



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

March 5, 2015

General Lloyd J. Austin III
Commander
U.S. Central Command

General John F. Campbell
Commander, U.S. Forces–Afghanistan and
Commander, Resolute Support

Major General Todd Semonite
Commanding General
Combined Security Transition Command-Afghanistan

Dear General Austin, General Campbell, and Major General Semonite:

During my recent visit to Afghanistan, several U.S. Embassy officials shared with me their concerns about the Afghan government's inability to meet its budgetary obligations in the current and upcoming fiscal years due to projected decreases in revenue. Representatives from the embassy's Economics Section noted that a large portion of the decline in revenue could be attributed to concerns that approximately half of the customs duties for Afghan fiscal year 1393 are believed to have been stolen.¹ Officials with the U.S. Agency for International Development (USAID) have suggested that eliminating or significantly stemming corruption in the customs process could potentially double the customs revenues remitted to the Afghan government. According to Afghanistan's 1393 and 1394 national budget statements, for Afghan fiscal years 1390 through 1393, taxes on international trade and transactions—a revenue category that includes customs revenue—produced between \$410 million and \$660 million annually, accounting for 24 percent to 36 percent of total domestic revenue.²

¹ Afghanistan follows the solar Hijri calendar, which began in 622 A.D. in the Gregorian calendar. SIGAR converts Hijri solar years to Gregorian equivalents. In the past, Afghan fiscal years ran approximately from March 21 to March 20 of Gregorian calendar years. Beginning in fiscal year 1392, however, the dates changed from December 21 through December 20.

² For domestic revenue, the Afghan government collected 93.7 billion Afghanis (\$1.9 billion) in fiscal year 1390 (March 21, 2011, through March 20, 2012), 81.5 billion Afghanis (\$1.6 billion) in the 9-month fiscal year 1391 (March 21, 2012, through December 20, 2012), 114 billion Afghanis (\$2.0 billion) in fiscal year 1392 (December 21, 2012, through December 20, 2013), and a projected 96 billion Afghanis (\$1.7 billion) in fiscal year 1393 (December 21, 2013 through December 20, 2014). For taxes on international trade and transactions, the Afghan government collected 32.5 billion Afghanis (\$660 million) in fiscal year 1390, 21.4 billion Afghanis (\$409 million) in the 9-month fiscal year 1391, 30.2 billion Afghanis (\$535 million) in fiscal year 1392, and a projected 34.7 billion Afghanis (\$598 million) in fiscal year 1393.

In April 2014, my office issued an audit report analyzing U.S. efforts to develop Afghanistan's customs assessment and collection capabilities.³ Our report highlighted concerns about the sustainability of the Afghan government's capacity to accurately assess and collect customs revenues; corruption within the customs process; and the use of U.S. government-funded buildings, materials, and equipment in the effort to develop the Afghan government's customs assessment and collection capabilities. The audit found that USAID's and the Department of Homeland Security (DHS) Border Management Task Force's (BMTF) programs had some successes in developing the Afghan government's ability to accurately assess and collect customs revenues. However, the audit also found that corruption within the customs process and questions about the sustainability of the U.S.-funded buildings, materials, and equipment persist. Moreover, the audit found that the Afghan government had not fully implemented or adopted two major innovations in the automation of customs processes—a risk management system and an electronic payment system—that would help combat corrupt practices.

Exacerbating these challenges was the ongoing drawdown of the international military and advisory presence throughout Afghanistan. We reported that "...when there is a U.S. presence at the [Afghan] border, the BMTF mentors are able to provide additional oversight and advisory services to Afghan officials, which helps to stem corrupt activities...when BMTF officials are not physically present at border crossings, corrupt and criminal activities often resume." The report highlighted similar concerns pertaining to USAID's ability to effectively implement and oversee its ongoing Afghanistan Trade and Revenue (ATAR) program given the security environment and stated,

ATAR will likely face security-related challenges similar to those of the BMTF over the planned 4-year life of the program. This may result in the alteration of ATAR initiatives as security realities on the ground overcome planned program activities. This withdrawal will likely result in customs locations receiving varying levels of mentoring, support, and training, allowing opportunities for corruption to go unchecked at customs locations that do not have BMTF mentors or ATAR program support.

