation training, and helped coordinate between the various donor programs.<sup>666</sup>

Since 2002, USAID has disbursed nearly \$2.0 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy.<sup>667</sup> Pages 98–103 of this quarterly report discuss USAID's alternative-development programs. A list of all active USAID agriculture programs is found in Table 3.23.



**An Afghan family** stands in their vineyard, trellised with U.S. aid. (USAID/CHAMP photo)

## Agricultural Economic Activity in Regional Economic Zones

Economic activity in southern Afghanistan is dependent on the security situation on the ground. USAID said economic activity in Kandahar is growing, with grapes and pomegranates particularly promising. Wheat is still a major economic activity in Helmand even though security has deteriorated there. USAID agriculture programs are working to improve business ties between Helmand wheat producers and buyers, particularly in Kandahar, a net consumer of wheat. Programs in Zabul are focusing on figs and stone fruits, but in Uruzgan—potentially the least secure of the four provinces—agricultural economic activity is more constrained but projects continue to support orchard and vegetable crops, as well as wheat and livestock.<sup>668</sup> In FY 2016, USAID programming will focus on almonds in targeted districts in Uruzgan.<sup>669</sup>

Economic activity in the northern economic zone, paralleling Highway 1, particularly in the Mazar-e Sharif area, is increasing, according to USAID. However, the economic zone following the road through Baghlan and Kunduz Provinces to Tajikistan is experiencing a slowdown in economic activity due to the heightened insecurity in the region.<sup>670</sup>

## Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project is the technical-assistance/advisory support component of the conditions-based Agricultural

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.23

<b>USAID ACTIVE AGRICULTURE PROGRAMS</b>				
<b>Project Title</b>	<b>Start Date</b>	<b>End Date</b>	<b>Total Estimated Cost (\$)</b>	<b>Cumulative Disbursements, as of 12/31/2015 (\$)</b>
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	\$19,814,702	\$6,831,775
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	1,586,787
Capacity Building and Change Management Program II (CBCMP II)	7/10/2014	7/9/2017	19,999,989	9,565,518
Famine Early Warning System Network (FEWSNET) Phase III	12/29/2011	12/28/2016	7,492,739	3,420,553
Strengthening Afghan Agricultural Faculties (SAAF)	3/25/2011	12/31/2016	7,824,209	6,560,129
Mothers and Under-Five Nutrition and Child Health (MUNCH)	12/16/2014	12/31/2016	5,000,000	5,000,000
SERVIR	9/14/2015	9/30/2020	3,600,000	0
Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	125,075,172	45,241,343
Regional Agriculture Development Program (RADP)-West	8/10/2014	8/9/2019	69,973,376	14,038,692
Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	13,710,191

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see Table 3.12 on p. 99 of this report.

Source: USAID, response to SIGAR data call, 1/11/2016.

Development Fund (ADF) that was transitioned to MAIL in December 2014. The USAID-ADF grant to the MAIL extends agriculture-related credit access to small- and medium-sized farms and agribusinesses in all regional economic zones, particularly to those who add value to agricultural products such as distributors, producers, processors, and exporters.<sup>671</sup>

ACE II support was modified in November 2015 to help the ADF achieve operational sustainability—operating income that is sufficient to cover operational expenses—within three years. An activity manager was hired to help monitor the ACE II program.<sup>672</sup> ACE II will continue its other support to ADF by encouraging other financial intermediaries—banks, farm stores, leasing companies, and food processors—to enter into agriculture-related finance.<sup>673</sup>

This quarter, USAID reported that with ACE help, ADF has cumulatively provided around \$67 million: \$21.8 million in loans to farmers in the north, \$15 million in the central region, \$14.1 million in the east, \$4.1 million in the south, and \$13 million in the west.<sup>674</sup>

## ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase the electricity supply, 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 these essential services.

## Power Supply

Afghanistan has one of the lowest rates of electrification in the world, with an estimated 25–33% of Afghans connected to the power grid.<sup>675</sup> Most parts of urban areas like Kabul, Herat, Kandahar, and Mazar-e Sharif have 24-hour power, although power outages are common, but only 10% of the rural population have access to grid-connected power.<sup>676</sup>

Afghanistan imports approximately 81% of its total electricity.<sup>677</sup> Electricity imports are expected to rise in the near term, according to the World Bank, which also noted that limited access to electricity is one of Afghanistan’s biggest constraints to private-sector development.<sup>678</sup> Afghanistan will need regional cooperation to meet its energy demands.<sup>679</sup>

## Regional Energy Initiatives

On December 13, 2015, Turkmenistan, Afghanistan, Pakistan, and Indian leaders attended a ground-breaking ceremony for the development of the Galkynysh gas field that will eventually feed the \$9 billion, 1,127-mile natural gas Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline.<sup>680</sup> The pipeline, as shown in Figure 3.31, will transport up to 33 billion cubic meters of natural gas per year from Turkmenistan to these other countries. Afghanistan will collect a transit fee from those countries for the gas passing

FIGURE 3.31

### PROPOSED TURKMENISTAN-AFGHANISTAN-PAKISTAN-INDIA (TAPI) PIPELINE



Source: U.S. Energy Information Administration, *Overview of Oil and Natural Gas in the Caspian Sea Region*, 8/26/2013, p. 24; Council on Foreign Relations, *Building The New Silk Road*, 5/25/2015, p. 3.

through its territory.<sup>681</sup> The Minister of Mines told parliament that a 7,000 member security force will guard the pipeline during construction.<sup>682</sup>

Afghanistan, through the Afghanistan-Tajikistan-Kyrgyzstan-Pakistan, Central Asia-South Asia Electricity Transmission and Trade project (CASA-1000) will receive up to 300 MW of generation capacity from Tajikistan and Kyrgyzstan, and will collect transit-fee revenue from electricity delivered to Pakistan.<sup>683</sup> CASA-1000 is behind schedule. All main project agreements have been signed, procurement for major infrastructure is advancing, and a feasibility study is complete. However, construction contracts were not signed by a June 30, 2015, deadline, and a revised target date was set for April 2016. Construction is reportedly to begin in May 2016 with electricity distribution starting in 2018.<sup>684</sup>

Another regional energy initiative involving Afghanistan is the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan (TUTAP) transmission line that will enable power to be dispatched from Turkmenistan to Pakistan through Afghanistan.<sup>685</sup> This quarter, the Afghan government proposed pausing TUTAP to review the proposed route to better benefit the country's central provinces.<sup>686</sup> TUTAP is financed by the ADB and the ADB-administered Afghanistan Infrastructure Trust Fund, to which USAID contributes. Work is scheduled to be completed in 2020. Even with CASA-1000- and TUTAP-generated power, the Afghan government said it will still face an energy deficit.<sup>687</sup>

## U.S. Power Sector Assistance

Since 2002, USAID obligated more than \$2.7 billion to build generators, substations, and transmission lines, and provide technical assistance in the sector.<sup>688</sup> USAID believes that economic expansion and increased employment depends on maintaining and improving Afghanistan's electrical infrastructure. It is helping Afghanistan's national electric utility, Da Afghanistan Breshna Sherkat (DABS), to increase electricity supply and revenue generation by improving sustainability, management, and commercial viability.<sup>689</sup> For its part, 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.<sup>690</sup>

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. USAID projects to connect and increase the electricity supply in both systems include: (1) the Power Transmission Expansion and Connectivity (PTEC) project to construct a transmission line connecting Kabul with Kandahar and build the capacity of DABS to sustain energy-infrastructure investments; (2) the Sheberghan Gas Development Project to attract private investment to develop gas resources in Sheberghan and build power plants; and (3) the now-concluded Kandahar-Helmand Power Project, which was intended

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**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.

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Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 11/2013, p. 107.

to include installation of a third turbine at Kajaki Dam and improving the transmission system connecting Kajaki with Kandahar, but that responsibility was transitioned to DABS in 2013.<sup>691</sup> USAID's active power-infrastructure projects are listed in Table 3.24.

## Kandahar-Helmand Power Project

On December 30, 2015, USAID concluded the last subcomponent of the five-year, \$229 million Kandahar-Helmand Power Project. The subcomponent provided technical support to DABS in its efforts to increase long-term, sustainable hydropower from Kajaki Dam to Kandahar and Helmand Provinces by installing a third turbine, known as Unit 2, in the powerhouse.<sup>692</sup> USAID transferred responsibility for installing, testing, and commissioning the third turbine to DABS, along with a \$75 million commitment, in April 2013.<sup>693</sup> As of December 31, 2015, \$38 million has been disbursed.<sup>694</sup>

Turbine-installation efforts were interrupted this quarter. Fighting and security concerns caused Kajaki Dam contractors to be evacuated in September 2015. A limited number returned on November 20 to resume critical activities, but full remobilization awaits authorization from the U.S. ambassador.<sup>695</sup> DOD said ongoing fighting in Kandahar and Helmand Provinces continued to challenge contractors at Kajaki Dam and SEPS construction sites between Tangi and Sangin. Insurgent activity this quarter continued to cause road closures along Route 611—the road between Sangin and Kajaki—delaying delivery of construction materials and possibly affecting project completion schedules.<sup>696</sup> Work on the project will continue without USAID support. The turbine-installation completion date was revised to fall 2016, but is subject to change depending on the timeline for full remobilization of staff and possible actions to accelerate work.<sup>697</sup>

## Power Transmission Expansion and Connectivity Program

The U.S.-funded PTEC program was designed to strengthen and expand Afghanistan's power-generation, transmission, and distribution systems, including funding the 320-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS.<sup>698</sup> PTEC's DABS commercialization and capacity-building components aim to increase revenues using utility management software in Kabul, Mazar-e Sharif, Herat, and Jalalabad, while reducing technical and commercial losses through training and support.<sup>699</sup>

Construction has started on the transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, which USAID sees as essential for power-sector development. USAID said the contractor is making progress to overcome security-related delays with construction scheduled to be completed in December 2016. To date, \$66.4 million has been disbursed to PTEC contractors for this segment.<sup>700</sup>

USAID is providing \$179.5 million in direct assistance to DABS in support of the second segment of the NEPS-SEPS connector, Ghazni to

TABLE 3.24

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Power Transmission Expansion and Connectivity	1/1/2013	12/31/2018	\$670,000,000	\$66,354,254
Contributions to the Afghanistan Infrastructure Trust Fund	3/7/2013	3/6/2018	113,670,184	105,000,000
Kajaki Dam Unit 2	4/22/2013	12/31/2015	75,000,000	38,078,735
Public Awareness Campaign to Increase Afghans' Knowledge of Energy Development Programs	2/1/2014	1/31/2016	1,789,224	1,730,435
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555
Afghan Engineering Support Program	11/9/2009	11/8/2016	97,000,000	70,425,219
PEER Grants	7/25/2011	7/24/2016	5,440,647	5,440,647
TBD (Unknown)	8/24/2015	8/24/2017	3,994,902	279,760

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 pp. 148–149 of this report.

Source: USAID, response to SIGAR data call, 1/11/2016.

Kandahar. DABS issued two requests for proposals to construct one transmission line and five substations; bids are being evaluated and signed contracts are scheduled for May 2016. USAID said security will be a major challenge to implementing this project.<sup>701</sup>

USAID reported that power generation in Shorandam Industrial Park, one of two industrial parks in Kandahar City that received a combined \$141 million in U.S. fuel subsidies for their diesel generators, dropped to 1.5 MW output, on average, per eight-hour day.<sup>702</sup>

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; the diesel generators in Kandahar City have a combined average capacity of 8–13 MW.<sup>703</sup> USAID reported that DABS accepted a power-purchase agreement and tariff rate ceiling, and the construction of an 11.2-mile overhead transmission line connecting the solar plant to the distribution substation. The MOF transferred 60 acres of land to DABS for this effort.<sup>704</sup>

## Afghanistan Infrastructure Fund Power Programs

AIF projects were initiated to support critical counterinsurgency and economic development objectives in Afghanistan. Although DOD's mission has since evolved to advising and assisting Afghan security forces and ministries, as well as counterterrorism operations, it is also focused on completing AIF projects.<sup>705</sup>

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.25

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF DECEMBER 9, 2015 (\$ MILLIONS)						
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status	
AIF FY 2011	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	40.5	39.1	39.1	Complete
	SEPS - Kajaki Dam-Lashkar Gah	Repair, install transmission lines and rebuild, construct power substations	130.0	66.4	51.1	Terminated due to security cost increase
	NEPS - SEPS Connector, Arghandi to Ghazni	Design, construct transmission line and substation (first segment of NEPS-SEPS connection) USAID: PTEC	101.0	101.0	45.0	Under construction (transmission line completion extended one year to December 2017; substation, 17 months to June 2018)
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line and power substation	93.7	50.3	13.8	* Transmission line under construction (completion and occupancy dates extended 9 and 7 months, respectively to 12/2016); substation design under review
AIF FY 2012	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	67.0	64.7	64.7	Complete
	SEPS - Maiwand to Durai Junction - Phase 2	Design, construct transmission line, rebuild and construct substations	40.0	28.7	8.1	* Under construction (completion and occupancy dates extended to 9 and 10 months respectively, July, August 2016)
	NEPS - Pul-e Alam to Gardez - Phase 2	Design, construct transmission line and power substation	77.5	69.9	44.2	** Transmission line under construction; substation in design (completion and occupancy dates extended 9 months 10/2016 and 12/2016, respectively)
	NEPS - Charikar to Gul Bahar and Nejrab - Phase 3	Design, construct transmission lines and power substation	42.5	38.8	18.2	** Transmission line under construction; substation design under review (completion and occupancy dates extended 9 months 10/2016 and 12/2016, respectively)
AIF FY 2013	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	37.0	34.0	34.0	Complete
	NEPS - Charikar to Gul Bahar and Nejrab - Phase 3	Design, construct transmission lines and power substation	33.0	25.2	18.4	Transmission line under construction; substation design under review
	SEPS Completion - Phase 1	Design, construct, and rehabilitate substations in Tangi, Sangin North and South	15.0	62.9	37.6	Under construction (ongoing delays); security challenges
		Design, construct transmission lines from Sangin North to Lashkar Gah	60.0			* Design approved; under construction (completion and occupancy dates extended six months to 12/2016)
NEPS - SEPS Connector, Ghazni to Kandahar	Design, construct transmission line and substations. Final Phase of NEPS-SEPS connector. USAID: PTEC	179.5	179.5	0.0	Bids under evaluation by DABS; expected award: 5/2016	
AIF FY 2014	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	4.0	3.9	3.7	Complete
	SEPS Completion - Phase 2	Design, construct transmission line, and install equipment and commission substations	55.0	55.0	0.0	Transferred to USAID; expected award: 5/2016.
	NEPS - Gardez to Khowst - Phase 4	Design, construct transmission line and substation. DOD's final contribution to NEPS.	130.0	119.0	0.4	Demining complete; security, quality control, work safety, and design schedule plans approved; demining certifications, accident prevention, and activity hazard plans under review

Note: All AIF power projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national electric utility. Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 11/30/2015. All other information is as of 12/9/2015.

\* Occupancy schedule extensions caused by the Ministry of Energy and Water's longer than expected right-of-way approval process, due in part, to the replacement of key ministry officials.

\*\* Occupancy schedule extensions caused by the relocation of two planned electrical substations to more suitable locations.

Source: DOD, response to SIGAR data call, 12/28/2015.

U.S. Forces-Afghanistan have completed 11 AIF power and road projects so far. This quarter, fighting in Kandahar and Helmand Provinces, as well as bureaucratic delays working with the Ministry of Energy and Water, continue to challenge AIF contractors and project completion schedules. However, DOD remained focused on implementing power projects to complete its portion of the NEPS and SEPS using FY 2011–FY 2014 AIF money as shown in Table 3.25.<sup>706</sup> No FY 2015 or FY 2016 AIF funds were requested or appropriated, but up to \$50 million from the FY 2016 Afghanistan Security Forces Fund may be used under limited circumstances to help finish existing AIF projects.<sup>707</sup>

## Afghanistan's Capacity to Sustain Power Projects

DABS and other government entities will be responsible for sustaining NEPS-SEPS power projects, including operations and maintenance (O&M) costs once they are completed and turned over to the government. SIGAR has raised questions about DABS's capacity and said Afghanistan lacks the resources necessary—financial and otherwise—to pay for O&M.<sup>708</sup>

DOD has notified Congress that increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment of infrastructure.<sup>709</sup> USAID said DABS's revenues have increased over the last three years, allowing it to pay for more of its operating expenses, although nonrecurring major capital-infrastructure expenses are still mainly funded by donors.<sup>710</sup>

A World Bank report cautioned that even though DABS, with donor assistance, has been able to reduce some commercial losses and improve revenue collections, its commercial and technical (distribution) losses “remain significant.” The report added that DABS cannot raise or expect donors to provide the capital necessary to meet Afghanistan's energy infrastructure requirements.<sup>711</sup>

## TRANSPORTATION

Afghanistan's lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said Afghanistan's transportation-infrastructure shortcomings constrain the service and agriculture sectors, which have typically been the leading drivers of the economy. It also holds back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining international aid.<sup>712</sup>

This quarter, the Afghan government announced plans to procure a feasibility study on expanding its northern rail network.<sup>713</sup> Only one completed freight rail line currently exists—a 47-mile (75 km) line from Hairatan, on the border with Uzbekistan, to Mazar-e Sharif.<sup>714</sup> State said developing Afghanistan's railways remains a critical priority, but the security

### SIGAR AUDIT

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

TABLE 3.26

USAID ACTIVE ROAD-CONSTRUCTION AND OPERATIONS-AND-MAINTENANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Technical Assistance to Ministry of Public Works	8/3/2014	8/2/2017	\$25,486,058	\$9,884,674
Gardez to Khowst Road, Phase IV	6/26/2014	12/31/2015	32,960,265	31,988,789
Salang Tunnel Maintenance	4/1/2013	3/30/2016	3,533,350	3,036,653
Engineering, Quality Assurance, and Logistical Support (EQUALS)	4/18/2011	4/17/2016	126,307,645	115,189,627
Support for USAID's Construction of Health and Education Facilities Program	1/19/2008	12/31/2015	57,160,749	56,465,885
Emergency Road O&M	12/1/2015	11/30/2016	5,000,000	778,000

Source: USAID, response to SIGAR data call, 1/11/2016; USAID, response to SIGAR vetting, 1/14/2016.

environment is a major obstacle to investors. Turkmenistan has made significant progress on their portion of the rail link between it, Afghanistan, and Tajikistan. Since Afghanistan has not yet begun constructing its portion, international financial institutions have put funding on hold.<sup>715</sup>

Meanwhile, 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.<sup>716</sup>

## Roads

The United States has provided approximately \$2.1 billion cumulatively for road construction and O&M, and will spend up to \$5 million this year for additional O&M.<sup>717</sup> Yet the World Bank has said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.<sup>718</sup> 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.<sup>719</sup> USAID's active road construction and O&M programs are listed in Table 3.26.

### Afghanistan Infrastructure Fund Road Projects

DOD has obligated \$62.3 million and disbursed \$56.2 million for five road projects under the AIF, as of November 30, 2015. Some of these projects had multiple phases, three of which—Saracha Bridge, Parwan to Bamiyan Road, and the Ghulam Khan Transportation Corridor—were completed this quarter, as shown in Table 3.27.<sup>720</sup>

### Gardez-Khowst Road Rehabilitation Phase IV

The final phase of USAID's only active road construction project—a \$233 million, 63-mile, asphalt-paved highway—concluded on December 31, 2015.<sup>721</sup> The Gardez-Khowst road gives Khowst and Paktiya Provinces access to major trading routes to Pakistan, to Kabul, and to the Ring Road

## SIGAR AUDIT

An ongoing SIGAR audit is reviewing U.S. efforts to sustain roads and strengthen the Afghan government's ability to perform road maintenance.

TABLE 3.27

AFGHANISTAN INFRASTRUCTURE FUND ROAD PROJECTS, AS OF DECEMBER 9, 2015 (\$ MILLIONS)							
AIF Project	Description		Notified Amount	Obligated	Disbursed	Status	
AIF FY 2011	Lashkar Gah to Nawar Road	Design, construct 22.5 km road	\$22.0	\$20.5	\$20.5	Complete	
	RC-East Border Transportation Corridor	Saracha Bridge	Design, construct 0.16 km bridge over Chaparhar River, along Hwy 7 in Nangahar Province	8.0	6.8	6.2	Construction complete
Ghulam Khan Corridor		Design, construct 24.1 km road, four bridges, culverts, switchback repairs in Khowst Province	27.6	12.7	12.3*	Complete	
AIF FY 2012	Parwan to Bamyan Road - Section 6	Section 6.1	Design, construct 7 km road of Salang bypass in Bamyan Province	3.0	3.0	3.0	Complete
		Section 6.2	Design, construct 11 km road of Salang bypass in Parwan Province	7.0	7.0	7.0	Complete
	Dahla Dam Phase 2 - Site Preparation (Route Bear Road)	Realign 4.7 km road along NW shore of Dahla Dam	11.2	7.2	7.2	Complete	
AIF FY 2013	Ghulam Khan Corridor - Phase 2	Design, construct remaining 7 km road to Khowst city and one bridge to complete Ghulam Khan Transportation Corridor	10.0	5.1	0.0	Submittals approved: demining, community relations, quality control, area use, security plan, geo-tech investigation; submittal under review: baseline schedule	

Note: Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 11/30/2015. All other information is as of 12/9/2015.  
 \* The contract amount for the Ghulam Khan Transportation Corridor increased \$310,000 to repair a causeway section that was damaged by flooding.

Source: DOD, response to SIGAR data call, 12/28/2015.

connecting Kabul, Kandahar, and Herat. It includes bridges, causeways, drainage structures, excavation, “river training” structures to control flow and sedimentation, and asphalt pavement.<sup>722</sup>

### Salang Tunnel Maintenance

Built in 1962 by the Soviet Union, the Salang Corridor is the only road route between Kabul and northern Afghanistan. It includes the 1.6 mile Salang Tunnel, 21 snow-discharge tunnels (to protect against avalanches and heavy snow), and 52 miles of paved road. It is heavily trafficked and is in “atrocious condition with poor driving surfaces, drainage, lighting, and ventilation.” USAID said the corridor is a strategic-priority access route for the retrograde of material from Afghanistan, and “keeping it passable is vital to the security of Afghanistan and U.S. operations.” Therefore, USAID assistance focuses on stop-gap measures until a viable alternative road route between Kabul and northern Afghanistan can be found; on responses to crisis situations—avalanches, landslides, and structural failures that block the Salang Corridor; and on capacity building to help the Ministry of Public Works operate and maintain the corridor.<sup>723</sup>

In October 2015, the Salang Highway Repair and Maintenance (Salang Tunnel Maintenance) program conducted road repairs—asphalt excavation, surfacing, binding, and coating—and constructed a new retaining wall.<sup>724</sup> USAID’s Engineering, Quality Assurance, and Logistical Support also conducted 26 quality and work-progress-monitoring site inspections, and worked with the contractor to ensure project specifications were met, and identify and address any deficiencies.<sup>725</sup>

## ECONOMIC GROWTH

This quarter the World Bank ranked Afghanistan 177th of 189 countries in its *Doing Business 2016* report on regulatory quality and efficiency—a six-place improvement from 2015. While Afghanistan ranks high in starting a business (34th), increased registration and publication fees made it more costly to do so. Afghanistan is nearly last in dealing with construction permits (185), getting electricity (156), registering property (184), trading across borders (174), and enforcing contracts (172). It is considered the worst country in protecting minority investors, partly a reflection of the country’s corporate-governance rules and the weakness of its legal institutions.<sup>726</sup>

President Ghani has stressed the need for accountability in carrying out the difficult economic reforms needed for Afghanistan to build a competitive, export-oriented economy, with access to neighboring markets.<sup>727</sup> USAID, which is assisting in this effort, has disbursed more than \$1 billion cumulatively for economic growth programs in Afghanistan.<sup>728</sup> Active programs can be found in Table 3.28.

## Afghanistan Workforce Development Program

USAID’s four-year, \$62.6 million Afghanistan Workforce Development Program (AWDP) aims to increase economic opportunities for 25,000 Afghans (target ratio: 75% men, 25% women) through vocational education and training, business-management training programs, and job-placement services. AWDP also seeks to mitigate high unemployment and address the scarcity of technically skilled Afghan labor. The goal of the program, through on- and off-budget assistance, is to facilitate job creation, develop a skilled and semiskilled workforce, increase self-employment, and promote economic recovery in Afghanistan.<sup>729</sup>

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.<sup>730</sup> As of December 31, 2015, more than 26,000 Afghans had been trained and more than 17,000 either placed in jobs or promoted to mid-career/semi-professional jobs. Training areas ranged from project and financial management to construction, information technology, and

marketing. So far, USAID said 36% of those trained, placed, or promoted were women, exceeding the program's target of 25%. The AWDP disbursed approximately \$29.5 million.<sup>731</sup>

## Financial Access for Investing in the Development of Afghanistan

USAID's \$108.3 million, 66-month Financial Access for Investing in the Development of Afghanistan (FAIDA) program aims to promote an inclusive, diverse, and sustainable financial sector that generates jobs and provides a range of services for micro, small, and medium enterprises. FAIDA helps Afghan partners build capacity to deliver financial services, develop a legal framework and market infrastructure, provide technical assistance to mobile network operators for mobile-money services, and assist Afghan women entrepreneurs with business-development training so they can gain access to financing and opportunities for economic and professional growth.<sup>732</sup>

TABLE 3.28

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Financial Access for Investing in the Development of Afghanistan (FAIDA)	2/7/2011	8/5/2016	\$108,258,374	\$98,727,006
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	11/6/2017	77,754,267	37,997,112
Afghanistan Public Financial Management (APFM)	7/27/2015	7/26/2018	22,130,033	1,021,316
Afghan Women's Leadership in the Economy (AWLE)	7/1/2015	6/30/2020	71,571,543	1,906,692
Turquoise Mountain Smithsonian Exhibition	3/9/2015	12/31/2016	535,055	92,918
IFC PIO Grant - Support of Business Environment Reform	10/15/2010	10/30/2017	4,030,000	4,030,000
AIB Guarantee Agreement	9/27/2012	9/27/2020	2,000,000	190,400
DCA with FINCA OXUS and 1st Microfinance Banks	9/25/2014	9/24/2020	1,953,875	0
Commercial Law Development Program	3/1/2014	9/30/2019	10,000,000	3,434,220
Afghanistan Workforce Development Program (AWDP) On-Budget	9/18/2013	4/3/2016	30,000,000	1,321,456
Afghanistan Workforce Development Program (AWDP) Off-Budget	4/5/2012	4/4/2016	32,647,898	26,219,241
E-Government Resource Center II	8/28/2013	6/1/2016	3,900,000	405,000
Mobile-izing Saving Study	N/A	N/A	50,022	50,022
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	10/16/2016	104,997,656	61,522,734
Strengthening the Revenue Collection Capacity of GIROA	11/30/2014	12/30/2018	4,000,000	4,000,000
Regional Water Management	N/A	N/A	3,750,000	0
Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women	11/2/2015	11/1/2018	4,800,000	0
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	10,074

Source: USAID, response to SIGAR data call, 1/11/2016.

A recent FAIDA evaluation report found mixed progress and results similar to a 2014 USAID Office of the Inspector General audit of the program. Namely, while FAIDA had some achievements, it has not necessarily resulted in the intended outcome of a more sustainable, diverse, and inclusive financial sector. FAIDA only claimed direct credit for creating 1,134 full-time equivalent jobs in four years, judging its interventions in this area as neither effective nor efficient. Even this figure is suspect because the FAIDA-assisted organizations differ in how they calculate full-time jobs.<sup>733</sup>

Additionally, FAIDA trained and provided technical and monetary assistance to financial-sector organizations, but most recipients require continuing engagement and donor support.<sup>734</sup> Twenty-seven percent of loans by volume went to female-owned businesses, but they represented only 7% of loans by amount, showing little improvement from what existed before programming began. USAID said this accurately reflects the reality of gender segregation in Afghanistan, which will take time to improve.

FAIDA spent millions on mobile-money products that were never developed because market demand was too small.<sup>735</sup> For example, a donor pilot program to pay police salaries via mobile money was terminated for lack of use. However, the mobile-money products may yet prove useful. After taking office, President Ghani reestablished mobile-money pilot programs for government salaries, essentially creating market demand for these services.<sup>736</sup> He declared his intent to expand its use nationwide at the London donor conference in December 2014.<sup>737</sup> USAID is supporting the government's effort.<sup>738</sup>

## EDUCATION

Following a June 2015 SIGAR letter to USAID requesting information about the reliability of Afghan-provided data that USAID uses to oversee and fund education programs in Afghanistan, President Ghani ordered an investigation into allegations of corruption within the Ministry of Education (MOE).<sup>739</sup> In August 2015, provincial teams were assigned to collect more reliable figures for 6,000 schools across all 34 provinces. Field work began September 1; data collection was scheduled to be completed by September 20.<sup>740</sup>

On January 2, 2016, Tolo News reported the following alleged results of the investigation:<sup>741</sup>

- Millions of dollars have been embezzled.
- Data on nonexistent “ghost” schools provided by MOE departments to investigators were inconsistent and underreported.
- Thousands of “ghost” teachers were included in the official rolls.
- “Ghost” training seminars were conducted in some provinces.
- Houses were rented for schools at great expense.

- Discrepancies existed in student education, registration, and attendance records.
- More than 1,000 MOE projects reported as completed were not.
- Several advisors had received \$15,000/month salaries.
- Between 2013 and 2015, 340 people were paid an average \$98,000 per year (\$100 million total).

On January 4, 2016, USAID attended a meeting with President Ghani to discuss the investigation's preliminary findings. USAID said President Ghani outlined specific organizational and management reforms, such as introducing a national electronic payment system and a national public corruption council to minimize fraud and corruption. The final investigation report had not been made public as this report went to press.<sup>742</sup>

## Ministry of Education Data

According to the Education Management Information System (EMIS), Afghanistan reportedly has 15,030 general education (government) schools, including 639 inactive schools, with 8.6 million students enrolled.<sup>743</sup> The number of enrolled students is the sum of present and absent students.<sup>744</sup> The MOE counts students who have been absent for up to three years as enrolled because it says they might return to school.<sup>745</sup>

**The United Nations Children's Fund (UNICEF) reported that 42.7% (about 4.2 million) of Afghanistan's primary-school-age children are not enrolled in school or had left before completing their studies.**

Source: UNICEF, *Educate All Girls and Boys in South Asia*, 8/2015.

## Challenges within Afghanistan's Education System

Minister Balkhi told parliament in May 2015 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. He also confirmed that some nonexistent schools receive funding in insecure areas and that EMIS data on the number of functioning schools are imprecise.<sup>746</sup> USAID said barriers to collecting information on the number of open and closed schools (temporarily or permanently), and teacher and student attendance, cause inaccuracies in the EMIS data.<sup>747</sup>

In June 2015, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee reported that efforts to improve teaching quality were being subverted by a recruitment system that is highly vulnerable to corruption, and that Afghan students' educations were being "significantly undermined by bribery and nepotism." Moreover, it said that "ghost" teachers have been a long-standing problem, and in most cases student attendance sheets are not filled out or are frequently forged.<sup>748</sup>

Minister of Education Balkhi pledged to improve data quality and the MOE started its own assessment, hiring a third-party monitoring firm to verify a sample of EMIS data.<sup>749</sup> The report was to be shared with donors in December 2015, but no additional information was available when this report went to press.<sup>750</sup> USAID is working with, and sees progress in, the MOE's monitoring efforts.<sup>751</sup>

State said that in recent meetings, Minister Balkhi reemphasized his commitment to increasing transparency within the MOE, rooting out corruption, and curtailing the misuse of funds. Afghan law allows teacher salaries to be paid for 12 months during temporary school closures. Minister Balkhi advised Parliament that it should revisit this policy, suggesting that salaries either be immediately stopped the moment a school closes, or that salaries be reduced 50% for the duration of the closure. He is also exploring the possibility of paying teachers' salaries via mobile device in order to better track payments.<sup>752</sup>

## USAID Programs

USAID aims to improve equitable access to quality education in Afghanistan—through community-based classes in remote regions—as well as provide relevant, in-demand technical skills to better prepare Afghans for employment. Its programs focus on early-grade reading, raising literacy rates through training and coaching teachers and educators, as well as providing textbooks and other learning material.<sup>753</sup> USAID had disbursed more than \$794 million for education programs in Afghanistan, as of December 31, 2015.<sup>754</sup>

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:

- **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. A 20-month national reading assessment of 2nd and 4th grade students was awarded on July 27, 2015. Additionally, 1.2 million textbooks and other reading materials were distributed nationwide in FY 2015, covering the entire primary school student population.<sup>755</sup>
- **American University of Afghanistan (AUAF):** in FY 2015, 4,578 students were enrolled (2,882 male and 1,696 female) in U.S.-supported degree programs. AUAF also reached 40% female enrollment for the first time during the fall 2015 semester. USAID reported that 371 undergraduate and 385 graduate degrees have been issued, as of August 2015.<sup>756</sup>
- **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. This quarter, USWDP supported a partnership agreement with Ball State University to start new MBA/BBA degrees at Kabul University; letters of agreement were signed for MBA and marketing associate degree programs at Nangarhar University, and an accounting associate degree program at Balkh University; degree policy

TABLE 3.29

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Afghanistan's Global Partnership for Education	10/11/2012	3/31/2016	\$3,108,580	\$1,922,955
Support to American University of Afghanistan	8/1/2013	7/31/2018	40,000,000	18,374,246
Strengthening Education in Afghanistan (SEA II)	5/19/2014	5/18/2019	29,835,920	6,221,775
PROMOTE Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	7,262,016	1,520,431
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	91,927,769	21,511,702
Increasing Access to Basic Education and Gender Equality	9/17/2014	12/31/2019	77,402,457	54,027,000
Basic Education, Learning, and Training (BELT) Textbooks	11/16/2011	12/31/2015	26,996,813	24,970,742
Early Grade Reading Survey	7/27/2015	3/27/2017	12,487,469	590,293
BELT/All Children Reading and Improved Access	7/27/2015	3/27/2017	427,585	202,124

Source: USAID, response to SIGAR data call, 1/11/2016; USAID, OED, response to SIGAR vetting, 7/12/2015.

documents for several universities were either in progress or completed; and trainings/workshops took place at several targeted universities.<sup>757</sup>

- **Community Based Education:** provides access to basic, primary education (grades 1–6) in 13 provinces, where no formal or boys-only schooling exists, or where other constraints prevent children from attending formal classrooms. As of December 2015, 903 community-based classes and 71 accelerated learning centers have been established providing access to more than 45,800 boys and girls.<sup>758</sup>
- **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.<sup>759</sup>

A full list of USAID's active education programs can be found in Table 3.29.

## HEALTH

Afghanistan has registered improvements in its health indicators since 2002, though it remains below average among low-income countries. Afghanistan's public health is beset by many challenges—tuberculosis, polio, poor maternal health, and one of the world's highest levels of child malnutrition, according to the World Bank.<sup>760</sup>

Insecurity for aid and development workers is also a strain on effective health delivery services to the population, according to the Agency Coordinating Body for Afghan Relief & Development—an advocacy organization working in Afghanistan comprising 135 national and international

**A monitoring report of textbooks distributed by the MOE in Badghis, Farah, Ghor, and Herat provinces through the USAID-funded BELT program found: 67% of visited schools received textbooks the MOE reported sending. Schools in Ghor fared the worst with only 35% of visited schools receiving textbooks, compared to 93% in Badghis, 88% in Farah, and 84% in Herat. Most schools reported textbook shortages, incomplete orders, and not receiving books for certain grades and subjects. Challenges to monitoring included school principal/administrator absenteeism, inaccurate records, lack of infrastructure (making certain schools difficult to locate), access to remote areas, and security.**

Source: USAID, *Final Report, Textbook Distribution Verification of the Basic Education, Literacy, and Technical-Vocational Education and Training Program, Short-Term Objective Monitoring in Regional Platform-West*, 8/2015.

## 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.

**BPHS:** provides primary health-care services—such as immunizations and prenatal care—at small and rural health clinics and forms the core of health service delivery for all primary care facilities in Afghanistan.

**EPHS:** outlines the medical services each type of hospital in the Afghan health-care system should provide in terms of general services, staff, equipment, diagnostic services, and medications while promoting a health referral system that integrates the BPHS with hospitals.

Source: SIGAR, *Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not be Sustainable and Existing Hospitals are Facing Shortages in Some Key Medical Positions*, Audit Report 13-9, 4/2013, p. 1.

nongovernmental organizations. The agency said Afghanistan has more major attacks on aid workers than all other countries except Somalia and Syria.<sup>761</sup>

## USAID Funding and Health Programs

U.S. health-sector programs aim to preserve and enhance gains made since 2002. USAID assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities to strengthen the ministry's management and control over health-care delivery across Afghanistan.<sup>762</sup>

U.S. on- and off-budget assistance to Afghanistan's health sector totaled nearly \$1 billion, as of December 31, 2015.<sup>763</sup> 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.<sup>764</sup>

USAID believes that the MOPH's ability to deliver quality health care through the **Basic Package of Health Services (BPHS)** and **Essential Package of Hospital Services (EPHS)**—the cornerstone of health service delivery in Afghanistan—is critical to improve health outcomes. Between 2015 and 2018, USAID will aim to further improve health services, outcomes, and access for women, infants, and children.<sup>765</sup> USAID's active health programs have a total estimated cost of \$525 million, and are listed in Table 3.30.

USAID's five-year, \$40 million Health Sector Resiliency (HSR) Project began in September 2015. HSR will assist the MOPH to strengthen its governance, finance, and human-resource capacities during this transition period of declining international military and donor assistance. HSR will act as a technical advisor to the ministry as it considers and implements critical sector-wide reforms to make Afghanistan's health system more efficient, sustainable and self-reliant.<sup>766</sup>

## Polio

Afghanistan is one of two nations in the world that still has incidence of wild (occurring in nature as distinct from human-borne) polio virus.<sup>767</sup> As of December 5, 2015, 17 new cases were reported in Afghanistan, a decrease from 28 from the same period last year.<sup>768</sup> The Global Polio Eradication Initiative (GPEI), a public and private-funded effort supported, in part, by USAID and the World Health Organization, stated that in May 2015 "500,000 children under the age of five [in Afghanistan] remain unvaccinated."<sup>769</sup>

A report from the Independent Monitoring Board of the GPEI found that 62% of children in the southern areas of Afghanistan are said to be unavailable when vaccination teams call. For another 17%, the parents refuse the vaccination, and 5% of the time the vaccination team did not show up. The

TABLE 3.30

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2015 (\$)
Strengthening Pharmaceutical System	8/28/2011	7/10/2017	\$34,399,936	\$23,955,510
Challenge Tuberculosis	1/1/2015	12/31/2020	15,000,000	2,546,790
Partnership Contracts for Health (PCH)	7/20/2008	12/31/2015	259,663,247	233,127,964
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,408,826
Disease Early Warning System (DEWS Plus)	9/30/1996	9/30/2022	32,728,000	16,287,035
Family Planning and Assessment	5/16/2015	5/15/2016	634,833	634,833
Health Sector Resiliency (HRS)	9/28/2015	9/27/2020	40,000,000	386,740
Demographic and Health Surveys	9/9/2013	9/8/2018	5,453,731	1,000,000
Leadership Management and Governance (LMG)	9/25/2012	12/31/2015	38,341,106	37,674,506
Regional Fortification in the Central Asian Republics and Afghanistan	9/29/2014	9/29/2016	9,722,000	9,722,000
Enhance Community Access, Use of Zinc, ORS for Management of Childhood Diarrhea	7/21/2015	7/7/2020	15,002,610	4,400,000
Helping Mother and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	5,618,825
Basic Package for Health Service (BPHS)	9/17/2015	12/31/2017	8,000,000	0

Note: The Regional Fortification in the Central Asian Republics and Afghanistan project aims to increase iron, zinc, folic acid, and vitamin A nutrient intake by 20% through distribution of fortified wheat and edible oil.

Source: USAID, response to SIGAR data call, 1/11/2016; Global Alliance for Improved Nutrition, "Regional Fortification in the Central Asian Republics," accessed 1/15/2016.

Monitoring Board stated that Afghanistan's "security situation cannot be used as an excuse for poor performance—where access is available, it is too often being let down by poor supplementary immunization activity quality."<sup>770</sup> The World Health Organization agreed, reporting "operational deficits in accessible areas."<sup>771</sup> USAID works closely with the GPEI by providing disease surveillance, financial support and technical leadership.<sup>772</sup>

## Tuberculosis

Afghanistan is one of 22 countries with the highest burden (incidence, prevalence, and mortality) of tuberculosis in the world.<sup>773</sup> While tuberculosis treatment has improved, the World Bank said the incidence of new cases has remained constant in Afghanistan for the last 20 years.<sup>774</sup> Every year, an estimated 14,000 Afghans die from this disease.<sup>775</sup>

USAID's, six-year, \$15 million Challenge Tuberculosis program plans to:<sup>776</sup>

- strengthen leadership and management for tuberculosis control
- increase tuberculosis notification
- strengthen health systems to minimize the gap in tuberculosis notification

## SIGAR SPECIAL PROJECTS

SIGAR presented its findings this quarter after conducting 32 site inspections of USAID-supported health facilities in Kabul Province. SIGAR found substantial inaccuracies in the geospatial coordinates USAID provided and observed that not all had access to electricity and running water. This is the second in a series of health-facility inspections SIGAR is conducting in provinces throughout Afghanistan. In October 2015, SIGAR released its findings of 23 site inspections in Herat Province. For more information, see Section 2, pp. 32–33.

**USAID is funding 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. Survey results will be compiled according to international standards and be comparable to results collected in other countries. Weather and security-related issues in certain target communities have delayed data collection and completion timelines.**

Source: USAID, OHN, response to SIGAR data calls, 9/23/2015 and 12/28/2015; USAID, OSSD, response to SIGAR data call, 6/25/2015; USAID, response to SIGAR vetting, 4/12/2015 and 1/14/2016.

- implement tuberculosis infection control to reduce the risk of transmission in health care facilities
- strengthen monitoring, evaluation, and operational research

USAID has obligated approximately \$11.1 million for tuberculosis-related programs in Afghanistan, as of December 31, 2015.<sup>777</sup>

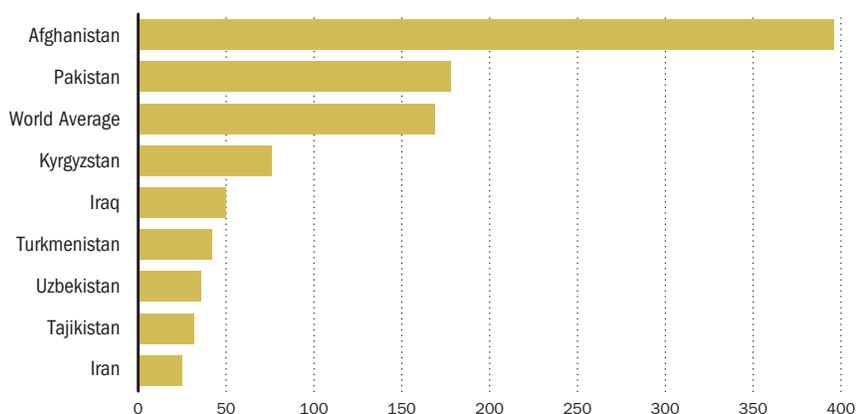
## Maternal Health

USAID has obligated \$317.9 million for maternal-health and family-planning programs in Afghanistan, as of December 31, 2015.<sup>778</sup> USAID's most recent project, Helping Mothers and Children Thrive (HEMAYAT), aims to increase access to and utilization of family planning and maternal health services through BPHS and also strengthen referral systems to hospitals through EPHS. This past year, HEMAYAT hosted a national workshop for improved family planning and birth spacing services, and held a series of trainings for project staff on family planning requirements.<sup>779</sup>

The World Bank's estimate of Afghanistan's Maternal Mortality Ratio (MMR), the number of women who die per 100,000 live births, remains significantly higher than the world's average as well as its neighboring countries, as shown in Figure 3.32. Afghanistan's MMR was estimated between 1,600 and 2,200 in 2003. MMR estimates still vary. The 2010 Afghanistan Mortality Survey reported MMR at 327, which differed considerably from a multinational donor report that reported MMR at 584. That same multidonor report lists MMR at 396 for 2015.<sup>780</sup>

FIGURE 3.32

### MATERNAL MORTALITY RATIO PER COUNTRY PER 100,000 LIVE BIRTHS, 2015



Source: The World Bank, "Maternal Mortality Ratio," online country data, <http://data.worldbank.org/indicator/SH.STA.MMRT>, accessed 1/4/2016.

## Childhood Undernutrition

According to the UN's 2013 National Nutrition Survey, 40.9% of children under five in Afghanistan suffer from moderate to severe stunting.<sup>781</sup> The National Risk and Vulnerability Assessment of Afghanistan also reported that in 2012, 30.1% of all Afghans lacked **food security**. This number is up from 28.2% in 2007.<sup>782</sup>

USAID's Weekly Iron Folic Acid Supplementation (WIFS) Project addresses the growing prevalence of iron deficiency (one form of undernutrition) among adolescents, particularly girls between the ages of 10 and 19. WIFS provides weekly iron folic acid supplements, information on how to improve dietary intake, and screening for anemia. WIFS will be implemented via schools throughout rural and urban Afghanistan. The program is also intended to reach out-of-school girls through a network of community health volunteers or a peer-to-peer approach.<sup>783</sup> USAID has obligated \$124.1 million in nutrition-related projects as of December 31, 2015.<sup>784</sup>

Additionally, President Ghani's Jobs for Peace program plans to provide food vouchers and health packets to supplement nutrition for stunted or malnourished children. Delivery for this program would be through the existing, trained community health workers and BPHS clinics.<sup>785</sup> For more information on the Jobs for Peace Program, see pages 121–123 in this report.

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**Food security:** when all people at all times have sufficient access to nutritious food for a healthy and active life. Households in Afghanistan meet the threshold for food security at a minimum of 2,100 calories per person per day.

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Source: Government of Afghanistan, "National Risk and Vulnerability Assessment 2011–2012," 7/26/2014, p. 211.