About the time of the release of our report, DHS and BMTF personnel steadily pulled back from border crossings and customs locations, and by the end of November 2014, they had all left Afghanistan. Their departure coincided with the lowest customs revenue collection in at least the last 4 years.⁴

Furthermore, as we reported in December 2014, Afghanistan has one of the lowest rates of domestic revenue collection in the world. If a sizeable portion of the Afghan government's total annual domestic revenue collections is being stolen, it is a major problem given the government's projected budget deficits.⁵ To make up for this shortfall in 2014, the U.S. provided over \$100 million to the Afghan government so that it could pay its employees and continue delivering basic services.⁶ According to Afghanistan's fiscal year 1394 national budget statement, the negative impacts on the

³ See SIGAR Audit 14-47-AR, *Afghan Customs: U.S. Programs Have Had Some Successes, but Challenges Will Limit Customs Revenue as a Sustainable Source of Income for Afghanistan*, April 15, 2014. This audit report followed our October 2013 alert letter highlighting concerns related to the construction and usage of a border crossing point at the Weesh-Chaman border crossing between Afghanistan and Pakistan (see SIGAR Alert Letter 14-2-AL, *Weesh Border Crossing Point Design Issues*, October 10, 2013).

⁴ As a percent of total domestic revenues.

⁵ SIGAR, *High-Risk List*, December 2014.

⁶ According to senior U.S. Embassy Kabul officials, these funds were re-programmed from planned funding for the World Bank-administered Afghanistan Reconstruction Trust Fund.

economy that resulted in the budget deficit for fiscal year 1393 will continue into fiscal year 1394 with domestic revenue increasing slowly. These continued economic conditions could lead to another shortage in revenue that will likely require the Afghan government to obtain additional assistance from the international community and the U.S. government.

The Afghan government's ongoing challenges in collecting customs revenue are of great concern, given that customs revenue regularly accounts for over a third of the Afghan government's domestic revenue. In order to gain a clearer understanding of how U.S. reconstruction programs are addressing the Afghan government's need for a sustainable revenue collection system, I request that you provide responses to the following questions, with the appropriate supporting documentation.

1. Does CENTCOM or CSTC-A maintain a registry that includes the status, maintenance, usage, and location of buildings, materials, or equipment purchased to support DHS' BMTF mentoring and technical capacity building operations in Afghanistan? Specifically, any buildings, materials, equipment purchased under contracts: W15P7T-06-D-E402 (task order 0043), W15P7T-06-D-E402 (task orders 0093 and 0127), W9113M-07-D-0008-0011 (task order 78), W9113 M -07-D-0008-0022 (task order 181), and W9113M-07-D-0007-0057 (task order 204)?
2. Is CENTCOM or CSTC-A aware of any efforts to safeguard the materials utilized in the non-intrusive inspection equipment purchased and installed for use at Afghan border crossing and customs assessment and collection facilities? Does CENTCOM or CSTC-A provide any funding for the operations, maintenance, or security of these devices?
3. Since January 1, 2014, has any equipment, materials, or goods intended for U.S. forces been delayed because of customs issues or assessed customs fees? If so, how were the matters resolved?
4. Is any equipment, materials, or goods intended for U.S. forces currently delayed because of customs issues or assessed customs fees?
5. Since January 1, 2014, has any retrograde equipment, materials, or goods been delayed because of customs issues or assessed customs fees? If so, how were the matters resolved?
6. Is any retrograde equipment, materials, or goods currently delayed because of customs issues or assessed customs fees?
7. Is CENTCOM or CSTC-A currently providing any support—personnel, advisors, or operation and maintenance funding—at Afghanistan's border crossing or customs assessment and collection locations?
8. Do CENTCOM or CSTC-A officials visit Afghanistan's border crossing or customs assessment and collection facilities? If so, which ones since January 1, 2014, and at what frequency, generally?
9. Please provide an update of the completion/construction status of all border crossing and customs assessment and collection locations that CSTC-A has funded in Afghanistan.
10. Does CSTC-A have visibility into the current usage of border crossing and customs assessment and collection facilities built/funded by CSTC-A? If so, please provide a description of the usage and maintenance status of each facility.

I am submitting this request pursuant to my authority under Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended. Please provide the requested information by March 19, 2015. Should you or your staff have any questions about this request, please contact Mr. Jack Mitchell, Director of Special Projects, at [REDACTED] or [REDACTED].

Thank you in advance for your cooperation in this matter. I look forward to your response.

Sincerely,

A handwritten signature in black ink, appearing to read 'John F. Sopko', written in a cursive style.

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction