

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

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QUARTERLY REPORT TO THE UNITED STATES CONGRESS





## **The National Defense Authorization Act for FY 2008 (P.L. 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR).**

SIGAR's oversight mission, as defined by the legislation, is to provide for the independent and objective

- conduct and supervision of audits and investigations relating to the programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.
- leadership and coordination of, and recommendations on, policies designed to promote economy, efficiency, and effectiveness in the administration of the programs and operations, and to prevent and detect waste, fraud, and abuse in such programs and operations.
- means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operation and the necessity for and progress on corrective action.

Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Source: P.L. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008.

(For a list of the congressionally mandated contents of this report, see Section 3.)

### **Cover photo:**

**A Provincial Reconstruction Team (PRT)** member meets a villager in Farah province. PRTs are being withdrawn from some provinces in anticipation of the 2014 drawdown in the U.S. and international presence. (USAF photo, SrA Rylan K. Albright)



SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION

I am pleased to provide SIGAR's quarterly report to Congress on the status of the U.S. effort to rebuild Afghanistan. As I assume the challenging role of Special Inspector General for Afghanistan Reconstruction, I am deeply aware that the future of Afghanistan—where we have invested our human and financial treasure—depends to a large degree on the successful execution of billions of dollars of reconstruction programs over the next two years. The gravity of the situation demands quicker, smarter, and more aggressive oversight.

The scheduled end of the U.S. combat presence in 2014, the handover of security functions to the Afghan government, fiscal constraints facing donor countries, and the persistence of the Taliban and other armed factions—all increase the pressure to complete vital projects, stand up viable institutions, and otherwise help the Government of the Islamic Republic of Afghanistan move toward sustainable self-reliance. All of us in the oversight community must aggressively scrutinize this work to protect taxpayer dollars by identifying problems and offering corrective action before it is too late.

As this report to Congress illustrates, a decade of struggle and bloodshed—and more than \$89 billion of U.S. appropriations for Afghan reconstruction—has not cleared the landscape of serious problems. For example, recent SIGAR audits have found:

- A significant portion of the U.S. government's \$400 million investment in large-scale infrastructure projects in fiscal year 2011 may be wasted, due to weaknesses in planning, coordination, and execution, raising sustainability concerns and risking adverse counter-insurgency effects.
- Security costs at reconstruction sites are likely to increase as a result of the mandated transition from private security companies to the state-owned Afghan Public Protection Force.
- USAID contracts to promote district-level stabilization in eastern Afghanistan are making slow progress, have high operating costs, and lack a country-wide exit strategy.
- The U.S. Army accepted contract construction that is so poor it prevents some multi-million-dollar border police bases from being used as intended. One base is unoccupied because it has no viable water supply. Other deficiencies included leaking fuel lines, unconnected drain pipes, poorly built guard towers, and improperly installed heating and ventilation systems.

If Congress approves the President's current request for new reconstruction funding, the United States will have provided nearly \$100 billion to rebuilding Afghanistan since 2002. Using that money effectively to improve security, governance, and socio-economic development in Afghanistan poses tremendous challenges. With over \$36 billion of unexpended and proposed reconstruction funding at stake, and in the face of serious uncertainties about project sustainability, the need for sharp and effective oversight grows daily more critical.

There is still time to boost efficiency, prevent waste, identify wrongdoers, suspend or debar bad contractors, prosecute crimes, recover losses, and take other steps to improve

program and mission outcomes. But the window of opportunity is closing. That is why, under my leadership, SIGAR will intensify its oversight work.

## **Leveraging SIGAR's unique mandate**

SIGAR is unique because it is:

- the only IG focused solely on the Afghanistan mission
- the only IG devoted solely to reconstruction issues
- the only IG mandated to look across departmental boundaries and assess multijurisdictional programs

As SIGAR's new Inspector General, and as its first permanent IG in nearly two years, I intend to leverage SIGAR's unique authorities to conduct aggressive oversight focusing on the most critical issues, and to alert Congress and the implementing agencies to problems in time to take corrective actions. This quarter we have advanced a number of new initiatives to meet that goal.

## **A new joint strategic plan for audits**

Recognizing the press of time and the importance of better coordinated and more effective oversight, SIGAR recently took the lead in developing a Joint Strategic Oversight Plan for Fiscal Year 2013 in concert with our counterparts at the Departments of Defense and State, and at the U.S. Agency for International Development. The plan maximizes oversight resources to scrutinize programs essential to achieving U.S. reconstruction goals during this critical transition period. Auditors will examine the status of and recommend improvements in vital efforts like building the capacity and capabilities of the Afghan National Security Forces, sustaining U.S. investment in Afghan institutions and infrastructure, expanding and sustaining the Afghan justice system, and implementing anti-corruption initiatives.

## **More aggressive, actionable recommendations**

SIGAR's statutory mandate from Congress requires audits and investigations. But it also directs SIGAR to lead and coordinate recommendations for policy changes, and to keep the Secretaries of Defense and State "fully and currently informed on problems and deficiencies ... and the necessity for and progress on corrective action" (Public Law 110-181).

SIGAR's work, therefore, requires that we move beyond the granular diagnoses of particular projects to ask: What do our audit results mean? Is there a systemic or endemic root cause behind the deficiencies? Have past recommendations been adopted, and to what effect? What new, timely, constructive, and actionable recommendations can we offer to salvage something from this program, or at least promote a better outcome in others? Is there a lesson to be learned for future operations?

Members of Congress and their staffs, as well as senior officials at executive departments, have generally welcomed SIGAR's recommendations. But they have also encouraged us to offer recommendations earlier in programs' planning and execution to maximize the opportunity for correcting shortcomings and avoiding waste. We have listened and will sharpen our attention to spotting such opportunities. We will practice more preventive medicine while continuing to produce informative post-mortems when they are necessary. Our recent audit of the Afghanistan Infrastructure Program is one example of this approach. We specifically designed that audit to occur early in the program, so that any problems or opportunities for improvement could be identified and addressed early.

## Capstone reports to address systemic problems

We are working on a new “capstone report” initiative to highlight and address systemic challenges facing the reconstruction effort. These issues warrant special attention because of the major and recurring deficiencies SIGAR and other IG offices have discovered. These reports will help Congress and the Executive Branch seize opportunities to make programs more effective.

The first SIGAR capstone report, to be issued later this year, will be devoted to the critical issue of sustainability. As various SIGAR reports and testimonies have cautioned, many billions of dollars of U.S. investments in Afghanistan may be wasted without arrangements to ensure that the Afghans have adequate personnel, skills, access to technology, funding, and planning and oversight mechanisms to sustain them. That sustainability concern covers a vast range of investments, from security forces and power plants, to schooling and bank regulation.

Going forward, security and sustainability are the two biggest challenges in Afghanistan reconstruction. Without effective security—the object of more than \$50 billion in U.S. appropriations since 2002—governance and socioeconomic development cannot succeed. But without sustainability, no amount of success in security can long endure.

## Instituting a new financial audit program

Financial audits are an important tool for protecting taxpayer dollars. Although we have done some work to examine vouchers of contractors operating in Afghanistan, we are expanding this effort. This quarter, SIGAR will begin a new audit program to examine the costs incurred under high-risk reconstruction contracts. These audits, which we are coordinating with our oversight partners, will provide timely and detailed financial oversight that is needed in Afghanistan.

## Our resolve

My appointment by the President of the United States to serve as Special Inspector General is an honor and a challenge. All the skills and insights gained in more than 30 years as a lawyer serving as a state and federal prosecutor of organized-crime and other offenders, as a congressional staff member and committee counsel, and as a Commerce Department official will be devoted to carrying out my duties.

SIGAR intends to be the U.S. government’s most independent, trusted, and helpful counsel on reconstruction issues—not solely for the sake of the Afghanistan mission, but also for the sake of other overseas or domestic operations that require reconstruction efforts and that could benefit from the lessons learned in the harsh setting of Afghanistan.

That aspiration would be unobtainable, however, if not for the solid work already performed by SIGAR’s experienced and professional cadre of auditors, investigators, and support personnel. I thank them all—especially Investigations Directorate leader Steven Trent, who ably served as Acting Special Inspector General before my arrival—for their past service and will rely on them as we increase the impact of our work in support of the Afghanistan mission, fiscal responsibility, and U.S. policy objectives.

Respectfully,



John F. Sopko  
Special Inspector General for Afghanistan Reconstruction

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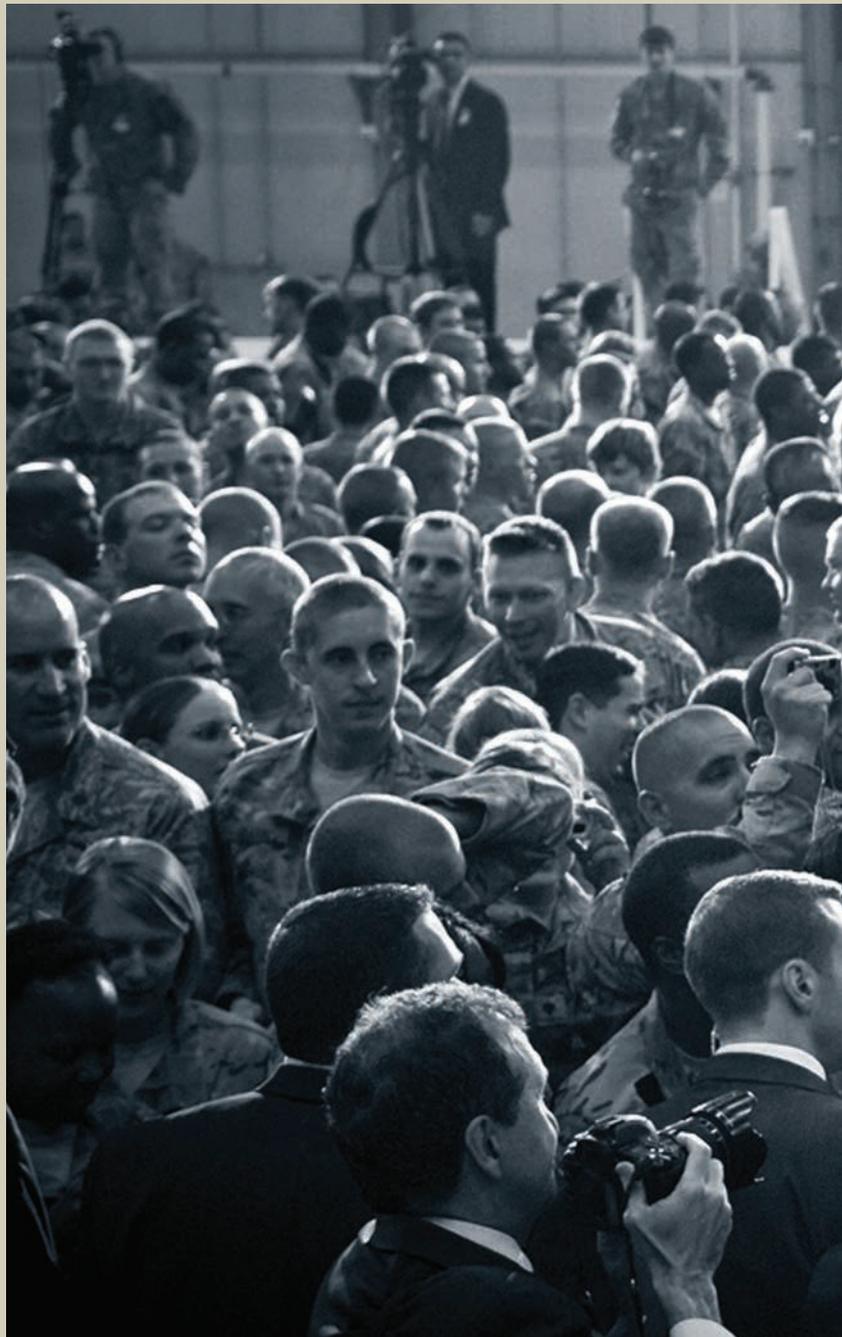
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**Working Toward Transition**

President Barack Obama speaks with U.S. troops at Bagram Airfield after the May 2 signing of the U.S.-Afghan strategic partnership agreement that provides a framework for the bilateral relationship through the 2014 transition and beyond. (U.S. Army photo, SGT Roland Hale)

# 1 AFGHANISTAN OVERVIEW



“There will be difficult days ahead. But as we move forward with our transition, I’m confident that Afghan forces will grow stronger [and] the Afghan people will take control of their future. With this agreement, I am confident that the Afghan people will understand that the United States will stand by them.”

—*U.S. President Barack Obama*

## AFGHANISTAN OVERVIEW

Since SIGAR's last report to Congress, the United States, its coalition partners, and the Afghan government have established a framework for reconstruction assistance through the 2014 security transition and into what they are calling the "transformation decade" (2015–2024). Through 2014, the international community estimates that Afghanistan will require at least \$9 billion a year to sustain current operations and fund development. It will take about \$5 billion to cover the costs of the Afghan security forces at current levels and another \$4 billion to support the Afghan budget and provide economic assistance.

The President's FY 2013 budget request includes nearly \$9.7 billion to strengthen the Afghan security forces during this critical transition period and to fund programs to build governing capacity, promote economic development, and counter the drug trade. Funding needs are expected to decline gradually after 2015 as Afghanistan generates increased government revenue and becomes more self-reliant.

Three key events this quarter—the signing of the Enduring Strategic Partnership Agreement, the NATO Summit, and the Tokyo Donors Conference—broadly outlined Afghanistan's security relationship with the United States, endorsed an accelerated timetable to transition security to the Afghan government, and addressed key transition challenges:

- Assuring Afghanistan of long-term financial support to sustain and build on reconstruction gains as U.S. and coalition forces withdraw
- Establishing reconstruction priorities in the face of decreasing funding
- Ensuring the Afghan government institutes reforms to bolster accountability, tackle corruption, and improve public services
- Setting benchmarks so the Afghan government and the international community can measure progress

### **STRATEGIC PARTNERSHIP AGREEMENT SIGNED**

On May 2, 2012, after over a year of negotiations, President Barack Obama and President Hamid Karzai signed a new pact, laying a foundation for a relationship between the United States and Afghanistan after the bulk of American troops have gone home. The Enduring Strategic Partnership Agreement signaled a long-term U.S. commitment to sustain the Afghan

# AFGHANISTAN OVERVIEW



**President Barack Obama** shakes hands with President Hamid Karzai on May 2, 2012, after signing the historic Strategic Partnership Agreement between the United States and Afghanistan to define a long-term framework for relations between the countries after the 2014 drawdown of U.S. forces. (U.S. Embassy Kabul photo)

security forces, fund economic-development programs, promote good governance, support regional security and cooperation, and help Afghanistan deal with its budget shortfall. The United States said it would support efforts to build Afghan governing capacity. The Agreement was intended to reassure Afghans and warn insurgents that the United States had learned the lessons of the past and would not abandon Afghanistan after 2014. President Obama said the agreement ensures that “as Afghans stand up, they will not stand alone.”<sup>1</sup>

The agreement also underscored the importance of fighting corruption. Afghanistan pledged to strengthen its anti-corruption institutions, adopt measures to protect its financial system, and take steps to increase efficiency and accountability at all levels of the government. Afghanistan also committed to protect and promote democratic values and human rights, including “the essential role of women in society, so that they may fully enjoy their economic, social, political, civil, and cultural rights.”<sup>2</sup>

Afghanistan’s National Assembly ratified the agreement in early June.

## **Afghanistan Designated a Major Non-NATO Ally**

The Enduring Strategic Partnership Agreement included a provision that the United States would designate Afghanistan a Major Non-NATO Ally (MNNA), thus establishing a framework for continuing security and defense

cooperation. NATO, the North Atlantic Treaty Organization, is the major international organization providing military assistance in Afghanistan. MNNA countries are eligible for U.S. training, loans of equipment for research and development, and ultimately for foreign military financing for defense purposes. On July 6, 2012, President Obama signed the order giving Afghanistan MNNA status and signaling the U.S. commitment to Afghanistan after the transition. Afghanistan is the first country to be designated an MNNA since 2004, when Kuwait, Morocco, and Pakistan were added to the list.

## **Provincial Reconstruction Teams to Close**

The United States also committed in the Agreement to eliminate the Provincial Reconstruction Teams (PRTs) and District Support Teams (DSTs) that were established to support local governance and development initiatives in Afghanistan. The United States and its coalition partners had PRTs in 26 of Afghanistan's 34 provinces at the beginning of 2012; the United States was in charge of 12 of them. The Afghan government sees PRTs as parallel structures to local governments and wants them progressively disbanded as coalition forces turn over responsibility to the Afghan security forces. The first U.S.-operated PRT was scheduled to close as this report went to press. Transition plans call for all PRTs to be closed by the end of 2014. The United States is planning to have a reduced civilian presence after 2014 in Afghanistan to support a smaller development and security assistance program.

## **Bilateral Security Agreement Still to Be Negotiated**

The United States and Afghanistan will negotiate a new bilateral security agreement over the next year to replace existing agreements governing deployment of U.S. military personnel in Afghanistan. The Enduring Strategic Partnership Agreement did not address the post-2014 U.S. military presence.

## **NATO ENDORSES ACCELERATED SECURITY TRANSITION**

On May 21, 2012, the leaders of the 50 countries contributing to the NATO mission in Afghanistan met in Chicago and agreed to a new transition timetable that would put Afghan security forces in charge of security throughout the country by the summer of 2013. The NATO-led International Security Assistance Force (ISAF) will support the Afghan security forces as coalition forces withdraw. In a joint communiqué issued at the end of the one-day meeting, the leaders said that by the end of 2014, the NATO mission will have shifted from combat to one of training, advising, and assisting. The leaders pledged that their close partnership with Afghanistan “will continue beyond the end of the transition period.”<sup>3</sup>

## **Afghan National Security Forces (ANSF) to Cost \$4.1 Billion Per Year After Transition**

The Afghan government does not have sufficient revenue to pay for its security forces and looks to the international community for funds to help cover the salaries and operating costs of the Afghan National Army (ANA) and the Afghan National Police (ANP) through 2024. The United States and its coalition partners have been building the ANSF to a combined strength of 352,000 soldiers and police. NATO leaders agreed to scale back the total force to a more financially sustainable 228,500 by 2017, security conditions permitting. They estimated it will cost \$4.1 billion per year to maintain a force of this size. NATO leaders pledged to play their part in creating funding mechanisms for these forces, but cautioned, “such mechanisms will be flexible, transparent, accountable, cost-effective, and will include measures against corruption.”<sup>4</sup>

The United States is covering most of the costs of the ANA and provides a substantial amount for the ANP. The NATO Summit joint communiqué stipulates that the Afghan government will contribute \$500 million in 2015 toward the sustainment of its security forces and gradually increase its share of the ANSF costs until 2024, when it will have full financial responsibility for its security forces.

In the meantime, however, the United States is likely to be footing much of the bill for the ANSF. President Obama has requested \$5.7 billion for FY 2013 to build, equip, train, and sustain the ANA and the ANP.

## **Transition Enters Third Phase**

The week before the NATO summit, President Karzai announced that a third group (“tranche”) of provinces, districts, and cities would begin transitioning to Afghan government control of security. After the third tranche transition, about 75% of Afghanistan’s population will live in areas where Afghan forces have the primary responsibility for security. Coalition forces began transitioning areas in March 2011. The first tranche accounted for about 25% of the Afghan population. In November 2011, the Afghans took the security lead in a second set of areas. However, coalition forces are still engaged in combat in many of the areas in transition. According to NATO, the transition process in each area could take up to 18 months to complete.<sup>5</sup>

## **NATO Calls for Peace and Reconciliation**

Participants at the NATO Summit also emphasized that reconciliation with insurgents and reintegration of former combatants is essential to achieving peace and stability in Afghanistan. They reiterated the long-standing international requirement that reconciliation must be based on the renunciation of violence, the breaking of ties to international terrorism, and compliance with the Afghan constitution, including human-rights provisions.<sup>6</sup>

## **DONORS PLEDGE \$16 BILLION AT TOKYO CONFERENCE**

On July 8, 2012, representatives from 70 countries, international organizations, and non-profit groups met in Tokyo to create a framework for continued international support for Afghanistan's economic development from transition at the end of 2014 through the "transformation decade" (2015–2024). At the conference, the international community offered to provide an estimated \$16 billion in aid from now through 2015, but with conditions. In return for the assistance, the Afghan government promised to implement political and economic reforms to improve governance, make public institutions more accountable, and tackle pervasive corruption.

The \$16 billion does not represent firm pledges by individual countries, but rather a general commitment to maintain current development funding over the next four years. For example, Secretary of State Hillary Clinton told conference delegates that the Administration would ask Congress to continue to provide development assistance "at or near the levels of the past decade through 2017."<sup>7</sup> President Obama's FY 2013 budget for DoS-managed reconstruction programs included a request for more than \$1.8 billion for the Economic Support Fund (ESF), which is the U.S. government's primary vehicle for providing development assistance, as well as nearly \$1.5 billion for the International Narcotics Control and Law Enforcement program.

Afghanistan and the international community provided an annex to the conference declaration entitled the "Tokyo Mutual Accountability Framework" which described priority areas, provided benchmarks for the Afghan government to meet, and clearly stated that "the international community's ability to sustain support for Afghanistan depends upon the Afghan government delivering on its commitments."<sup>8</sup>

## **International Community Establishes Five Reconstruction Priorities**

Under the Tokyo Framework, the international community, together with the Afghan government, agreed that international aid will focus on achieving objectives in five major areas:

- Ensuring credible, inclusive, and transparent presidential elections in 2014 and parliamentary elections in 2015
- Increasing access to justice for all, especially women, and combating corruption
- Improving the integrity of public financial management and the banking sector
- Improving the Afghan government's ability to collect revenues and develop and execute budgets
- Achieving inclusive and sustained growth through a focus on human development, food security, and private investment

# AFGHANISTAN OVERVIEW



**U.S. Secretary of State** Hillary Rodham Clinton participates in the Tokyo Conference on Afghanistan in Tokyo, Japan, on July 8, 2012. (DoS photo, William Ng)

Under this framework, the international community once again committed to channeling at least 50% of its development assistance through the Afghan national budget. Much of this direct assistance will go through established funds like the Afghanistan Reconstruction Trust Fund, which is managed by the World Bank and supports the Afghan government's "core" and "development" budgets.

Under the Tokyo Framework, the Afghan government and the international community also agreed to establish a transparent and regular monitoring process to hold the government and donors responsible for reciprocal commitments. This process will build on the existing Joint Monitoring Control Board, which approves major reconstruction initiatives such as increasing the force strength of the ANSF.

The international community and the Afghan government relied heavily on the World Bank's latest assessment of the Afghan economy to project Afghanistan's financial needs and to identify the five priority areas.

## WORLD BANK ASSESSMENT LOOKS BEYOND 2014

During this reporting period, the World Bank published a sobering assessment of the challenges facing Afghanistan as coalition forces withdraw and international development assistance decreases. In its report, “Afghanistan in Transition: Looking Beyond 2014,” the Bank observed that Afghanistan remains one of the world’s least developed countries and has become one of the world’s most donor-dependent countries. Military and civilian aid in 2010/2011 totaled \$15.7 billion; Afghanistan’s gross domestic product (GDP) in 2010, excluding opium production, was \$15.9 billion. International donors cover about 48% of the country’s budget, counting operating costs, wages, and development projects.<sup>9</sup> The report observed that this level of assistance cannot be sustained by the United States and other donors.<sup>10</sup>

The World Bank report detailed the large fiscal gap between what the Afghan government can afford to pay for itself through its own revenue collection and what the international community is providing in assistance. The Bank predicts that the fiscal gap will equal 33% of GDP by roughly 2014/2015 and ease to 25% of GDP by around 2021/2022, provided Afghanistan can realize income from the development of natural resources, particularly in the mining sector. By comparison, the Bank pointed out that the financing gap that triggered Greece’s current fiscal crisis was about 13% of GDP.<sup>11</sup> Afghanistan’s fiscal gap cannot be financed without a sizable infusion of international aid.

Security costs account for about half of the anticipated fiscal gap after 2014. The Bank warned that even with significant reductions in force size, the Afghan government will not be able to pay for ANSF salaries and equipment. It will continue to rely on the international community to cover most of these costs.<sup>12</sup>

The Bank also noted that although international aid has improved Afghans’ lives over the last decade, it has also brought problems. “These inflows—most of them off budget—have been so high,” according to the assessment, “that they have led to aid dependency and have increased opportunities for mismanagement, waste, and corruption.”<sup>13</sup> The Bank suggested that a decline to more normal levels of assistance—if managed well—would give Afghanistan the opportunity to address these problems and transition to a more sustainable economy. However, the Bank cautioned, “donors need to reduce future aid flows gradually to avoid major disruptions.”<sup>14</sup>

Nevertheless, the World Bank said the most serious threats to economic growth would not come from declining aid but from noneconomic forces such as political uncertainty, falling business confidence, and poor governance. It concluded: “All efforts of the government and its development partners to stabilize economic performance over the next few years are contingent on a stable and improving security and governance environment.”<sup>15</sup> Section 3 of this report provides an update on U.S. reconstruction programs to support governance and economic development.

# AFGHANISTAN OVERVIEW

## SIGAR AUDIT

In a June 29, 2012, audit report, SIGAR found costs for security at USAID projects could rise significantly because of the transition from private companies to the Afghan Public Protection Force, and that use of unlicensed personnel could create risks. For details, see SIGAR Audit 12-10, “Increases in Security Costs Are Likely under the Afghan Public Protection Force; USAID Needs to Monitor Costs and Ensure Unlicensed Security Providers Are Not Used,” at [www.sigar.mil](http://www.sigar.mil).

## OVERSIGHT CONCERNS

The transition from coalition forces to Afghan troops and from private security companies to the Afghan Public Protection Force (APPF) may constrain oversight of reconstruction programs. Implementing agencies and oversight agencies alike have depended on support from U.S. forces and private security companies to travel to the provinces to monitor project development and conduct audit and investigative work. SIGAR has already noticed constraints on U.S. forces’ ability to facilitate these trips. Implementing agencies stand on the front lines of oversight. If project managers and contracting officers cannot visit projects, it becomes very difficult to exercise oversight responsibilities.

It is not yet clear how the transition to the APPF is going to affect contractors’ ability to execute and monitor progress for projects in critical provinces, especially in the south and the east. This quarter, SIGAR published an audit raising concerns about the costs of transitioning to the APPF and the risk that the APPF may not be able to provide the required security. SIGAR is closely monitoring the effects of the transition to Afghan security forces and the APPF.

## GOING FORWARD

The next two years are critical as ISAF troops transition responsibility for security to the Afghan forces. These two years will determine whether the enormous U.S. investment in the reconstruction of Afghanistan over the last decade will result in a stable country that is able to defend itself and provide essential services for its citizens. For this reason, SIGAR is intensifying its efforts to deter waste, identify program deficiencies, investigate contract fraud and corruption, suspend or debar poorly performing contractors, recover losses, and take other steps to improve the U.S. reconstruction program.

Other inspectors general share that realization and that commitment. This quarter, SIGAR and the Inspectors General for Department of Defense, Department of State, and U.S. Agency for International Development agreed to a FY 2013 strategic audit plan focused on the 13 most important issues related to security, governance, development, and counter-narcotics. SIGAR led this effort to develop an integrated audit plan in order to provide Congress and implementing agencies with a more coherent picture of the reconstruction effort and with timely recommendations to improve the efficiency and effectiveness of the key reconstruction programs. Under this plan, SIGAR will focus on the U.S. reconstruction priorities and assess the capacity and capabilities of the ANSF and the degree to which the Afghan government has developed the capacity to raise, manage, and account for funds. Our audits will evaluate U.S. assistance for elections, which the United States and the

# AFGHANISTAN OVERVIEW

international community have identified as fundamental to a peaceful transition of presidential power in Afghanistan. They will also examine such cross-cutting issues as planning and coordinating U.S. assistance programs and whether implementing agencies are providing necessary oversight of contracts, grants, and cooperative agreements.

SIGAR is also working on two new initiatives to broaden and deepen oversight: capstone reports on issues that warrant special attention and financial audits of high-risk reconstruction contracts. Because the long-term impact of the U.S. reconstruction effort depends on the degree to which the Afghans can sustain reconstruction projects and programs, SIGAR's first capstone report will be devoted to the question of how to better ensure that U.S.-funded programs can be sustained. The financial audits, which we are coordinating with our oversight partners, will provide timely and detailed assessments of the costs incurred on critical contracts.

The U.S. reconstruction program has been an essential component of the U.S. strategy in Afghanistan to defeat al-Qaeda and ensure that terrorists cannot operate from Afghan territory. If Congress approves the President's FY 2013 budget request, the United States will have committed nearly \$100 billion over the last decade to build a stable country that can protect itself and improve the lives of its people. The United States has never provided so much funding over a similar period of time to rebuild another country: for example, U.S. reconstruction aid to Germany after World War II (1946–1952) amounted to less than \$35 billion in 2011 dollars.<sup>16</sup> SIGAR is committed to conducting aggressive oversight of these extraordinary funds to save taxpayer dollars and improve program effectiveness to give the U.S. reconstruction program its best chance to succeed.

**Inspecting Infrastructure**  
SIGAR auditor Anthony Warren listens to an interpreter inside an Afghan Border Police (ABP) compound in La'l Por district, Nangarhar province, on February 16. The SIGAR team worked with U.S. soldiers, the ABP, and the U.S. Army Corps of Engineers to inspect two newly constructed ABP compounds for deficiencies.  
(U.S. Army photo, SPC Amber Leach)



# 2 SIGAR OVERSIGHT



“It is paramount that we respond to our customers—the Congress, the Defense Department, the State Department, USAID, and the Justice Department—with timeliness and the utmost professionalism. This is how we shall proceed: We will be aggressive. We will be accurate. We will be fair. And we will be smart.”

—*Special Inspector General John F. Sopko*

Source: John F. Sopko, Remarks to SIGAR Staff, 7/3/2012.

## SIGAR OVERSIGHT

This quarter, SIGAR issued five audit and inspection reports, recovered funds, protected contract monies, and supported legal actions that resulted in the conviction, indictment, and debarment of individuals and companies found to have engaged in criminal activity. SIGAR announced five new audits and initiated a study to assess the sustainability of U.S.-funded reconstruction programs. In addition, SIGAR and the Inspectors General of the Departments of Defense (DoD) and State (DoS), and the U.S. Agency for International Development (USAID) agreed to a strategic audit plan to guide their work in FY 2013.

Also during this reporting period, the President of the United States appointed John F. Sopko to serve as permanent Special Inspector General for Afghanistan Reconstruction.

SIGAR highlights this quarter include the following:

- four audit reports, including one that identified \$86 million in funds potentially put to better use
- one inspection report that found the U.S. Army had accepted poorly constructed police bases, of which one is unusable and another threatens to become unusable
- two convictions, seven indictments, and five arrests
- \$900,000 in recoveries
- \$50 million in contract monies protected through an aggressive termination-for-default program
- 23 finalized debarments
- 49 referrals for suspensions and debarments

### SIGAR WELCOMES NEW INSPECTOR GENERAL

John F. Sopko was sworn in as Special Inspector General for Afghanistan Reconstruction on July 2, 2012. During his first week, he met with SIGAR personnel and laid out mission priorities. He emphasized that SIGAR's mission—saving taxpayer dollars and improving vital government programs—was extremely important as the United States and its coalition partners transition responsibility for security from the U.S. and international troops to the Afghan security forces.

### COMPLETED AUDITS

- Audit 12-10: USAID's Costs for Private Security Support Services
- Audit 12-11: USAID's Support of the Afghanistan Stabilization Initiative
- Audit 12-12: Implementation of the AIP
- Audit 12-13: Outcomes of DoS Public-Diplomacy Grants

### NEW AUDITS

- USAID Sustainability Planning for Development Programs
- USAID Oversight of Non-Expendable Property
- Afghan Tariffs, Taxes, and Fees on U.S. Reconstruction Contractors
- Air Mobility Support for Interdiction Operations
- U.S. Support for Commercialization of the Afghanistan Electricity Utility

### ONGOING AUDITS

- USACE O&M Contracts for ANSF Facilities
- Oversight of A-TEMP for the ANP
- ANA Logistics Capability for Petroleum, Oil, and Lubricants
- Construction of ANA Facility in Badghis Province
- USAID's Partnership with International Relief and Development, Inc.
- DoD Transaction Data Related to Reconstruction
- USAID Transaction Data Related to Reconstruction
- DoS Transaction Data Related to Reconstruction

### COMPLETED INSPECTIONS

- Construction Deficiencies at ABP Bases

### ONGOING INSPECTIONS

- Three USACE Construction Projects

# SIGAR OVERSIGHT



**Special Inspector General John F. Sopko** presents Global War on Terror Medals to SIGAR staff members Gabriele Tonsil and Angie Niblock for their service in Afghanistan.

Sopko has more than 30 years of experience in law and government service, most recently as a partner in an international law firm based in Washington, D.C. He served for more than 20 years on Capitol Hill as a staff member of the House Committee on Energy and Commerce, the Select Committee on Homeland Security, and the Senate Permanent Subcommittee on Investigations. In the 110th Congress, he was chief counsel for oversight and investigations for the House Committee on Energy and Commerce. Sopko has also served in two deputy assistant secretary posts at the U.S. Department of Commerce.

Sopko started his career as a state prosecutor in Ohio. Later, as a trial attorney with the U.S. Department of Justice Organized Crime and Racketeering Section, he conducted numerous long-term grand jury investigations and prosecutions against organized-crime groups. He was the lead attorney in the first successful federal RICO (Racketeer Influenced and Corrupt Organization Act) prosecution of the entire leadership structure of an American La Cosa Nostra crime family.

A graduate of the University of Pennsylvania, he earned his law degree from Case Western Reserve University.

Sopko succeeds Acting SIGAR Steven Trent, who has returned to his former duties as director of the agency's Investigations Directorate.

## NEW INITIATIVES

During this reporting period SIGAR advanced three initiatives designed to improve oversight and to better inform Congress, implementing agencies,

and the American public about reconstruction issues. SIGAR and the Inspectors General of DoD, DoS, and USAID agreed to a joint strategic audit plan that will drive audits, inspections, and evaluations in FY 2013. In addition, SIGAR began work on a capstone report to examine whether U.S.-funded reconstruction programs in Afghanistan can be sustained. SIGAR is also developing a new audit program to examine the costs incurred under high-risk reconstruction contracts.

## Joint Strategic Audit Plan

SIGAR led the effort to develop a joint audit plan to maximize oversight resources to scrutinize programs essential to achieving U.S. reconstruction goals during this critical transition period. The plan identifies 13 strategic issues in security; governance and development; counter-narcotics and rule of law; and the cross-cutting areas of planning, coordination, and contract administration. It poses overarching questions that SIGAR and the other members of the Joint Strategic Planning Subgroup for Oversight of Afghanistan Reconstruction will answer through their planned work during the coming year. Under this plan, the inspectors general will assess the following reconstruction issues:

- building the capacity and capabilities of the Afghan security forces
- administering and maintaining accountability of the Afghanistan Security Forces Fund (ASFF)
- building Afghan governance capacity
- sustaining U.S. investment in Afghan institutions and infrastructure
- increasing revenue generation within the Afghan government
- implementing civil service and pay reforms within the Afghan government
- implementing Afghan electoral reforms and preparing for upcoming elections
- executing and sustaining counter-narcotics programs
- expanding the capacity of and sustaining the Afghan justice system
- implementing anti-corruption initiatives
- planning and coordinating U.S. assistance programs
- providing stewardship of direct assistance funds
- awarding and administering reconstruction contracts

## Capstone Reports—Sustainability

Sustainability is key to ensuring that the U.S. investment in Afghanistan is not wasted. If the Afghan government cannot muster the personnel, skills, funds, and materiel to maintain programs and facilities, then even the best-planned and well-executed reconstruction projects are at risk of wasting U.S. tax dollars. SIGAR's first capstone report will therefore examine the sustainability challenge, reviewing lessons learned since 2002, and offering suggestions on how to make reconstruction programs sustainable through the current transition and beyond 2014.

# SIGAR OVERSIGHT

Audits by SIGAR and other oversight agencies have identified the need to include sustainment as part of program planning to ensure that Afghanistan can operate and maintain reconstruction programs and projects in the public and private sectors. SIGAR will assess the extent to which U.S. assistance gives proper attention to sustainability and will identify what is necessary to ensure that the U.S. investment in Afghanistan can be sustained.

SIGAR's capstone reports will draw on a variety of sources—audits, inspections, investigations, government documents, other reports, and interviews—to identify risks to U.S. funds and objectives; challenges in planning, execution, and coordination; and difficulties that may invite reconsideration of policy and priorities.

## New Financial-Audit Program

SIGAR is initiating a new financial-audit program to examine costs incurred under high-risk reconstruction contracts. This effort, which will be coordinated with SIGAR's oversight partners, seeks to quickly identify any waste, fraud, and abuse in contracts and ensure that inappropriate payments are returned to the U.S. Treasury. Through this program, SIGAR will provide the timely and detailed financial oversight of contracts that is needed to protect taxpayer dollars in the very challenging environment of Afghanistan.

## AUDITS

Since its last report to Congress, SIGAR has completed four audit reports and one inspection report. These reports identified several concerns related to private security contractors (PSCs) and U.S.-funded projects to improve governance and promote economic development:

- The implementing partners who execute USAID-funded reconstruction projects could face tens of millions of dollars in higher costs resulting from the transition of security missions to the state-owned Afghan Public Protection Force (APPF). In addition, the implementing partners may be receiving security services from unlicensed vendors. These findings raise concerns for costs, impacts on projects, and the quality of protection received by implementing partners.
- USAID's Afghanistan Stabilization Initiative-East (ASI-East) program is a three-year effort to support the U.S. counter-insurgency (COIN) strategy with gains in local jobs, community and government capacity, and infrastructure. However, after nearly three years' effort, none of ASI-East's projects have advanced from the "hold" to the "build" phase of that strategy, and an exit strategy remains to be developed. The slow pace of progress raises concerns for ultimate program success and a smooth hand-off.
- DoD and DoS use the recently created Afghanistan Infrastructure Program to combine appropriated funds for projects linked to the

### COMPLETED AUDITS

- Audit 12-10: Increases in Security Costs Are Likely under the Afghan Public Protection Force; USAID Needs to Monitor Costs and Ensure Unlicensed Security Providers Are Not Used
- Audit 12-11: Progress Made Toward Increased Stability under USAID's Afghanistan Stabilization Initiative-East Program, but Transition to Long-Term Development Efforts Not Yet Achieved
- Audit 12-12: Delays in Project Implementation and Insufficient Sustainment Planning Put Afghanistan Infrastructure Fund at Risk for Waste
- Audit 12-13: Selected Public-Diplomacy Awards Mostly Achieved Objectives, but Embassy Can Take Steps to Enhance Grant Management and Oversight

COIN strategy. But five of seven projects surveyed are a half-year to a year and a quarter behind schedule, and sustainment plans are lacking. These facts indicate risks that achievement of full, intended COIN benefits may be delayed, and that Afghan public opinion may be adversely affected if projects lag and later fail for want of sustainment.

- U.S. Embassy Kabul presides over the largest DoS public-diplomacy effort in the world: in FYs 2010 and 2011, its 560 grants and agreements totaled \$149 million. However, DoS did not initially have the necessary staffing in place as the funding and grant workload ramped up. Consequently, the PAS faced challenges in documenting pre-award procedures such as fair and open competition; SIGAR found that half the awards were sole source. Also, 14 of the 20 largest programs required some degree of sustainability funding, but none had sustainability plans because none were required, putting \$32 million of investment at risk.
- A SIGAR inspection found construction deficiencies at three border police bases in Nangarhar province. These problems included the lack of a viable water supply, a poorly constructed septic system, and inadequate sewage. In addition, SIGAR found leaking fuel lines, unconnected drain pipes, poorly built guard towers, and improperly installed heating and to ventilation systems. Moreover, most of these facilities were either unoccupied or not used for their intended purposes.

In these reports, SIGAR made a total of 29 recommendations to enhance program performance, improve oversight and accountability, and recover questionable expenditures. Recommendations included providing better documentation and controls, conducting cost/benefit analyses for new or follow-on contract awards, clarifying agency roles and responsibilities, and determining popular support for infrastructure projects.

## Status of SIGAR Recommendations

This quarter, SIGAR closed 35 audit recommendations contained in 10 audit reports. Since 2009, SIGAR has published 61 audits and inspections and made more than 200 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed about half of these recommendations. Closing a recommendation indicates SIGAR's assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue.

## Completed Audit Reports

This quarter, SIGAR published four audit reports that assessed projects and program management related to PSCs, stabilization efforts, infrastructure

development, and public diplomacy. PDF copies of the full audit reports are posted at SIGAR's website ([www.sigar.mil](http://www.sigar.mil)).

## **Audit 12-10: Private Security Contractors**

### **Increases in Security Costs Are Likely under the Afghan Public Protection Force; USAID Needs to Monitor Costs and Ensure Unlicensed Security Providers Are Not Used**

From FY 2009 through FY 2011, USAID provided more than \$4.2 billion to its implementing partners to carry out reconstruction and development assistance programs in Afghanistan. Implementing partners are responsible for meeting their own security needs. Most contracted with PSCs for security for their offices, housing, project sites, and personnel movements.

In March 2011, the Afghan government issued its "Bridging Strategy for Implementation of Presidential Decree 62," which provided for the eventual dissolution of most PSCs. Under this strategy, the Afghan government required that security services for development programs and projects be transferred from PSCs to the state-run APPF by March 20, 2012. In January 2012, President Karzai approved a model allowing implementing partners to use risk-management companies (RMCs) to advise on the security of sites, personnel, logistics, transportation of goods and equipment, and contract management.

SIGAR analyzed invoices and other data from 13 implementing partners responsible for 29 of USAID's largest projects during FY 2009–2011. SIGAR also inquired whether USAID's implementing partners for selected projects were using Afghan-licensed PSCs.

## **OBJECTIVES**

This audit sought to determine

- the costs and the number of personnel and vehicles associated with PSCs for selected USAID projects during FY 2009–2011
- the potential costs related to the transition of security services from PSCs to the APPF and the plans of implementing partners after the transition

## **FINDINGS**

1. For the 29 USAID projects that SIGAR examined, approximately \$300 million (or 10.4%) of the \$2.9 billion expended during FY 2009–2011 was for security services. At least \$140 million of this \$300 million was for PSC personnel, and about \$27 million was for vehicles. SIGAR found that some implementing partners that had purchased armored vehicles also leased vehicles to meet their needs, at a cost of \$4.1 million, because they could not get the purchased vehicles through Afghan registration and customs in a timely manner.
2. Assuming security requirements for armed Afghan guards do not change, the transition to the APPF will likely increase the cost of hiring Afghans during the first year of transition to the APPF by up to 46%

or \$3.1 million for 13 of the 29 projects SIGAR examined. In addition, SIGAR noted that some implementing partners indicated they may hire more expatriates through RMCs to facilitate the transition. By one implementing partner's estimate, expatriate-labor costs during the first year of transition to the APPF could increase as much as 200%, or \$52.1 million, for the 13 projects examined. Implementing partners identified other factors, such as increased security infrastructure, that may further increase costs. In April 2012, USAID provided SIGAR its analysis of data from implementing partners for the first month after the transition to the APPF. It showed that security costs had decreased. However, SIGAR found that the data submitted by USAID's implementers was inconsistent and incomplete, which calls into question USAID's overall conclusions. Finally, as of June 2012, most of USAID's implementing partners had not had more than a few weeks of experience with the APPF. Some expressed concern about the initial transition, on the basis of incidents such as APPF personnel showing up without proper uniforms and weapons, demanding unanticipated material support. While the transition to the APPF is under way, the eventual costs of security for USAID's ongoing and future programs and projects remain to be determined.

3. SIGAR found that implementing partners had used unlicensed PSCs for six projects as of December 2011. Such use is illegal, putting USAID projects and reconstruction funding at risk. A warning flag on this issue had been raised in May 2010, when a report by the USAID Office of Inspector General stated that USAID had not ensured that all PSCs used by implementing partners were licensed by the Ministry of Interior.

## RECOMMENDATIONS

Given the likely increase in security costs under the APPF, SIGAR made three recommendations to the USAID Mission Director in Kabul. Two addressed systematically assessing security costs of ongoing, follow-on, and new contracts:

1. Perform a comprehensive analysis of security costs for all ongoing projects that are using or plan to use APPF security services and determine (a) whether funding will be available to cover any additional security costs and (b) the effect the additional costs will have on overall project implementation.
2. Before deciding whether to award new or follow-on contracts, cooperative agreements, or grants for reconstruction and development projects, conduct a cost-benefit analysis for each award that methodically assesses whether U.S. funds should be spent on other projects if the cost of security exceeds any benefits that USAID expects to derive from the project.

One recommendation was to ensure that implementing partners use only licensed RMCs:

3. Institute a formal review process to ensure implementing partners are using licensed RMCs.

## **AGENCY COMMENTS**

USAID concurred with the recommendation that implementing partners be subject to formal review to confirm their use of licensed RMCs.

USAID did not agree that it should do any additional cost assessments. USAID said it had done the recommended analysis for ongoing projects and that its existing policies already require that it assess security costs for future projects. However, because the APPF is new and unique, with unproven capabilities, SIGAR believes its costs should be closely monitored while USAID's implementing partners gain more experience with it.

## **Audit 12-11: Governance and Economic Development**

### **Progress Made Toward Increased Stability under USAID's Afghanistan Stabilization Initiative-East Program, but Transition to Long-Term Development Efforts Not Yet Achieved**

U.S. COIN strategy encompasses “clear, hold, and build” phases intended to permanently stabilize targeted districts and communities. Supporting the “hold” phase of COIN strategy is a key objective of USAID's Afghanistan Stabilization Initiative-East (ASI-East) program. ASI-East supports the “hold” phase, with the overall goals of improving community and government capacity as well as public support for the Afghan government by generating employment, improving local infrastructure, and increasing access to public services. ASI-East focuses on grants to local implementers in 10 districts in four eastern provinces.

In June 2009, USAID's Office of Transition Initiatives (OTI) awarded a three-year, \$151 million task order to Development Alternatives, Inc. (DAI), to implement the ASI-East program. After the task-order award, OTI asked DAI to develop a more strategic approach to target specific sources of instability at the district level.

In February 2010, DAI began to implement the new District Stability Framework (DSF), which uses a monitor-measure-adjust approach to tailor programs to district-level conditions. In February 2012, OTI awarded a new three-year, \$161.5 million follow-on task order to Creative Associates International, Inc., to continue ASI programming efforts in eastern and southern Afghanistan under a single implementing partner. The new task order has an estimated completion date of February 2015.

## OBJECTIVES

The ASI-East audit assessed

- the extent to which expended ASI-East costs were allowable, allocable, and reasonable
- the extent of implementation of performance oversight, monitoring, and evaluation systems
- the degree to which the program has made progress toward transitioning districts to the “build” phase of the counter-insurgency strategy

## FINDINGS

1. Costs incurred under the ASI-East task order were generally allowable, allocable, and reasonable, but certain cost-related issues need to be addressed. These issues include program spending marked by high operating costs, more than \$590,000 in questionable program costs, and a number of timekeeping and billing deficiencies that increased the risk of inappropriate charges.
2. DAI implemented a range of program oversight, monitoring, and evaluation systems. However, final results remain to be determined and certain administrative issues relating to program oversight need to be addressed in the follow-on task-order award. USAID’s efforts to evaluate ASI-East’s final program results will be critical for deciding whether and how extensively the DSF methodology should be implemented in stabilization efforts such as USAID’s Stabilization in Key Areas program. Program monitoring and evaluation centered on the three-tier system called for by the DSF methodology. Preliminary results indicate that ASI-East activities have been successfully implemented with positive impacts on district-level stability. But overall stability across ASI-East’s 10 programming districts remains poor, on the basis of seven leading indicators of stability developed by DAI and its monitoring and evaluation subcontractor.
3. Despite nearly three years of program efforts, none of ASI-East’s target districts have transitioned from the “hold” to the “build” phase. OTI has only recently drafted district-level disengagement criteria. An exit strategy for OTI programming in Afghanistan remains to be developed under the follow-on task order for ASI. These efforts will need to be integrated with planned improvements and evaluations of the DSF methodology.

## RECOMMENDATIONS

SIGAR made six recommendations to address problems identified by the audit.

To ensure that the ASI-East program is implemented within the terms of the contract, SIGAR made two recommendations to USAID’s Bureau for Democracy, Conflict, and Humanitarian Assistance (DCHA) and OTI:

# SIGAR OVERSIGHT

1. Review the ASI-East program spending patterns to determine if the current spending levels represent a reasonable balance between program spending and operating costs.
2. Instruct the contractor to address and correct the identified internal control weaknesses and procedural shortcomings in timekeeping and billing.

To ensure that ASI-East program costs are allowable, allocable, and reasonable, SIGAR recommended that the Contracting Officer in Washington, D.C., take the following action:

3. Review the more than \$590,000 in questioned costs and recover these funds as deemed appropriate:
  - the \$500,000 in potentially unallowable costs associated with DAI's subcontract award to Altai Consulting for monitoring and evaluation services
  - the \$3,400 in unallowable shipping costs associated with a different DAI contract
  - the \$50,000 in wasteful spending on insurance costs for armored vehicles that it was no longer using.
  - the \$38,500 in wasteful spending on insurance for leased armored vehicles

To improve ASI-East program performance oversight, monitoring, and evaluation systems, SIGAR made two recommendations for the USAID, DCHA, and OTI in Washington, D.C., in conjunction with OTI Kabul mission staff and the Stabilization Unit Chief:

4. Incorporate an assessment of activity outcome results into the monitoring and evaluation methodology, and perform a stability monitoring and evaluation analysis when entering new districts.
5. Provide input to the Stabilization Unit Chief to produce an interim and final summary of lessons learned from the ASI-East program's implementation of the DSF to be considered by senior USAID, military, and DoS officials as future decisions are made regarding the application of the DSF methodology to other stabilization programs.

To help ensure future progress toward transitioning districts to the “build” phase of the COIN strategy, SIGAR made one recommendation to USAID's DCHA/OTI offices in Washington, D.C., to implement in conjunction with OTI Kabul mission staff:

6. Finalize draft disengagement criteria to facilitate programming decisions at the district level, and develop an exit strategy to guide overall OTI programming decisions at the country level.

## **AGENCY COMMENTS**

USAID generally concurred with SIGAR's recommendations and noted actions it has taken or will take to address them. Although USAID said that \$500,000 in contract costs questioned in the audit was allowable, it did not provide SIGAR with information to substantiate this claim. The agency said \$3,400 of the questioned costs had been recovered and another \$88,500 was under review. Based on other USAID comments, SIGAR revised recommendations 4 and 5 to also address the Stabilization Unit Chief in Kabul. That unit is responsible for monitoring and evaluating USAID's stabilization efforts, including USAID's implementation of the DSF.

## **Audit 12-12: Infrastructure**

### **Delays in Project Implementation and Insufficient Sustainment Planning**

#### **Put Afghanistan Infrastructure Fund at Risk for Waste**

Congress established the Afghanistan Infrastructure Fund (AIF) to build infrastructure in support of the U.S. COIN effort. Congress stipulated that DoD, which manages the AIF, together with DoS and USAID, develop an integrated Afghanistan Infrastructure Program (AIP). The AIP was to draw on defense and foreign-operations appropriations to fund water, power, transportation, and other projects to achieve COIN objectives.

Congress appropriated \$400 million for DoD in FY 2011 to create the AIF in support of the AIP and appropriated an additional \$400 million in FY 2012 to continue AIP support. DoS and USAID were to fund AIP projects using resources appropriated from Economic Support Fund (ESF) accounts for Afghanistan. The authorizing legislation calls for AIP projects to be jointly developed and approved by DoD and DoS, and implemented by DoS in coordination with DoD (unless the agencies agree that DoD should be the implementer). USAID is the implementing agency for DoS; U.S. Forces - Afghanistan (USFOR-A) is the implementing agency for DoD. USAID executes its projects through contracts it manages, while USFOR-A executes projects through contracts managed by the U.S. Army Corps of Engineers (USACE).

Legislative provisions related to AIP require implementing agencies to show how they will sustain projects, and to report to Congress before and after obligating, disbursing, or transferring funds for AIP projects.

## **OBJECTIVES**

This audit sought to determine the extent to which

- projects were implemented on schedule and achieved planned COIN effects
- DoD, DoS, and USAID addressed project sustainment costs and other sustainment challenges
- Agencies coordinated and jointly managed the AIP

# SIGAR OVERSIGHT

## FINDINGS

1. Five of seven FY 2011 AIF projects are 6 to 15 months behind schedule, and most projects will not achieve desired COIN benefits for several years. Acquisition and funding delays postponed the project execution schedules of most FY 2011 AIF projects, including all power-sector projects except the Kandahar Bridging Solution, which is providing fuel. In some instances, projects may even result in adverse COIN effects because they create an expectations-versus-reality gap in the affected population or because they lack citizen support.
2. DoD and DoS did not ensure the sustainability of FY 2011 AIF projects. For example, DoD, DoS, and USAID did not develop sustainment plans that included realistic cost estimates for FY 2011 AIF projects, nor did agencies communicate costs to the Afghan government. In some cases, such as the Kandahar Bridging Solution and the Southeast Power System projects, project viability and sustainability depend on the completion of additional projects that remain unidentified or unfunded, or have projected completion dates well beyond 2014.
3. Implementing agencies are developing mechanisms for joint project management. However, the lack of comprehensive and shared project information and unclear guidance on agency roles in project execution limit congressional oversight and interagency coordination. For example, DoD plans to use \$86 million of FY 2011 AIF funds to implement a project that already has funding from another donor.

## RECOMMENDATIONS

To improve Congress's capacity for effective oversight and enhance joint decision making for large-scale, interdependent infrastructure projects that effect sector-wide goals, SIGAR recommends that the U.S. Ambassador to Afghanistan and the USAID Mission Director, in coordination with the Commander USFOR-A:

1. Define and identify all infrastructure projects that compose AIP, including projects funded by AIF and ESF, and include this information in required congressional reports as part of AIP. This notification should illustrate the interrelationship of infrastructure projects.

To enhance coordination and oversight between DOD (USFOR-A and USACE), State, and USAID, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:

2. Define the roles and responsibilities for lead and secondary agencies for the implementation and oversight of AIP projects, and
3. Develop a shared or web-based database, or include AIP projects into an existing shared or web-based database, to monitor project implementation and track progress. (Similar consideration should be

given to all development/infrastructure projects, as recommended previously by SIGAR and GAO.)

To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director—in close coordination with key stakeholders including the Afghan government and ADB:

4. Develop a project execution schedule of U.S.-funded interrelated infrastructure projects to determine and communicate the “critical path” to stakeholders and implementers, and incorporate the schedule into the master plan for Afghanistan's energy sector being developed by ADB.

To help ensure the successful and timely development of Afghanistan's power sector, which relies on interdependent projects implemented by different U.S. government agencies and international donors, and to ensure that \$101 million of fiscal year 2011 AIF funds do not expire, SIGAR recommends that the Secretary of Defense and the Secretary of State:

5. Expedite the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to State—and ultimately to USAID—for the implementation of the NEPS project from Dast-i-Barchi to Ghazni.

To help ensure AIP projects achieve COIN goals, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:

6. Clearly indicate the amount of time that infrastructure projects will take to achieve COIN benefits identified in congressional notifications required by AIP authorizing legislation.
7. Revise AIP guidance and project selection criteria to ensure that AIP projects have the support of the affected population.

To help ensure AIP projects are sustained and viable upon completion, SIGAR recommends that the Commander USFOR-A, the U.S. Ambassador to Afghanistan, and the USAID Mission Director:

8. Develop a comprehensive sustainment plan for each AIP project that, at a minimum, includes (a) a realistic estimate of costs necessary to sustain the project, the planned source of such funding, and an assessment of the reliability of the planned source; (b) evidence that estimated sustainment costs have been provided to the Afghan government and that the Afghan government has committed to sustain the project; and (c) a joint assessment of the capacity of the Afghan government entity responsible for sustaining the project. The sustainment plans should be included in required congressional notifications.

To help ensure the timely completion of congressional notifications and reports for AIP projects, as well as the timely receipt of appropriated funds, SIGAR recommends that the Secretary of Defense and the Secretary of State:

9. Clarify and formalize the requirements and format for AIP notification and reporting packages and the approval process, including expected timeframes, for providing notifications and reports to Congress.

## **AGENCY COMMENTS**

SIGAR received comments from multiple agencies and offices—DoS, U.S. Embassy Kabul, the Office of the Secretary of Defense (OSD), USFOR-A, and USAID. Although the agencies and offices generally concurred or partially concurred with most of the recommendations, the agencies and offices will need to coordinate their responses and corrective actions with each other to address the issues SIGAR identified in the report. OSD believes the audit report is premature and strongly disagrees with many of the findings and conclusions. SIGAR conducted the audit early in the program's implementation so that any problems or opportunities for improvement could be identified and addressed prior to the impending withdrawal of U.S. and coalition troops. SIGAR also did not attempt to interpret COIN doctrine, but rather assessed whether the COIN benefits that DoD and DoS identified in their report to Congress were being achieved.

## **Audit 12-13: Governance**

### **Selected Public-Diplomacy Awards Mostly Achieved Objectives, but Embassy Can Take Steps to Enhance Grant Management and Oversight**

During FYs 2010–2011, U.S. Embassy Kabul's Public Affairs Section (PAS) awarded about \$149 million in 560 public-diplomacy grants and cooperative agreements—the largest such program administered by any U.S. embassy. The funds supported efforts to help the Afghan government communicate a common vision of progress and to urge the Afghan people to resist insurgent influence and reject violent extremism.

The PAS, primary administrator of the public-diplomacy program, comprises press and public-affairs offices, a strategic-communications section, an advisory unit working at the Government Media Information Center, and a deployed military information-support team. PAS employees may also serve as grant officers, grant officer representatives, and members of award panels.

SIGAR reviewed the selection and oversight of 20 of the larger PAS public-diplomacy awards (those for more than \$1 million) issued during FYs 2010 and 2011. These awards totaled some \$57 million, about 38% of all public-diplomacy awards during that period. SIGAR also examined the organizational status of a grant-funded media center providing direct assistance to Afghan government entities.

## OBJECTIVES

This audit sought to determine

- the funding and staffing provided for the public-diplomacy grants program
- the extent to which the PAS followed award-selection and management procedures
- whether awards were consistent with U.S. strategic objectives and were achieving intended results
- the extent to which the PAS addressed the sustainability of grant-funded equipment and facilities

## FINDINGS

1. DoS's public-diplomacy program for Afghanistan received significant funding increases in 2010 and 2011. However, embassy staffing did not increase as the funding and grant workload ramped up, leading to some initial challenges in managing and documenting pre-award requirements.
2. Lack of documentation prevented SIGAR from determining the extent to which the PAS followed required pre-award activities, including assessing risk, recipient capacity, use of sub-awards, and costs. Consequently, SIGAR was unable to determine the extent to which the PAS ensured that risks were identified and mitigated, recipients were capable of managing grant funds, sub-recipients did not include excluded parties, and estimated costs were reasonable. Documentation on the use of fair and open competition was absent for several awards, and SIGAR found that half of the awards reviewed were sole-sourced. In 2011, the PAS took steps to improve its award-assessment and selection procedures. SIGAR also found that the untimely closeout of a terminated grant resulted in unused cash advances totaling \$253,432 that were not recovered or de-obligated, and that about \$12 million disbursed under the 20 awards had not been subjected to financial audits.
3. The PAS awarded grants consistent with the U.S. government's civilian-military campaign plan for Afghanistan. Recipients of 15 of 20 awards reviewed had achieved or were likely to achieve their intended results. SIGAR found that four grants were not likely to achieve intended results. One grant was terminated for lack of cooperation between Afghan ministry officials and the grant recipient.
4. Fourteen awards required some degree of sustainability funding to continue staffing, operations, or maintenance after the award period ended, but none had sustainability plans because such plans were not required prior to FY 2012. Consequently, up to \$32 million is at risk of being wasted if sustainment efforts are not made. The PAS has taken some steps to address sustainability for these grants and began requiring sustainability plans before award beginning with FY 2012-funded agreements.

5. Award records were not clear about whether one of the reviewed recipients—the Government Media Information Center—was an Afghan government entity. The uncertainty affects the Embassy’s ability to determine whether a certification is required to provide direct assistance to the recipient.

## **RECOMMENDATIONS**

SIGAR made six recommendations to improve the public-diplomacy program.

To provide better oversight of funds given to award recipients for public-diplomacy programs in Afghanistan, SIGAR recommended that the U.S. Ambassador to Afghanistan take four actions:

1. Take steps to ensure that the PAS documents pre-award assessments and selection procedures for public-diplomacy grants in accordance with DoS’s Grants Policy Directives.
2. Take steps to ensure timely close-out of completed public-diplomacy awards.
3. Recover and de-obligate \$253,432 in cash advances made under a public-diplomacy grant that was subsequently terminated.
4. Re-solicit the contract for financial audits of public-diplomacy awards and, if necessary, coordinate with other organizations that have awarded audit contracts in Afghanistan.

To provide for greater assurance of achieving award results, SIGAR recommended that the U.S. Ambassador to Afghanistan and the Assistant Secretary for South and Central Asian Affairs jointly take three actions:

5. Review the progress of the four awards facing difficulties in achieving their intended results to determine whether to continue, modify, or terminate those awards.
6. Determine sustainability requirements and develop sustainability plans for 14 grants—with a total value of \$32 million—that were awarded in FYs 2010 and 2011 and are likely to require additional resources after the award period ends.

## **AGENCY COMMENTS**

The U.S. Embassy Kabul concurred with the first five recommendations to enhance grant management and oversight. Although it did not concur with the recommendation to determine sustainability requirements and develop sustainability plans for all 14 grants awarded in FY 2010 and FY 2011, SIGAR continues to believe this recommendation has merit because sustainability plans have not been developed for all of the grants.

## New Audits Announced This Quarter

During this reporting period, SIGAR initiated five audits. These audits will assess USAID's sustainment planning; USAID's oversight of non-expendable property purchased by implementing partners to execute reconstruction programs; the Afghan government's imposition of tariffs, taxes, and other fees on U.S.-funded contractors; the capabilities of the Afghan electric utility; and air support for the counter-narcotics effort.

### **USAID Planning for Sustainability of Its Development Programs in Afghanistan**

The United States risks wasting billions of dollars if U.S.-funded development programs cannot be sustained, either by the Afghan government or by continued donor support. In June 2011, USAID issued guidance to better integrate sustainability planning into the design of its assistance programs for Afghanistan. Congress subsequently mandated that DoS, in consultation with USAID, certify that the funds would be used in accordance with this guidance. SIGAR is conducting this audit to assess USAID's planning for the sustainability of its development programs in Afghanistan.

### **USAID Procedures for Controlling Non-expendable Property in Afghanistan**

USAID provides its economic assistance to Afghanistan primarily through implementing partners. This assistance includes funding for the implementing partners to acquire non-expendable property, such as information technology equipment, furniture and supplies to support staff, and heavy equipment to build infrastructure. U.S. regulations require implementing partners to prepare and maintain records for the receipt, use, maintenance, protection, custody, and care of all non-expendable property. USAID, in turn, is responsible for overseeing the implementing partners' programs to account for non-expendable property. SIGAR is conducting this audit to determine the extent to which USAID is overseeing the acquisition of non-expendable property by implementing partners. The audit will also assess whether the property purchased by implementing partners is being properly used in support of reconstruction activities and disposed of in accordance with relevant regulations and contract terms.

### **Tariffs, Taxes, or other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan**

The United States relies primarily on contractors and their subcontractors to implement U.S. reconstruction programs in Afghanistan. The Afghan government is reportedly charging tariffs, taxes, and other fees on materials imported for U.S.-funded reconstruction programs. This audit, which addresses congressional concerns, will determine what fees are being

## NEW AUDITS

- USAID Planning for Sustainability of its Development Programs in Afghanistan
- USAID Procedures for Controlling Non-expendable Property in Afghanistan
- Tariffs, Taxes, or other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan
- Air-Mobility Support for Afghan Drug Interdiction Operations
- U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility—Da Afghanistan Breshna Sherkat (DABS)

levied and whether these fees are in accordance with applicable international agreements. As part of this audit, SIGAR will also assess the impact that declining coalition activity after the 2014 transition will have on the Afghan government's operating budget.

## **Air-Mobility Support for Afghan Drug Interdiction Operations**

Despite efforts by the international community and the Afghan government to reduce poppy cultivation and illicit drug trafficking, Afghanistan still produces about 90% of the world's opium. The illicit drug trade also supports the insurgency. The U.S. counter-narcotics strategy strives to cut off the flow of funds to the insurgency through interdiction operations. These operations depend on U.S.-funded air-mobility support to U.S. and Afghan law-enforcement officials. U.S. efforts to enhance the capabilities of the Afghan Special Missions Wing—also known as the Air Interdiction Unit—are critical to sustaining counter-narcotics operations. This audit will determine the extent to which U.S. assistance provides responsive air-mobility support to law-enforcement officials for drug-interdiction operations, assess U.S. government agencies' oversight of their assistance to the Air Interdiction Unit, and evaluate the extent to which U.S. assistance has resulted in the development of a sustainable capability to provide air-mobility support for counter-narcotics efforts.

## **U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility—Da Afghanistan Breshna Sherkat (DABS)**

The United States has been supporting efforts to commercialize DABS, the national power utility, as part of an overall effort to expand a self-sustaining power network. Several USAID-funded projects have come to a close and USAID plans to award several new contracts to continue its support of the development of the electricity utility. This audit will identify the extent to which the United States has funded programs to assist in the commercialization of DABS and assess the outcomes of those efforts. The audit will also evaluate the degree to which U.S. implementing agencies have coordinated their efforts to develop a self-sustaining DABS.

## **Ongoing Audits**

SIGAR has five additional ongoing audits that are examining contracts and programs in the three major reconstruction sectors—security, governance, and development. In addition, SIGAR continues to review transaction data from DoD, USAID, and DoS for the three major reconstruction funds—the Afghanistan Security Forces Fund (ASFF), the Economic Support Fund (ESF), and the International Narcotics Control and Law Enforcement (INCLE) account.

## **USACE Operations and Maintenance Contracts with ITT Systems Corporation for ANSF Facilities**

In July 2010, USACE awarded two firm-fixed-price contracts to ITT Systems Corporation to provide operations and maintenance for facilities for the Afghan National Security Forces (ANSF). Valued at a total of \$800 million, these contracts cover Afghan army and police facilities in northern and southern Afghanistan. According to the program manager, these contracts may cover more than 660 sites. The contracts consist of one base year plus four option years, and require that the contractor train Afghan workers in all aspects of operations and maintenance. SIGAR is assessing cost, schedule, compliance with contract terms, contract oversight, and sustainability. DoD OIG is conducting a separate audit on the training aspect of the contracts.

## **Oversight and Costs Associated with the Afghanistan - Technical Equipment Maintenance Program (A-TEMP) for the ANP**

To support the Afghan National Police (ANP) under the A-TEMP, the Combined Security Transition Command - Afghanistan (CSTC-A) is funding contracts with Automotive Management Services and PAE Government Services, Inc. This audit will focus on government oversight of the prime contractors and any subcontractors, the costs associated with the contracts, accountability for vehicle parts and maintenance supplies, and the status of efforts to transition vehicle maintenance to the ANP.

## **Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants**

The United States is working through CSTC-A to help the Afghan National Army (ANA) build an independent and sustainable logistics capability. This quarter, SIGAR began an audit to assess the status of CSTC-A's efforts to develop the ANA's capabilities to manage and distribute petroleum products. This audit will also determine whether the ANA has the internal controls needed to account for petroleum products and prevent fraud, waste, and abuse, including the unauthorized diversion or theft of fuel.

## **Construction of the 3rd Brigade, 207th Afghan Army Corps, Garrison in Badghis Province**

In January 2012, SIGAR received an allegation that the NATO Training Mission - Afghanistan/CSTC-A did not consider less expensive options before USACE awarded an \$81.3 million construction contract for an ANA garrison. After meeting with U.S. military officials and USACE to discuss the concerns, SIGAR initiated an audit to assess the basis for the decision to proceed with the construction contract.

## **ONGOING AUDITS**

- USACE Operations and Maintenance Contracts with ITT Systems Corporation for ANSF Facilities
- Oversight and Costs Associated with the Afghanistan-Technical Equipment Maintenance Program (A-TEMP) for the ANP
- Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants
- Construction of the 3rd Brigade, 207th Afghan Army Corps Garrison in Badghis Province
- USAID's Southern Region Agricultural Development Project's Partnership with International Relief and Development, Inc.
- Forensic Reviews of DoD, DoS, and USAID Transaction Data Related to Afghanistan Reconstruction

## **USAID’s Southern Region Agricultural Development Project’s Partnership with International Relief and Development, Inc.**

USAID is funding the Southern Region Agricultural Development Project to combat regional instability, increase agricultural employment and income, and assist the region’s transition from an insecure area to one with a sustainable and prosperous agricultural economy. In February 2012, SIGAR received allegations that USAID’s implementing partner—International Relief and Development, Inc. (IRD)—had failed to coordinate sufficiently with the local government and military officials and was spending funds on solar panels and farm tractors without justification. SIGAR is conducting this audit to (1) assess the basis for the acquisition and distribution of solar panels and farm tractors, and (2) determine whether IRD’s expenditures complied with the terms of its strategic partnership agreement and the intended goals of the program.

## **Forensic Audits**

Public Law 110-181, as amended, requires that before SIGAR is terminated, it must prepare and submit to the appropriate Congressional committees a final forensic audit report on programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. To identify waste, fraud, and abuse of taxpayer dollars, SIGAR is continuing to collect data and conduct forensic reviews of three major reconstruction funds:

- the ASFF, managed by DoD
- the ESF, managed by USAID
- the INCLE account, managed by DoS

During this reporting period, SIGAR issued a formal notification letter requesting information about how the Defense Security Cooperation Agency (DSCA) tracks obligations and disbursement data for Afghanistan reconstruction. The goal is to identify ASFF funding on a detailed level to enhance SIGAR’s audit and forensic work, and determine (1) what ASFF funding has purchased, (2) how much ASFF funding has been obligated and disbursed for specific purchases, and (3) what entities used ASFF funding to implement pseudo-Foreign Military Sales cases.

## **Inspections**

This quarter, SIGAR completed an inspection of three Afghan Border Police bases and found a number of construction deficiencies at all of them. This is the first in a series of four inspections of U.S.-funded infrastructure projects being implemented by the U.S. Army Corps of Engineers-Transatlantic Afghanistan North (USACE-TAN) to support U.S. efforts to build the Afghan security forces.

SIGAR initiated its inspections program earlier this year because several audits had identified issues that put the U.S. investment in infrastructure at risk, including sustainability. SIGAR is examining the quality of construction and assessing whether the facilities are being operated and maintained for the purposes intended.

## **Construction Deficiencies at Afghan Border Police Bases Put \$19 Million Investment at Risk**

CSTC-A provided over \$19 million from the ASFF to build four Afghan Border Police bases in Nangarhar province on Afghanistan's eastern border. SIGAR conducted a physical inspection of three of them. This inspection sought to determine

- whether the construction was completed in accordance with contract requirements and applicable construction standards
- whether construction deficiencies were corrected before facilities were turned over to CSTC-A
- whether the facilities are being used as intended

### **FINDINGS**

1. SIGAR found construction deficiencies at all three border police bases. These problems included the lack of a viable water supply, a poorly constructed septic system, and inadequate sewage. Other deficiencies included leaking fuel lines, unconnected drain pipes, poorly built guard towers, and improperly installed heating and ventilation systems.
2. The problems SIGAR identified have gone uncorrected because neither the contractor nor USACE has effective quality assurance processes in place.
3. Most of these facilities were either unoccupied or not used for their intended purposes. One base is not being used at all because it has no viable water supply. At another base, one of the buildings, which houses the base's well, is being used as a chicken coop.

### **RECOMMENDATIONS**

To ensure that construction is completed in accordance with contract requirements and applicable construction standards at the four border patrol bases, SIGAR recommended that USACE-TAN take the following action:

1. Review the status of construction deficiencies identified as part of the transfer of the four bases, including the critical water supply and septic and sewage system deficiencies, and determine a resolution that is in the best interest of the U.S. government and without unnecessary additional government cost. Specifically, determine the method of repair for the deficiencies still outstanding, including:
  - remediation by the contractor, as part of complying with the contract terms

### **COMPLETED INSPECTIONS**

- Inspection 12-01: Construction Deficiencies at Afghan Border Police Bases Put \$19 Million Investment at Risk

# SIGAR OVERSIGHT

- recovery under warranty, as stipulated in the contract remediation timeframes and warranty terms
  - determining whether funds withheld pending project completion should be released to the contractor as part of the satisfactory closeout of the contract
2. Based on the determination in recommendation 1, prepare a plan of action for the repairs, as previously requested, and ensure the repairs are completed, inspected, and approved as expediently as possible.
  3. For ongoing and future construction contracts, adhere to the requirements of the Federal Acquisition Regulation and USACE ER 1180-1-6 for effectively managing a Quality Management Program, by ensuring:
    - Each USACE Resident/Area Office is aware of and has access to the applicable Quality Assurance Surveillance Plan.
    - The contractor has developed an effective Contractor Quality Control Program, which is adequately monitored and assessed through the Quality Assurance Program.
    - Construction deficiencies are tracked and remedied in a timely manner, to ensure quality construction is delivered at completion of the project, as part of the transfer process.
  4. Per the terms of the transfer process, ensure that the Regional Response Coordination Center provides the requisite operations and maintenance manuals as well as the appropriate technical documents and supporting training required for safe and effective operation of the facilities.

## AGENCY COMMENTS

USACE-TAN generally concurred with the recommendations and noted the steps it has taken or will take to address them. USACE-TAN noted that serious security issues in the region of these border posts hamper its ability to routinely perform quality management activities. It also pointed out that these border posts are located in remote and largely inaccessible areas. SIGAR acknowledged these challenges, but also believes that USACE-TAN needs to collect more information from the contractor, such as the required quality assessment reports, before accepting completed work.

## Ongoing Inspections

SIGAR is conducting three inspections of construction projects contracted by USACE for ANSF facilities in the provinces of Wardak, Nangarhar, and Kunduz. SIGAR audits have found that in the security sector alone, the U.S. government planned to have built at least 900 facilities—for the ANA and the ANP—by the end of FY 2012. SIGAR is examining the quality of construction and assessing whether the ANSF facilities in Kunduz, Nangarhar, and Wardak are being operated and maintained for the purposes intended.

### ONGOING INSPECTIONS

- Wardak ANP Training Center (USACE)
- Jalalabad ANA Garrison (USACE)
- Kunduz ANA Facility-2/209th Headquarters (USACE)

## INVESTIGATIONS

During this reporting period, SIGAR investigations resulted in arrests and indictments in the United States and Afghanistan, more than \$900,000 in recoveries, and about \$50 million in contract monies protected. SIGAR investigations netted two convictions, five arrests, and seven indictments. In response to previous recommendations, implementing agencies finalized 23 debarments. The SIGAR Hotline received 35 complaints, 4 of which sparked new investigations. Also this quarter, SIGAR special agents received public service awards for bringing a former U.S. Army Reserve captain to justice in the largest bribery case to come out of Afghanistan since the start of U.S. operations there.

SIGAR works closely with other U.S. law-enforcement agencies in the International Contract Corruption Task Force (ICCTF) and Afghan law-enforcement bodies to investigate contract and procurement fraud, corruption, and theft. SIGAR closed the quarter with 188 open criminal investigations and is lead investigative agency in 132 of them. From March 31 to June 30, 2012, SIGAR opened 25 new investigations and closed one. Of the 25 new investigations this quarter, SIGAR is the lead agency on 17. Fifty percent of SIGAR's cases involve procurement fraud, as shown in Figure 2.1; 29% involve public corruption and bribery. The remaining 21% are investigations of theft and other illegal activities associated with reconstruction funding.

In addition to building criminal and civil cases, SIGAR investigators are helping contracting officials to identify poorly performing contractors. SIGAR also supports anti-corruption bodies such as Task Force 2010, which was established by DoD to combat contract and procurement fraud and to prevent U.S. funds from being used to support insurgents.

## New Initiatives

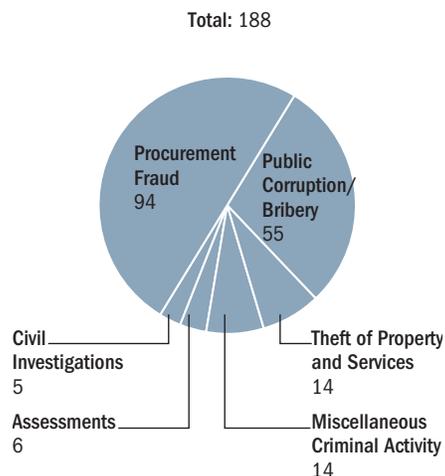
This quarter, SIGAR investigators began two new initiatives. One, in cooperation with the Department of Commerce, seeks to identify individuals and companies associated with criminal networks. The other, in cooperation with the Army Criminal Investigation Task Force (CITF), shares information to enhance criminal investigations.

SIGAR is working with the Commerce Department to ensure that individuals and companies found to be associated with criminal networks are placed on the Department's list of entities with which the United States cannot do business. Individuals and companies placed on this list will be suspended or barred from receiving U.S.-funded reconstruction contracts in Afghanistan.

SIGAR has assigned a senior investigation analyst to liaise with the CITF to facilitate information exchanges on criminal cases relating to funds appropriated for Afghanistan's reconstruction. The CITF has access to sophisticated data bases with information that can augment SIGAR's

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF JUNE 30, 2012



Source: SIGAR Investigations Directorate, 7/12/2012.

# SIGAR OVERSIGHT

operational knowledge of criminal networks in and around Afghanistan. The CITF has prepared and delivered to SIGAR a number of intelligence products related to ongoing criminal investigations. SIGAR is using this information to develop cases. SIGAR and the CITF are exploring signing a Memorandum of Understanding to formalize the relationship.

## SIGAR Agents Receive Public Service Awards

On May 11, 2012, two SIGAR special agents—Philip Cousin and Wai Man Leung—received public-service awards for their leading roles in the investigation of the largest bribery case to come out of Afghanistan since the U.S. reconstruction effort began in 2002. The U.S. Attorney for the Eastern District of Virginia presented the awards for extraordinary service in a federal case to special agents from SIGAR, the Federal Bureau of Investigation (FBI), Defense Criminal Investigative Service (DCIS), and the Drug Enforcement Administration (DEA), who worked together to build the case against Sidarth Handa, a former U.S. Army Reserve captain who solicited millions of dollars in bribes and set up a scheme to distribute Southeast Asian heroin in the United States. Handa is serving a 10-year prison sentence.

The award citation said, “Agent Philip Cousins was the man on the ground in Afghanistan,” and described how Cousins developed an undercover source who knew Handa and established communications with Handa that lasted over a year. Ultimately Handa told the source how he had



**SIGAR special agents** are among those who received public service awards for their roles in investigating and successfully prosecuting the largest bribery case to come out of Afghanistan since 2002. From left to right: Dennis Fitzpatrick (AUSA), Kosta Stojilkovic (AUSA), E.J. Kelly (DEA), Steve Balog (DEA), Mark Bruso (DEA), Juana Cordova (DCIS), John Goodpaster (FBI), Wai Man Leung (SIGAR), Neil H. MacBride (USA-EDVA). Not pictured: Philip Cousin (SIGAR).

solicited more than \$2 million in bribes for construction contracts funded by U.S. taxpayers during a six-month stint in Afghanistan. Working with the FBI, DCIS, and DEA, Special Agent Wai Man Leung built a criminal case by gathering contract documents and bank records, and by interviewing Handa's former Army colleagues and supervisors.

## Investigative Results

This quarter, SIGAR investigations led to the recovery of more than \$900,000 and the protection of \$50 million in contract monies, as well as two convictions, six indictments, and five arrests.

### Investigation Yields a \$914,477 Recovery in USAF Contract

A joint investigation by SIGAR and the U.S. Air Force Office of Special Investigations (OSI) led to the recovery of \$917,477 in contract overcharges. The investigation found that a U.S. government contractor in Afghanistan overcharged the U.S. government by failing to provide the number of security personnel required under the terms of a firm-fixed-price contract with the U.S. Air Force. The security personnel were supposed to be assigned to Bagram and Kandahar airfields. The investigation determined that the contractor's failure to fulfill the terms of the contract resulted in the U.S. government being improperly overcharged. As a result of the SIGAR and OSI investigation, the U.S. government successfully recouped the full amount of the contract overcharges through an equitable adjustment to the contract.

### \$50 Million in Reconstruction Contract Monies Protected

This quarter SIGAR's initiative to protect U.S. taxpayer dollars by helping contracting officials to identify poorly performing contractors resulted in several contracts being terminated for default. The terminations protected more than \$50 million that otherwise could have been paid to the contractors. The terminated contracts include the following:

- A \$40.6 million USACE contract for construction of an ANA training center and ammunition supply point was terminated for unsatisfactory progress, resulting in a \$37 million cost savings. The contractor had completed only 10% of the work at a point when its contract required 87% completion.
- A \$36.1 million U.S. Army Corps of Engineers (USACE) contract for a construction project was terminated for default, saving the U.S. government \$3.8 million. A SIGAR investigation found that the contractor had engaged in a number of illegal activities, including falsifying numerous prompt-payment certificates and failing to pay Afghan subcontractors, suppliers, and laborers.
- A SIGAR review of questionable projects executed under the Commander's Emergency Response Program (CERP) in 2011 at Forward

Operating Base (FOB) Salerno prompted the command staff to conduct its own assessment and investigation. As of April 10, projects totaling \$19 million had been terminated, thus protecting about \$9 million from being spent on questionable projects.

## **Government Contractor Charged with Wire Fraud, Identity Theft, and Conspiracy**

On June 27, 2012, a federal grand jury charged a U.S. government contractor who had worked in Afghanistan with wire fraud, aggravated identity theft, and conspiracy to defraud the U.S. government. The three-count criminal indictment in the U.S. District Court for the Eastern District of North Carolina resulted from an ongoing SIGAR and Army Criminal Investigation Division (CID) investigation.

According to the indictment, Lavette Domineck and others conspired to defraud the U.S. government by telephoning the Fayetteville, North Carolina, office of the American Red Cross to falsely report that the defendant's brother in Milwaukee, Wisconsin, had died. Domineck is alleged to have knowingly caused the American Red Cross to transmit the false death notification to the defendant in Afghanistan. The defendant allegedly used this false death notification to claim and obtain advance paid leave and travel benefits for the purpose of attending the supposed funeral at a cost fraudulently billed to the U.S. government.

## **U.S. Army Sergeant and Civilian Contractor Charged with Bribery in Connection with \$1.7 Million Fuel Theft**

On June 12, 2012, a U.S. Army sergeant and a military contractor were charged in the U.S. District Court for the District of Colorado with stealing an estimated \$1.7 million worth of jet fuel from FOB Fenty. Sergeant Christopher Weaver and Jonathan Hightower, an employee of Fluor Inc., stand accused of conspiring to defraud the U.S. government. Weaver also faces charges of bribery. SIGAR initiated this investigation after receiving information from two SIGAR sources.

According to the charging documents, Weaver and Hightower worked at the forward operating base, which serves as a distribution hub for jet fuel. Weaver oversaw the fuel distribution; Fluor Inc. provided staffing for the fueling station.

The charges say Weaver and Hightower facilitated the theft of about 100 truckloads of jet fuel. They allegedly conspired with a representative of a trucking firm to create falsified transportation-movement requests authorizing the trucking company to move the fuel off the base. According to the charging documents, Weaver, Hightower, and one other co-conspirator received a kickback of \$5,000 for the first truckload of fuel.

The thefts occurred between January and July of 2010. No trial date had been set at press time.

## **Two U.S. Army Soldiers Plead Guilty to Bribery Charges**

This quarter, two members of the U.S. Army pleaded guilty for participating in a scheme to steal jet fuel from a forward operating base in Afghanistan. SIGAR conducted the investigation, together with other members of the ICCTF.

On June 8, 2012, Sergeant Reginald Dixon and Specialist Larry Emmons each pleaded guilty to one count of bribery set forth in the charging document before a judge of the U.S. District Court in Hawaii. According to court documents, the two men conspired with others to steal thousands of gallons of jet propellant-8 fuel from FOB Fenty, near Jalalabad, Afghanistan. Sentencing is scheduled for October 4, 2012. Dixon and Emmons each face up to 15 years in prison, fines, and orders to make restitution.

The U.S. military stockpiles fuel at FOB Fenty for use on the base and for transport to other FOBs in Afghanistan. Dixon was a petroleum operator responsible for transferring fuel from holding tanks to tanker trucks. Court documents show that Emmons or a co-conspirator created fraudulent transportation-movement requests, military paperwork that authorizes the movement of fuel from the base to another location. The defendants and their co-conspirators sold the fuel to an Afghan military trucking contractor who filled company trucks in clandestine locations at times of day least likely to arouse suspicion. The company used the false documents to leave the base with the fuel.

The U.S. government estimates that Dixon, Emmons, and an unnamed co-conspirator stole 135,000 gallons of jet fuel. They received \$6,000 per 3,000-gallon truckload of jet fuel. As part of their plea agreements, Dixon and Emmons forfeited various amounts of cash recovered by federal agents during the investigation.

As a result of this investigation, military officials at FOB Fenty have redesigned the transportation movement requests to reduce the risk of alteration or fabrication.

## **Afghan Contractor Charged with Bribery**

During this reporting period, Mohammed Zadran, an Afghan fuel truck contractor, was charged with attempting to bribe a U.S. soldier. SIGAR initiated this investigation after receiving a report from a cooperating witness that the Afghan contractor had offered to pay a U.S. soldier to facilitate fuel theft at FOB Airborne. SIGAR and other members of the ICCTF worked with the Afghan Attorney General's Office to conduct visual and electronic surveillance of Zadran. The surveillance captured Zadran offering and then paying a bribe to the cooperating witness in exchange for paperwork that would authorize two trucks to drive off the base carrying 800 gallons of fuel. The Afghan authorities arrested Zadran and two truck drivers. The Anti-Corruption Unit within the Attorney General's Office is prosecuting the case.

## **Afghan Contractor Arrested**

During this reporting period, an Afghan national, Ayoubi Muhammad Hamed, was arrested by Afghan authorities and charged with bribery and tax-related crimes under Afghan law, following an investigation by SIGAR and other members of the ICCTF. On June 30, 2012, a team of SIGAR and other ICCTF agents executed search warrants at the Humanitarian Assistance Yard at Bagram Airfield. Members of the Anti-Corruption Unit of the Afghan Attorney General's Office and SIGAR agents interviewed Hamed, who confessed to paying a \$25,000 bribe to a U.S. soldier in exchange for being given authority over the Humanitarian Assistance Yard. Hamed was under contract with the U.S. government to maintain the yard and to distribute humanitarian relief supplies to Afghans as needed. The investigation started because Hamed was suspected of bribing U.S. personnel, providing inferior goods, and colluding with trucking companies, including some in which he had an undisclosed interest, to inflate the cost of transporting the relief supplies.

## **Suspensions and Debarments**

During this reporting period, SIGAR referred 49 individuals and companies for suspension or debarment, bringing the number of referrals to 146 (80 individuals and 66 companies), as shown in Figure 2.2. This quarter, implementing agencies finalized 23 debarments. As of June 30, 2012, SIGAR referrals have resulted in 35 suspensions, 38 debarments and 82 proposals for debarment of individuals and companies engaged in U.S.-funded reconstruction activities. SIGAR started this aggressive suspension and debarment program in FY 2011 to address the serious problems of fraud, corruption, and poor performance by contractors in Afghanistan.

This quarter's suspension and debarment referrals included 26 for individuals and companies that had received grants under USAID's Afghan Small and Medium Enterprise Development Program. The referrals were based on the accused making false statements and false claims, stealing, and failing to pay employees and subcontractors. Another 14 individuals and companies were referred for debarment to other agencies based on allegations of bribery, false claims, and provision of material support to insurgent and criminal organizations active in Afghanistan.

SIGAR continues to use suspension and debarment in two critical areas: to detect and deter fraud associated with Host Nation Trucking contractors, and to address the failure of contractors to pay for goods and services received from local Afghan contractors. SIGAR investigations in these areas serve to strengthen the Afghan contracting community's respect for the rule of law, provide oversight of contracting dollars' flow into local communities, and enable the growth of businesses that can participate in future development and reconstruction projects funded by the international community.

# SIGAR OVERSIGHT

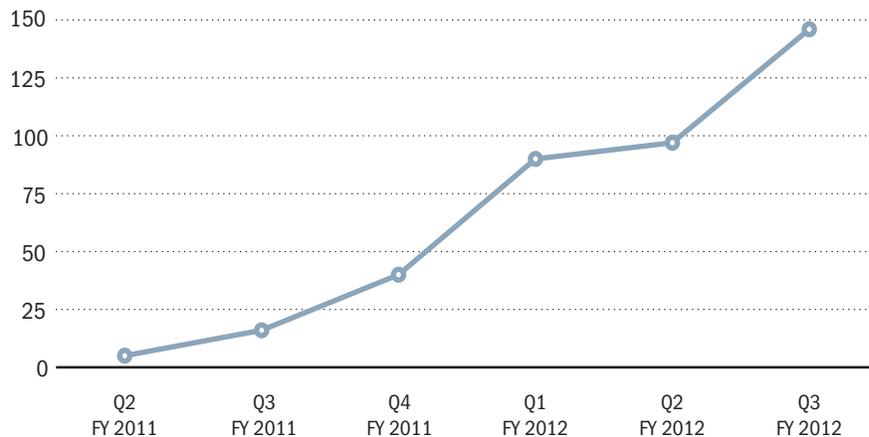
SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations. SIGAR provides all documentation needed for an agency to take action. In addition to continuing to make referrals for action by other agencies, SIGAR has taken steps to promote suspension and debarment as a remedy in reconstruction-related cases.

Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors.

A complete list of suspensions and debarments prompted by SIGAR activity as of June 30, 2012, appears in Appendix D of this report.

FIGURE 2.2

## SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q3 FY 2012



Source: SIGAR Investigations Directorate, 7/11/2012.

## **SIGAR STAFF**

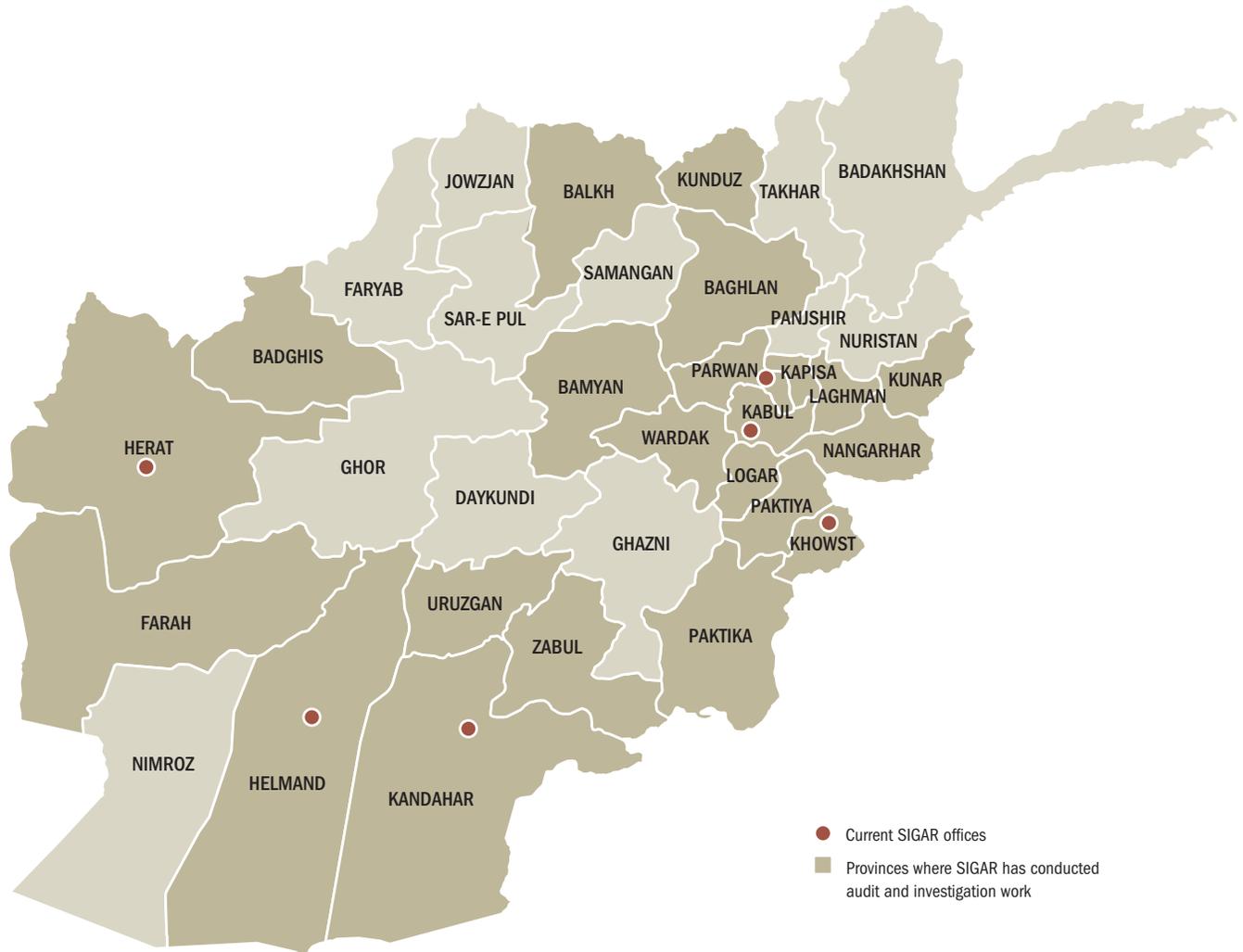
During this reporting period, SIGAR increased its staff from 147 to 165 federal employees. SIGAR extended offers of employment that will bring the number of full-time staff to 175 by the end of August 2012. SIGAR is on target to reach its FY 2013 goal of 200.

SIGAR has 33 authorized positions for personnel at the U.S. Embassy Kabul and 16 authorized at locations outside the U.S. Embassy. SIGAR has staff members stationed at several locations across the country, including Kandahar and Bagram airfields, Camp Leatherneck, FOB Salerno, USFOR-A headquarters in Kabul, and the U.S. Consulate in Herat, as shown in Figure 2.3. SIGAR employs four local Afghans in its Kabul office to support investigations and audits. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 8 personnel on temporary duty in Afghanistan for a total of 95 days.

# SIGAR OVERSIGHT

FIGURE 2.3

## SIGAR PRESENCE IN AFGHANISTAN





### **Next Generation of Judges**

Graduates of Afghanistan's two-year training program for judges listen to Afghan and U.S. officials at a ceremony held at the Afghanistan Supreme Court on June 20. USAID has provided technical assistance to program staff in curriculum development and teaching methodologies. (U.S. Embassy Kabul photo)

# 3 RECONSTRUCTION UPDATE



“We have to ensure the strongest possible collaboration among four groups so that this decade of transformation can produce results: the Afghan government and people, first and foremost; the international community; Afghanistan’s neighbors; and the private sector.”

—*Secretary of State Hillary Rodham Clinton*

Source: DoS, “Remarks of Secretary of State Hillary Rodham Clinton, Intervention at the Tokyo Conference on Afghanistan,” 7/8/2012.

## OVERVIEW

Section 3 presents updates on accomplishments, challenges, and initiatives in Afghanistan reconstruction to provide context for oversight. Sidebars identify SIGAR audits, completed and ongoing, relating to those efforts. Cross-references to Section 1 point to more detail.

SIGAR presents the data in this section in compliance with Public Law 110-181, which mandates that each of SIGAR's quarterly reports to Congress on reconstruction activities in Afghanistan include, among other things:

- obligations and expenditures of appropriated funds
- discussions of U.S. government entities' contracts, grants, agreements, or other mechanisms
- funds provided by foreign nations or international organizations to programs and projects funded by U.S. government entities

## TOPICS

This section has four subsections: Status of Funds, Security, Governance, and Economic and Social Development.

The **Status of Funds** subsection describes monies appropriated, obligated, and disbursed for Afghanistan reconstruction, including U.S. funds and international contributions.

The organization of the other three subsections mirrors the three pillars in the Prioritization and Implementation Plan developed in an international conference in July 2010 and announced by the Afghan government.

The **Security** subsection describes U.S. efforts to bolster the Afghan National Security Forces (the Army and National Police), the transition away from private security contracting, and the battle against the narcotics trade.

The **Governance** subsection provides an overview of the Afghan government's progress toward good governance through capacity-building efforts, rule of law initiatives, and human rights recognition. This subsection also describes the status of reconciliation and reintegration, Afghan government control in various provinces, and initiatives to combat corruption.

The **Economic and Social Development** subsection looks at reconstruction activities by sectors like energy, mining, and health. It provides a snapshot

of the state of the economy and updates on progress in regulating financial networks, achieving fiscal sustainability, and delivering essential services.

## **METHODOLOGY**

Section 3 was compiled from open-source and U.S. agency data. Attributions appear in endnotes or notes to tables and figures. Multiple organizations provide data, so numbers may conflict. SIGAR has not verified data other than that in its own audits or investigations. Information from other sources does not necessarily reflect SIGAR's opinion. For details on SIGAR audits and investigations this quarter, see Section 2.

## **Data Call**

The data call is a series of questions directed to U.S. agencies about their contributions and involvement in reconstruction programming, and the state of affairs in Afghanistan. U.S. agencies responding to the latest data call include the Departments of State, Defense, and Treasury, and the U.S. Agency for International Development. Responding agencies received a preliminary draft of this section so they could verify and comment on specific data they provided for this quarterly report.

## **Open-Source Research**

Open-source research draws on the most current, publicly available data from reputable sources. Sources used include the U.S. agencies represented in the data call, the International Security Assistance Force, the United Nations (and relevant branches), the International Monetary Fund, the World Bank, and Afghan ministries and other government organizations.

# GRAPHICS KEY

## UNDERSTANDING THE GRAPHICS AND DATA TERMS

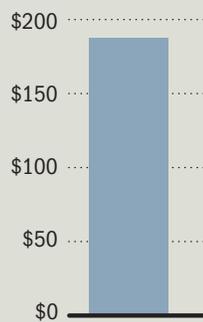
All figures and tables report data for this quarter, except where identified in titles or notes.

### BAR CHARTS

This report discusses many funds and projects with dollar values ranging from millions to billions. To provide an accurate graphical representation of these numbers, some bar graphs appear with a break (a wavy line) to indicate a jump between zero and a larger number.



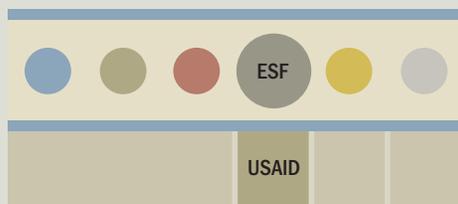
Bar chart with a break in scale



Bar chart without a break in scale

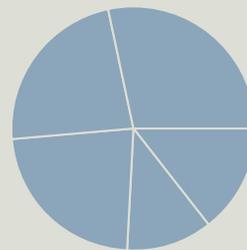
### FUNDING MARKERS

Funding markers identify individual funds discussed in the text. The agency responsible for managing the fund is listed in the tan box below the fund name.

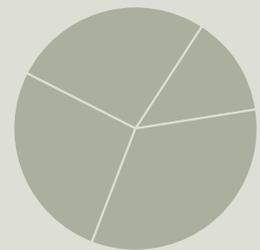


### UNITS IN BILLIONS AND MILLIONS

Because this report details funding in both billions and millions of dollars, it uses a visual cue to distinguish the two measurement units. Dollars reported in billions are represented in blue, and dollars reported in millions are depicted in green.



Pie chart in billions



Pie chart in millions

### CALENDAR AND SOLAR YEARS

Afghanistan follows the solar Hejri calendar, which began in 622 A.D. in the Gregorian calendar. SIGAR converts Hejri solar years to Gregorian equivalents. The current Afghan solar year (SY) is 1391. It began on March 21, 2012 and ends on March 20, 2013. The Afghan government's fiscal year has been the solar year, but the current fiscal year will run only from March 21, 2012, to December 31, 2013. This one-time, nine-month fiscal year accommodates the Afghan government's upcoming change to a fiscal year that runs from January 1 to December 31.





## STATUS OF FUNDS

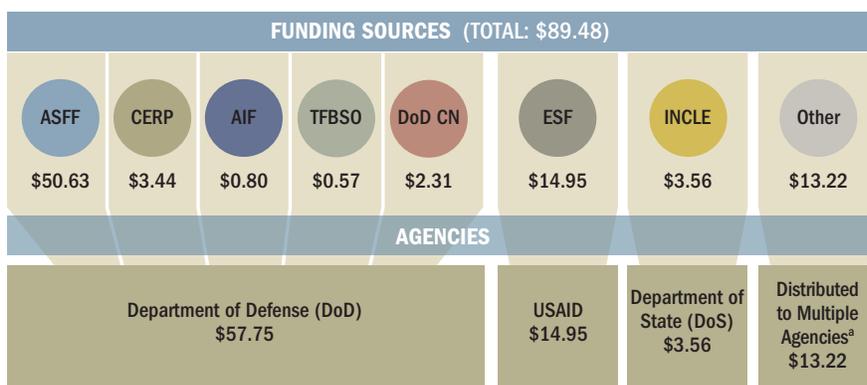
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of June 30, 2012, the United States had appropriated nearly \$89.48 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$52.15 billion for security
- \$22.34 billion for governance and development
- \$6.00 billion for counter-narcotics efforts
- \$2.37 billion for humanitarian aid
- \$6.62 billion for oversight and 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)



Note: Numbers affected by rounding.

a. Multiple agencies include DoJ, DoS, DoD, USAID, Treasury, and USDA.

Sources: DoD, responses to SIGAR data call, 7/20/2012, 7/18/2012, 7/16/2012, 7/2/2012, 6/26/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 7/13/2012 and 7/6/2012; Treasury, response to SIGAR data call, 7/20/2012; USAID, responses to SIGAR data call, 6/28/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

- 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

# STATUS OF FUNDS



## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of June 30, 2012, cumulative appropriations for relief and reconstruction in Afghanistan totaled nearly \$89.48 billion. This total can be divided into five major categories of reconstruction funding: security, governance and development, counter-narcotics, humanitarian, and oversight and operations. For complete information regarding U.S. appropriations, see Appendix B.

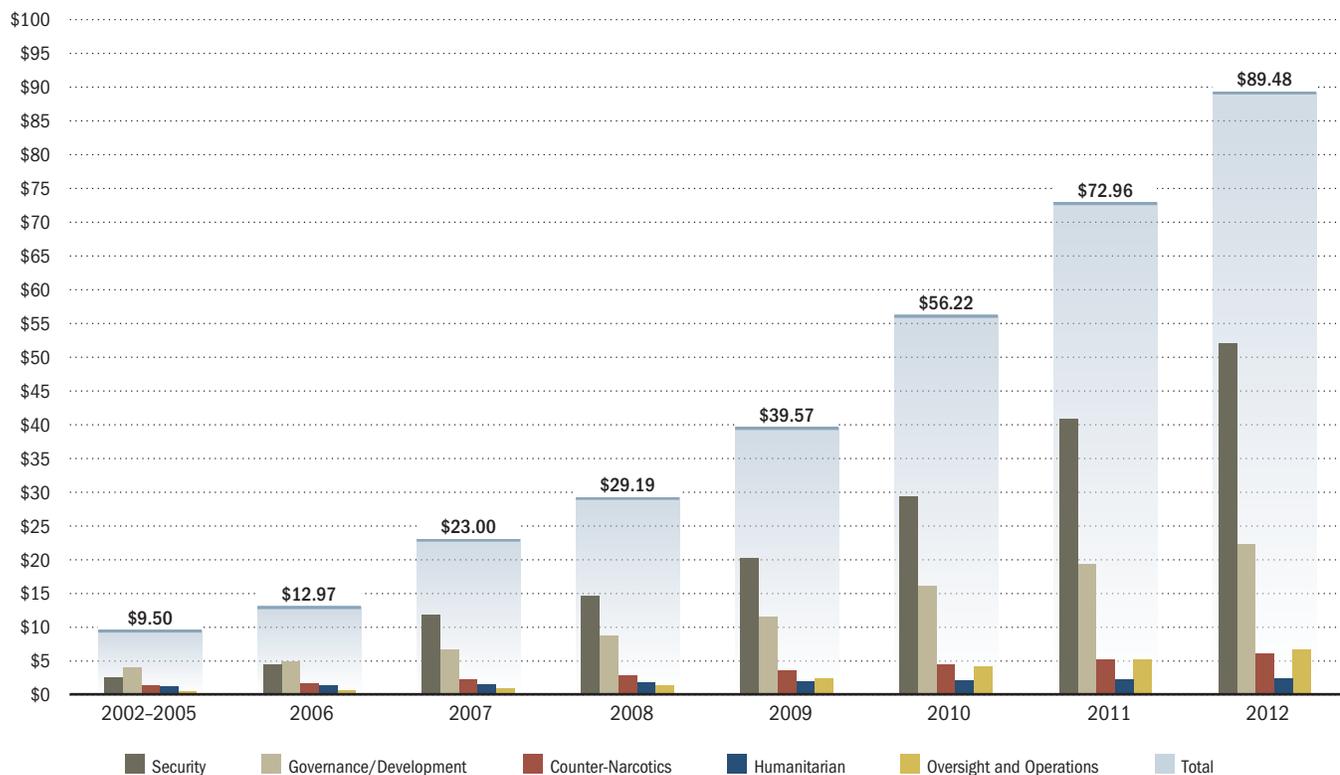
The amount provided to the seven major U.S. funds represents more than 85.2% (nearly \$76.26 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 75.8% (nearly \$57.84 billion) has been obligated, and nearly 65.40% (nearly \$49.86 billion) has been disbursed. The following pages provide additional details on these funds.

As of June 30, 2012, appropriations for Afghanistan relief and reconstruction for FY 2012 amounted to nearly \$16.52 billion, increasing total cumulative funding nearly 18.5% over total cumulative funding through FY 2011. Figure 3.2 displays the increase in cumulative appropriations by funding category from FY 2002 to FY 2012. These figures reflect amounts as reported by the respective agencies and amounts appropriated in legislation.

Congress appropriated more than \$16 billion for relief and reconstruction in FYs 2010, 2011, and 2012, as shown in Figure 3.3 on the facing page.

FIGURE 3.2

### CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JUNE 30, 2012 (\$ BILLIONS)



Note: Numbers affected by rounding.

Sources: DoD, responses to SIGAR data call, 7/20/2012, 7/18/2012, 7/16/2012, 7/2/2012, 6/26/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 7/13/2012 and 7/6/2012; Treasury, response to SIGAR data call, 7/20/2012; USAID, responses to SIGAR data call, 6/28/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

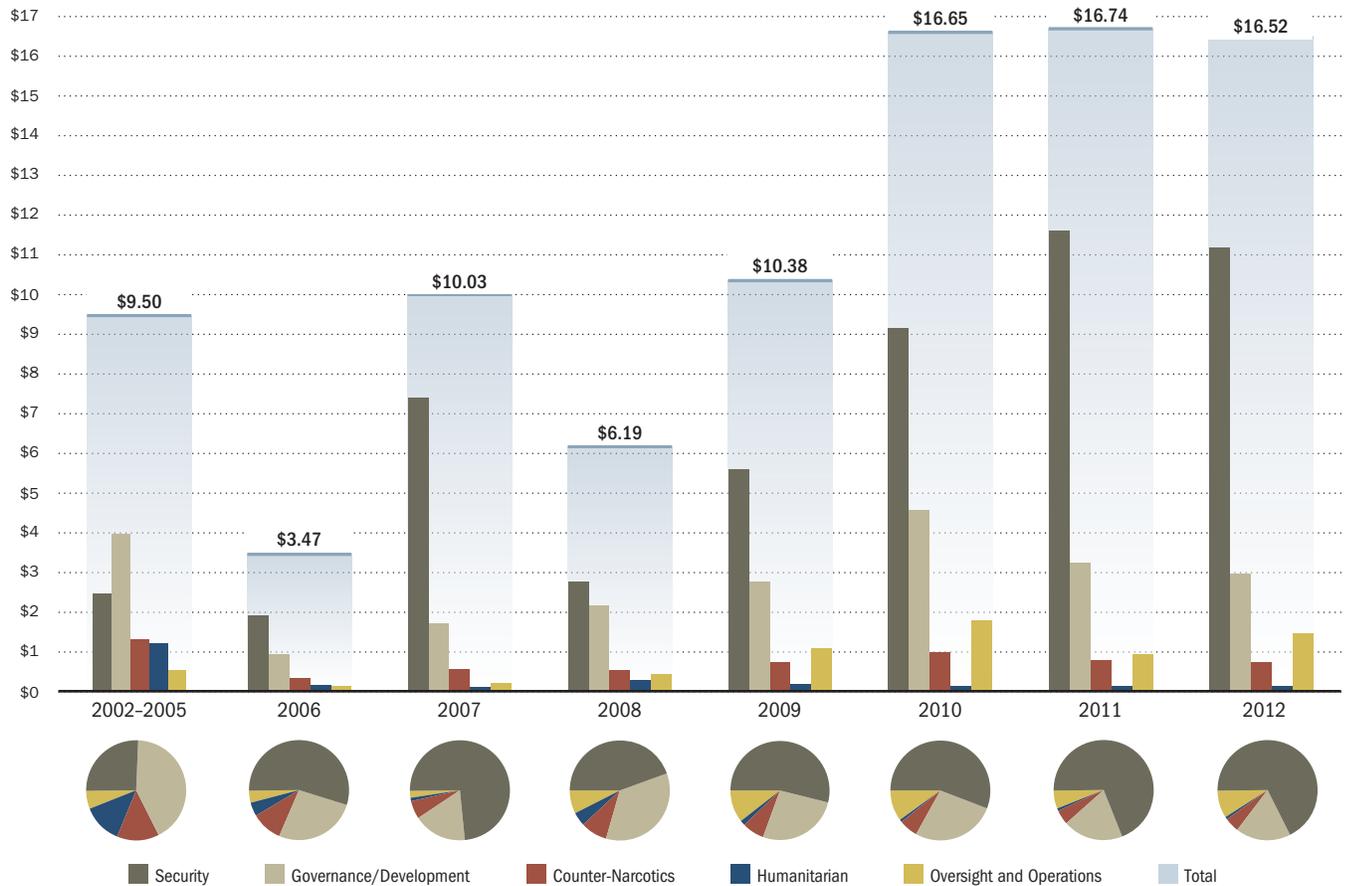
# STATUS OF FUNDS

Together they make up nearly 55.8% of the more than \$89.48 billion appropriated since 2002.

As in FY 2011, efforts to build, train, and equip the Afghan National Security Forces (ANSF) received the majority of FY 2012 reconstruction funding. Since FY 2006, virtually all reconstruction funding allocated for security was appropriated for the Afghanistan Security Forces Fund (ASFF). The \$11.20 billion appropriated for the ASFF for FY 2012 is more than 67.8% of all FY 2012 reconstruction funding. Funding for the ASFF is trending downward as responsibility for security transitions to the ANSF. The amount appropriated for the ASFF in FY 2012 is a decrease of more than \$419.28 million from the nearly \$11.62 billion appropriated for the ASFF in FY 2011.

FIGURE 3.3

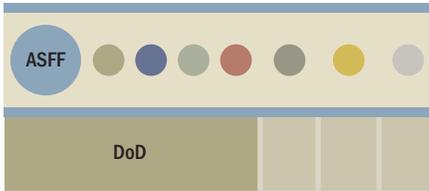
## APPROPRIATIONS BY FISCAL YEAR AND FUNDING CATEGORY (\$ BILLIONS AND PERCENT)



Note: Numbers affected by rounding.

Sources: DoD, responses to SIGAR data call, 7/20/2012, 7/18/2012, 7/16/2012, 7/2/2012, 6/26/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 7/13/2012 and 7/6/2012; Treasury, response to SIGAR data call, 7/20/2012; USAID, responses to SIGAR data call, 6/28/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

# STATUS OF FUNDS



## ASFF FUNDS TERMINOLOGY

DoD reported ASFF funds as available, obligated, or disbursed.

**Available:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction.<sup>17</sup> The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization (NATO) Training Mission - Afghanistan/Combined Security Transition Command-Afghanistan.<sup>18</sup>

The Consolidated Appropriations Act of 2012 provided \$11.20 billion for the ASFF, bringing the total cumulative appropriations for this fund to nearly \$50.63 billion.<sup>19</sup> As of June 30, 2012, nearly \$37.80 billion of this amount had been obligated, of which more than \$33.50 billion had been disbursed.<sup>20</sup> Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

DoD reported that cumulative obligations as of June 30, 2012, increased by nearly \$794.87 million over cumulative obligations as of March 31, 2012. Cumulative disbursements as of June 30, 2012, increased by approximately \$911.93 million over cumulative disbursements as of March 31, 2012.<sup>21</sup>

Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.4

ASFF AVAILABLE FUNDS BY FISCAL YEAR  
(\$ BILLIONS)

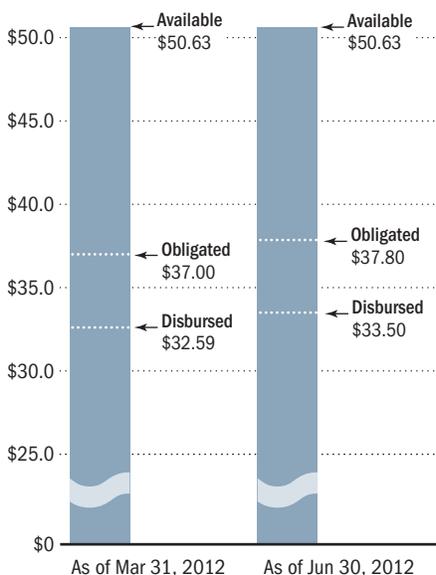


Notes: Numbers affected by rounding. Data from DoD does not reflect the agency's reduction of \$1 billion in available funds for ASFF.

Sources: DoD, response to SIGAR data call, 7/16/2012; P.L. 112-74 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.5

ASFF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Notes: Numbers affected by rounding. Data from DoD does not reflect the agency's reduction of \$1 billion in available funds for the ASFF.

Sources: DoD, responses to SIGAR data call, 7/16/2012 and 4/11/2012; P.L. 112-74 12/23/2011; P.L. 112-10, 4/15/2011.

## 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>22</sup>

As of June 30, 2012, DoD had disbursed more than \$33.50 billion for ANSF initiatives. Of this amount, nearly \$21.70 billion was disbursed for the ANA, and nearly \$11.64 billion was disbursed for the ANP; the remaining more than \$0.17 billion was directed to related activities.<sup>23</sup>

As shown in Figure 3.6, the largest portion of the funds disbursed for the ANA—nearly \$9.05 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—approximately \$3.98 billion—supported Sustainment, as shown in Figure 3.7.<sup>24</sup>

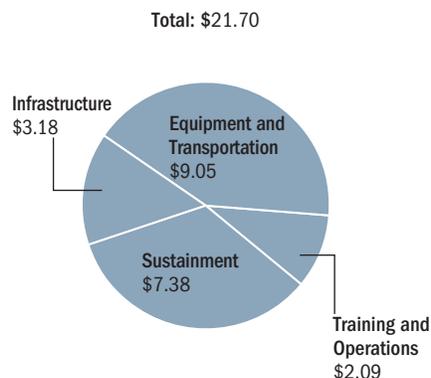
**Budget Activity Groups:** categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

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

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

FIGURE 3.6

**ASFF DISBURSEMENTS FOR THE ANA**  
By Sub-Activity Group,  
FY 2005–June 30, 2012 (\$ BILLIONS)

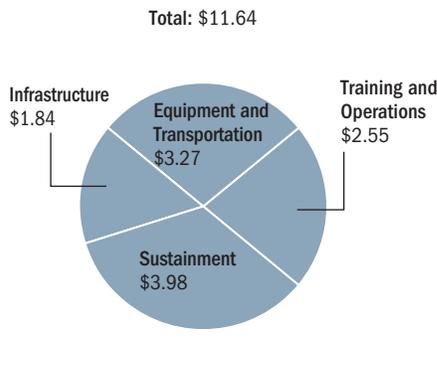


Note: Numbers affected by rounding.

Source: DoD, response to SIGAR data call, 7/16/2012.

FIGURE 3.7

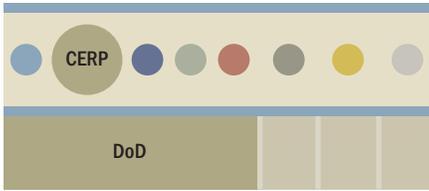
**ASFF DISBURSEMENTS FOR THE ANP**  
By Sub-Activity Group,  
FY 2005–June 30, 2012 (\$ BILLIONS)



Note: Numbers affected by rounding.

Source: DoD, response to SIGAR data call, 7/16/2012.

# STATUS OF FUNDS



## CERP FUNDS TERMINOLOGY

OMB reported CERP funds as appropriated.

**Appropriations:** Total monies available for commitments

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

Sources: OMB, response to SIGAR data call, 4/19/2010; 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>25</sup> Projects with cost estimates exceeding \$1 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over \$5 million require approval from the Deputy Secretary of Defense. CERP-funded projects may not exceed \$20 million.<sup>26</sup>

As of June 30, 2012, DoD reported that the total cumulative funding for CERP amounted to nearly \$3.44 billion.<sup>27</sup> DoD reported that of this amount, nearly \$2.22 billion had been obligated, of which nearly \$2.08 billion had been disbursed.<sup>28</sup> Figure 3.8 shows CERP appropriations by fiscal year.

DoD reported that cumulative obligations as of June 30, 2012, increased by nearly \$13.05 million over cumulative obligations as of March 31, 2012. Cumulative disbursements as of June 30, 2012, increased by nearly \$52.52 million over cumulative disbursements as of March 31, 2012.<sup>29</sup> Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.8

CERP APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)

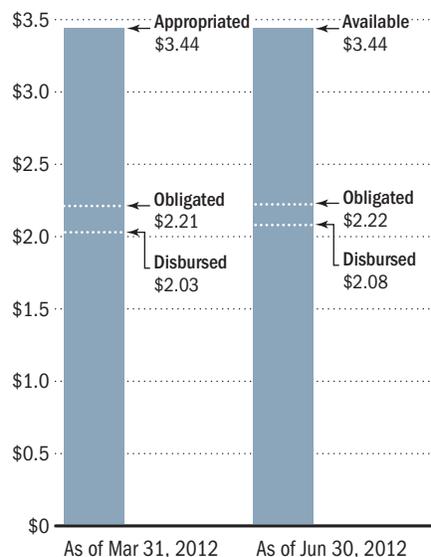


Notes: Numbers affected by rounding. Data may include inter-agency transfers. Data reported as provided by DoD.

Sources: DoD, response to SIGAR data call, 7/16/2012; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 4/17/2012; P.L. 112-10, 4/15/2011.

FIGURE 3.9

CERP FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Notes: Numbers affected by rounding. Data may include inter-agency transfers. Data reported as provided by DoD.

Sources: DoD, responses to SIGAR data call, 7/16/2012 and 5/30/2012; P.L. 112-74, 12/23/2011; OMB, response to SIGAR data call, 5/30/2011; P.L. 112-10, 4/15/2011.

## AFGHANISTAN INFRASTRUCTURE FUND

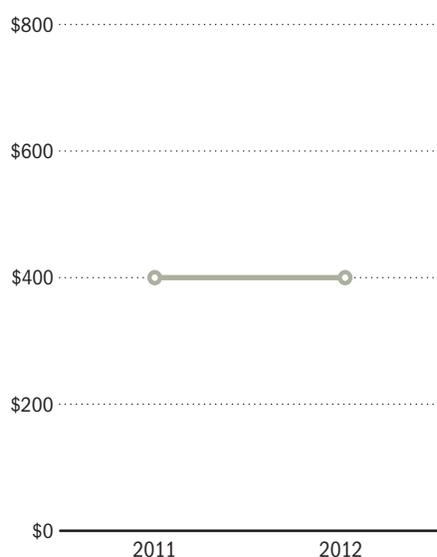
The Ike Skelton National Defense Authorization Act for FY 2011 established the Afghanistan Infrastructure Fund (AIF) to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Thirty days before obligating or expending funds on an AIF project, the Secretary of Defense is required to notify the Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.<sup>30</sup>

The Consolidated Appropriations Act of 2012 appropriated \$400 million for the AIF, bringing the total cumulative appropriations for this fund to \$800 million. DoD reported that as of June 30, 2012, approximately \$353.40 million of this amount had been obligated, of which more than \$41.28 million had been disbursed.<sup>31</sup> Figure 3.10 shows AIF appropriations by fiscal year.

DoD reported that cumulative obligations as of June 30, 2012, increased by approximately \$82.20 million over cumulative obligations as of March 31, 2012. Cumulative disbursements as of June 30, 2012, increased by approximately \$13.18 million over cumulative disbursements as of March 31, 2012.<sup>32</sup> Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.

FIGURE 3.10

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

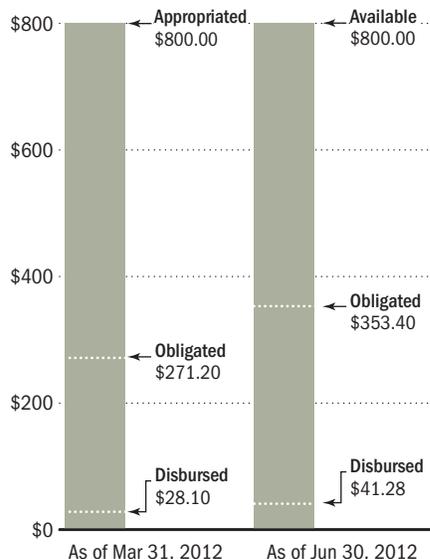


Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

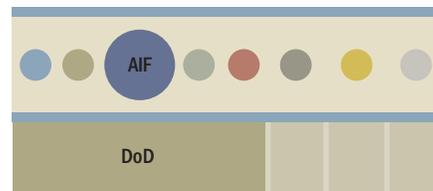
FIGURE 3.11

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



Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: DoD, responses to SIGAR data call, 7/18/2012, 7/20/2012, and 1/17/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.



### AIF FUNDS TERMINOLOGY

DoD reported AIF funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

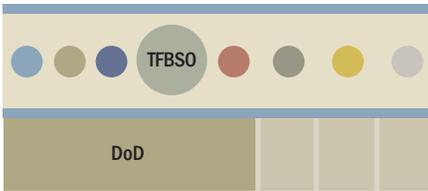
**Disbursements:** Monies that have been expended

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

### SIGAR AUDIT

In an audit completed this quarter, SIGAR focused on selection, inter-agency coordination, and sustainability of projects in the Afghanistan Infrastructure Program, which is supported by the AIF. For more information, see Section 2, page 25.

# 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

The Task Force for Business and Stability Operations (TFBSO) was established in June 2006 and operated for several years in Iraq. In 2010, the TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO projects include activities that facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.<sup>33</sup>

For FY 2012, the TFBSO received funding of nearly \$257.62 million, bringing the total cumulative funding for the task force to approximately \$571.11 million.<sup>34</sup> As of June 30, 2012, approximately \$429.09 million of this amount had been obligated, of which approximately \$195.97 million had been disbursed.<sup>35</sup> Figure 3.12 displays the amounts appropriated for TFBSO projects by fiscal year. Figure 3.13 displays the amounts appropriated for TFBSO projects by fiscal year.

DoD reported that cumulative obligations as of June 30, 2012, increased by approximately \$69.40 million over cumulative obligations as of March 31, 2012. Cumulative disbursements as of June 30, 2012, increased by nearly \$30.52 million over cumulative disbursements as of March 31, 2012.<sup>36</sup> Figure 3.13 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.

FIGURE 3.12

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

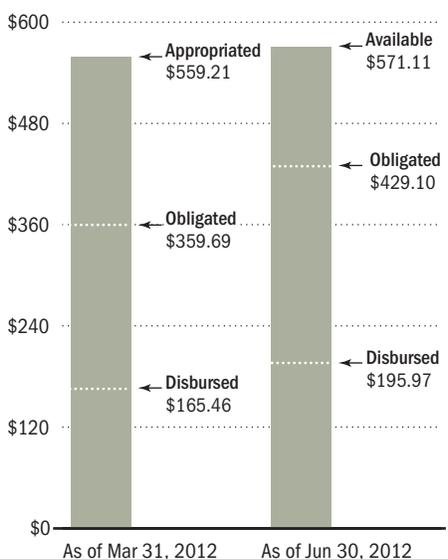


Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: DoD, responses to SIGAR data call, 7/2/2012 and 3/30/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.13

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



Notes: Numbers affected by rounding. Data may include inter-agency transfers.

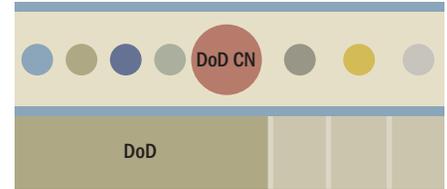
Sources: DoD, response to SIGAR data call, 7/2/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

## DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DoD's Drug Interdiction and Counter-Drug Activities fund (DoD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DoD uses the DoD CN to provide assistance to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.<sup>37</sup>

DoD CN funds are appropriated by Congress to a single budget line for all military services. To allow for greater execution flexibility, funds are reprogrammed from the Counter-narcotics Central Transfer Account to the military services and defense agencies in the year of execution. The services and agencies have internal accounting systems to track obligations of the transferred funds. As a result, DoD reported DoD CN accounts for Afghanistan as a single figure for all appropriated, obligated, and disbursed amounts for each fiscal year.<sup>38</sup>

As of June 30, 2012, DoD reported that DoD CN received nearly \$424.99 million for Afghanistan for FY 2012, bringing the total cumulative funding to approximately \$2.31 billion since FY 2004.<sup>39</sup> Figure 3.14 shows DoD CN appropriations by fiscal year, and Figure 3.15 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for DoD CN projects.



### 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 3.14

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

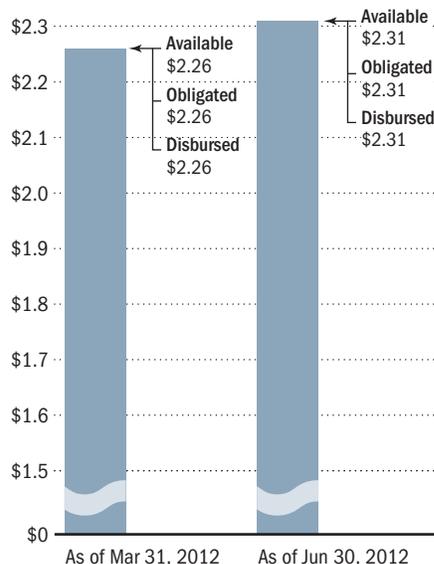


Notes: Numbers affected by rounding. Data may include inter-agency transfers.

a. Updated data resulted in a lower appropriation figure. Source: DoD, response to SIGAR data call, 6/26/2012.

FIGURE 3.15

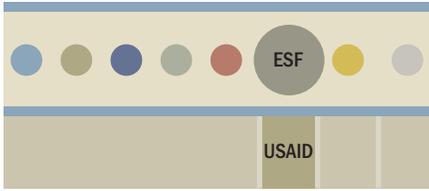
**DOD CN FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)**



Note: Numbers affected by rounding. Data may include inter-agency transfers.

Sources: DoD, responses to SIGAR data call, 6/26/2012 and 4/17/2012.

# 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

Sources: OMB, response to SIGAR data call, 4/19/2010; USAID, response to SIGAR data call, 4/15/2010.

## ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.<sup>40</sup>

As of June 30, 2012, USAID reported that the total cumulative funding for the ESF amounted to more than \$14.95 billion. Of this amount, nearly \$11.71 billion had been obligated, of which approximately \$9.50 billion had been disbursed.<sup>41</sup> Figure 3.16 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of June 30, 2012, increased by approximately \$240.70 million over cumulative obligations as of March 31, 2012. Cumulative disbursements as of June 30, 2012, increased by approximately \$683.75 million over cumulative disbursements as of March 31, 2012.<sup>42</sup> Figure 3.17 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.16

**ESF APPROPRIATIONS BY FISCAL YEAR**  
(\$ BILLIONS)

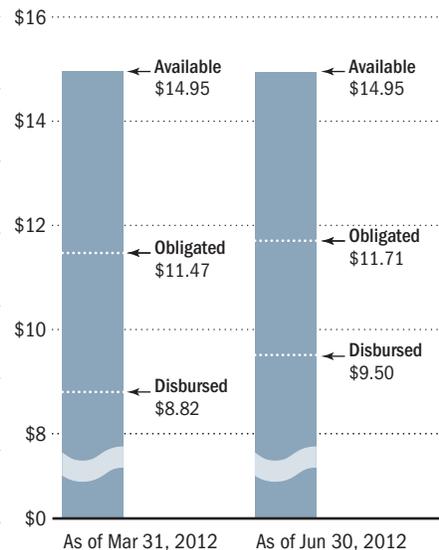


Notes: Numbers affected by rounding. Data may include inter-agency transfers.

Source: USAID, response to SIGAR data call, 6/28/2012.

FIGURE 3.17

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



Notes: Numbers affected by rounding. Data may include inter-agency transfers.

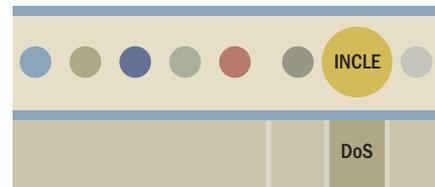
Sources: USAID, responses to SIGAR data call, 6/28/2012 and 4/3/2012.

## INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.<sup>43</sup>

As of June 30, 2012, DoS reported that the total cumulative funding for INCLE amounted to approximately \$3.56 billion. Figure 3.18 displays INCLE allotments by fiscal year. Of this amount, nearly \$3.02 billion had been obligated, of which nearly \$2.23 billion had been liquidated.<sup>44</sup>

DoS reported that cumulative obligations as of June 30, 2012, decreased by more than \$45.12 million over cumulative obligations as of March 31, 2012. Cumulative liquidations as of June 30, 2012, increased by approximately \$87.49 million over cumulative liquidations as of March 31, 2012.<sup>45</sup> Figure 3.19 provides a cumulative comparison of amounts allotted, obligated, and liquidated for INCLE.



### INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as allotted, obligated, or liquidated.

**Allotments:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Liquidations:** Monies that have been expended

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

FIGURE 3.18

### INCLE ALLOTMENTS BY FISCAL YEAR (\$ MILLIONS)

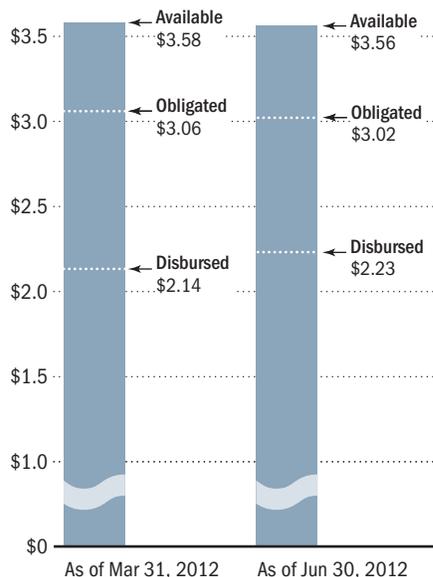


Notes: Numbers affected by rounding. Data may include inter-agency transfers. INL reappropriated \$16.2 million that had not been obligated from FY 2006 to FY 2009–FY 2014.

Source: DoS, response to SIGAR data call, 7/13/2012.

FIGURE 3.19

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



Notes: Numbers affected by rounding. Data may include inter-agency transfers. Data reflect three revisions: INL reappropriated \$16.2 million that had not been obligated from FY 2006 to FY 2009–FY 2014; INL review of unliquidated funds resulted in deobligation of funds across multiple appropriations; SIGAR correction resulted in a reduction in amounts reported last quarter.

Source: DoS, response to SIGAR data call, 7/13/2012.

## INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

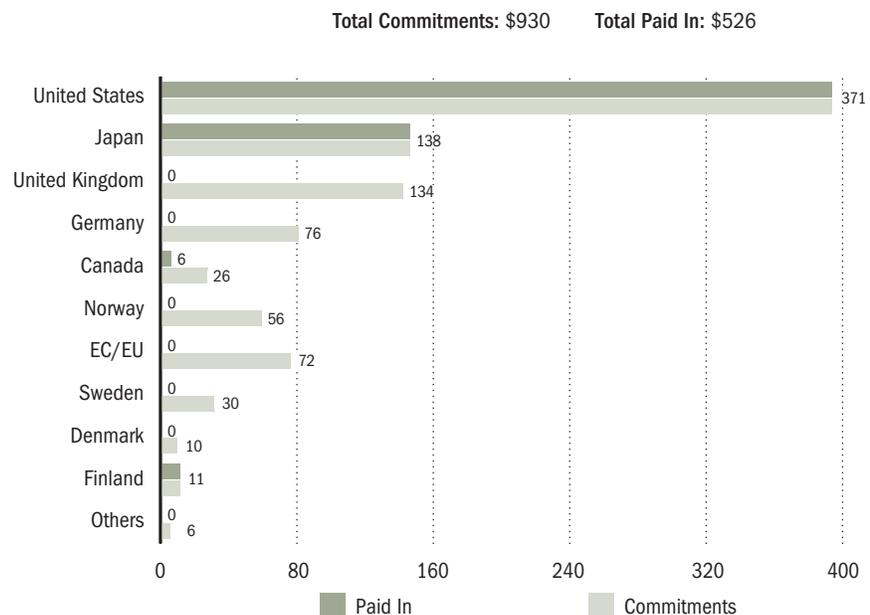
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>46</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 June 20, 2012, the World Bank reported that 33 donors had pledged approximately \$6.10 billion, of which nearly \$5.70 billion had been paid in.<sup>47</sup> According to the World Bank, donors have pledged approximately \$930.36 million to the ARTF for the Afghan fiscal year—solar year 1391—which runs from March 1, 2011, to December 31, 2012 (when it will shift to a January 1 start date).<sup>48</sup> Figure 3.20 shows the 10 largest donors to the ARTF for SY 1391.

FIGURE 3.20

ARTF CONTRIBUTIONS FOR SY 1391 BY DONOR, AS OF JUNE 20, 2012 (\$ MILLIONS)



Notes: Numbers affected by rounding. SY 1391 = 3/1/2012–12/31/2012, when the fiscal year will shift to January–December.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of June 20, 2012," p. 1.

# STATUS OF FUNDS

As of June 20, 2012, the United States had paid in approximately \$1.74 billion.<sup>49</sup> The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing approximately 48.1% of its total funding, as shown in Figure 3.21.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.<sup>50</sup> As of June 20, 2012, according to the World Bank, nearly \$2.50 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>51</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 sufficient funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.<sup>52</sup>

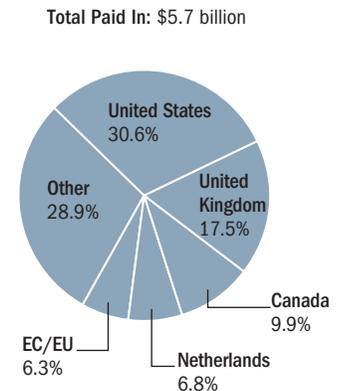
The Investment Window supports the costs of development programs. As of June 20, 2012, according to the World Bank, more than \$2.18 billion had been committed for projects funded through the Investment Window, of which more than \$1.61 billion had been disbursed. The World Bank reported 19 active projects with a combined commitment value of more than \$1.12 billion, of which approximately \$611.66 million had been disbursed.<sup>53</sup>

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

The United Nations Development Programme administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.<sup>54</sup> Since 2002, donors have pledged nearly \$2.20 billion to the LOTFA, according to the most recent data available.<sup>55</sup> The LOTFA’s sixth support phase started on January 1, 2011, and runs through March 31, 2013. In the first 12 months of the program, the LOTFA had transferred nearly \$546.10 million to the Afghan government to cover ANP salaries, nearly \$15.64 million for Central Prisons Directorate staff remunerations, and an additional nearly \$12.13 million for capacity development and other LOTFA initiatives.<sup>56</sup> As of December 31, 2011, donors had committed more than \$673.91 million to the LOTFA for Phase VI. Of that amount, the United States had committed more than \$257.07 million, and Japan had committed \$240.00 million. Their combined commitments make up nearly 74% of LOTFA Phase VI commitments as of December 31, 2011.<sup>57</sup> The United States had contributed nearly \$812.74 million to the LOTFA since the fund’s inception.<sup>58</sup> Figure 3.22 shows the four largest donors to the LOTFA since 2002, based on the latest data available.

FIGURE 3.21

**ARTF CONTRIBUTIONS PAID IN BY DONORS IN SY 1381–1391, AS OF JUNE 20, 2012 (PERCENT)**

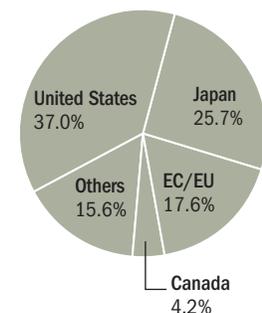


Notes: Numbers affected by rounding. SY 1381–1391 = 3/21/2002–12/31/2012, when the fiscal year will shift to run January–December. “Other” includes 18 donors. EC/EU = European Commission/European Union.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of June 20, 2012,” p. 5.

FIGURE 3.22

**DONORS’ CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF DECEMBER 31, 2011 (PERCENT)**



Notes: Numbers affected by rounding. EC/EU = European Commission/European Union.

Sources: UNDP, “LOTFA Phase VI Annual Progress Report 2011,” 2/23/2012; SIGAR analysis of UNDP’s quarterly and annual LOTFA reports.



## SECURITY

As of June 30, 2012, the U.S. Congress had appropriated more than \$52.1 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$50.6 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided through the Combined Security Transition Command - Afghanistan (CSTC-A). Their purpose is to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$50.6 billion appropriated for the ASFF, approximately \$37.8 billion had been obligated and \$33.5 billion disbursed as of March 31, 2012.<sup>59</sup>

Ensuring that Afghanistan has a stable security environment is a critical component of U.S. reconstruction efforts there; lack of security impedes the Afghan government's ability to provide services to its people and to develop the national economy. This section discusses assessments of the ANSF and the ministries of Defense and Interior; gives an overview of U.S. funds used to build, equip, train, and sustain the ANSF; and provides an update on efforts to combat cultivation of and commerce in illicit narcotics in Afghanistan.

### KEY EVENTS THIS QUARTER

On May 20 and 21, 2012, heads of state and government of Afghanistan and the nations contributing to the NATO-led International Security Assistance Force (ISAF) met in Chicago to renew their "commitment to a sovereign, secure, and democratic Afghanistan." Participants declared that their nations' commitments would continue after the ISAF mission ends in 2014, as a partnership based on "equality and mutual interests." Several bilateral agreements between ISAF partner nations and Afghanistan were in various phases of finalization as the quarter ended.<sup>60</sup>

At the summit, NATO allies and ISAF partners also reaffirmed their commitment to support the development and financial sustainment of the ANSF beyond 2014. In consultation with the international community, the government of Afghanistan laid out plans to gradually reduce the force strength of the ANSF from the surge peak (352,000) to a sustainable level based on future conditions. The current model envisages a force of 228,500 and an estimated annual budget of \$4.1 billion.<sup>61</sup>

The summit participants declared that, as the Afghan economy and government revenues grow, Afghanistan's yearly share of ANSF sustainment costs will increase progressively, from at least \$500 million in 2015 to full financial responsibility no later than 2024. International donors are expected to reduce their contributions as this process matures.<sup>62</sup>

## **\$1 Billion of ASFF Funds Reprogrammed**

This quarter, DoD transferred \$1 billion of FY 2011/2012 ASFF funds to the Defense Working Capital Fund to help cover a \$3.4 billion shortfall caused by an increase in fuel prices. The President's FY 2012 budget had planned for a fuel cost of \$115.49 per barrel; the DoD action reflected actual FY 2012 costs of \$152 per barrel. DoD explained that the "funds are available [for transfer] because requirements continued to change as the training and equipping of the Afghanistan Security Forces mission evolved and prior year funds became available to fund current needs."<sup>63</sup>

## **Transition Progress**

The transition of security responsibility to the ANSF by the end of 2014—reaffirmed at the NATO Conference in Chicago—remains on schedule, according to DoD. Three tranches of transition are in progress, as shown in Figure 3.23. Transition began in July 2011 with the first tranche of cities, districts, and provinces (home to 25% of the Afghan population) and continued in November 2011 with Tranche 2 (which brought the total population living in transition areas to 50%). Although transition is not complete anywhere, DoD noted that all tranches in transition had made progress in security, governance, and development.<sup>64</sup> In areas undergoing transition, according to the UN Secretary-General, "there has been no significant deterioration of public order, nor a marked difference in seasonal security trends."<sup>65</sup>

This quarter, President Karzai announced that areas in Tranche 3 would begin transitioning in July 2012. This stage of transition (which will bring to 75% the share of the population living in areas in transition) includes all provincial capitals. DoD noted that Tranche 3 contains several contested districts, which will test the ANSF's capabilities while sufficient ISAF personnel still remain to support them.<sup>66</sup>

## **Afghan Public Protection Force**

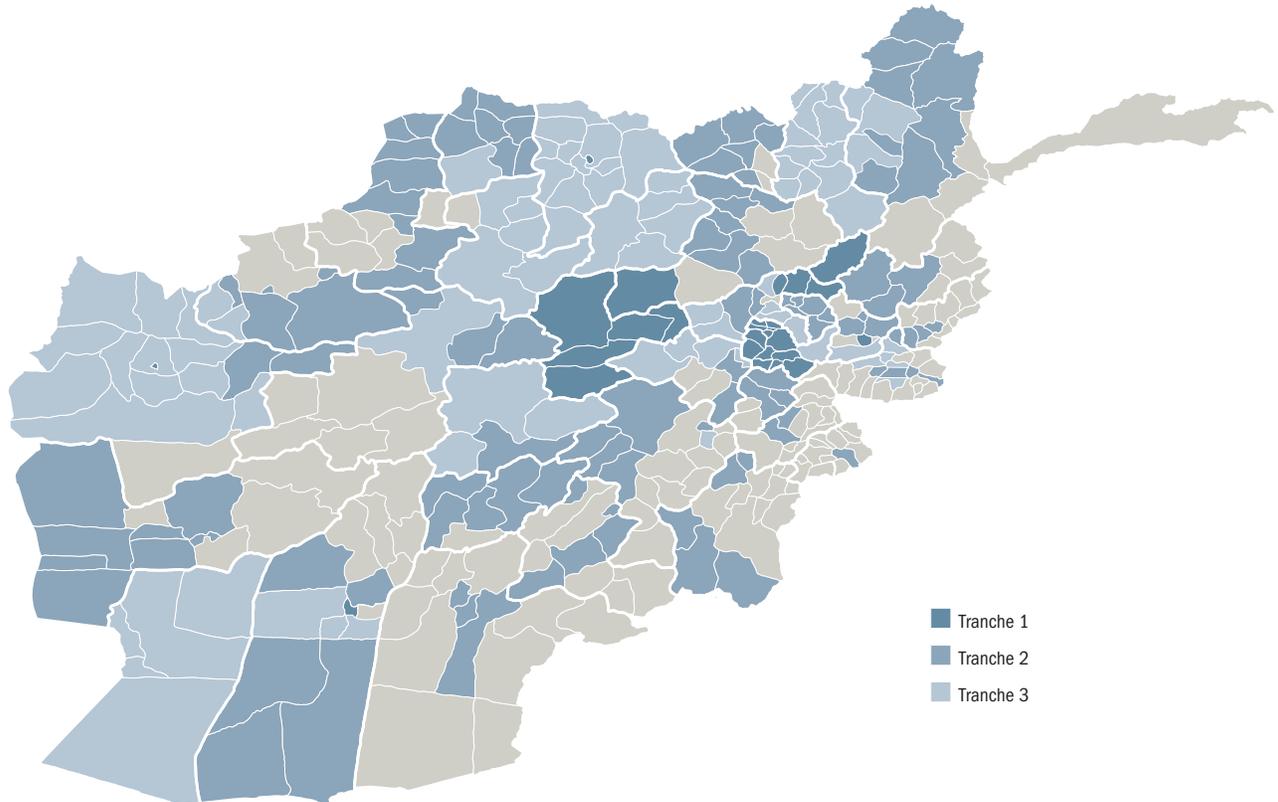
As noted in SIGAR's April 2012 quarterly report, the Afghan government has started the transition of responsibility for the security of development and humanitarian projects from private security companies (PSCs) to the Afghan Public Protection Force (APPF). The APPF is a state-owned enterprise under the authority of the Ministry of Interior (MoI). In the first phase of the bridging strategy to implement President Karzai's decree to disband all national and international PSCs, several PSCs registered with the MoI as risk-management

### **SIGAR AUDIT**

SIGAR's audit of the impact on USAID project costs of the transition from PSCs to the APPF found that the transition could result in an increase in the cost of hiring Afghan guards and in the hiring of more expatriate staff to facilitate the transition. For more information, see Section 2, page 20.

FIGURE 3.23

## AREAS IN TRANSITION TO AFGHAN-LED SECURITY



Notes: Tranches include cities, districts, and provinces (or parts thereof). Tranche 1 was announced on 3/22/2011, Tranche 2 on 11/27/2011, Tranche 3 on 5/13/2012.  
Source: NATO, "Transition to Afghan Lead: Integral," 5/16/2012.

companies (RMCs). RMCs work with and advise the APPF and their clients on security-related issues, but do not themselves provide security.

As of June 30, 2012, the APPF had 6,131 personnel—including 689 staff in APPF headquarters, zone headquarters, and training units—filling 6,858 authorized positions, according to CSTC-A. CSTC-A noted progress in the following areas:<sup>67</sup>

- 144 contracts signed with the APPF (including contracts for 28 USAID projects and 116 commercial and government customers)
- 19 companies licensed as RMCs
- 13 companies applying for RMC licenses
- 11 RMCs provided with interim licenses until the APPF is capable of providing convoy security
- 36 PSCs providing services to ISAF until March 2013

## ANSF ASSESSMENT

This quarter, the number of reporting ANA units in the field fell from 251 to 204, according to the ISAF Joint Command (IJC).<sup>68</sup> The IJC receives input from kandaks (battalions) and/or brigades that are assigned U.S. or coalition trainers.<sup>69</sup> In the highest rating categories, 20 units were rated “independent with advisors” (compared with 15 in April 2012) and 118 were rated “effective with advisors” (compared with 122). As a sign of progress, notwithstanding the decrease of reporting units, the number of units rated “independent with advisors” increased for the 201st Corps (2 more), 205th Corps (2 more), 207th Corps (1 more), and the Headquarters Security and Support Brigade (1 more).<sup>70</sup>

The number of reporting ANP units in the field also fell this quarter, from 408 to 366. However, the number of units in the highest rating categories increased in the aggregate—65 were rated “independent with advisors” (compared with 41 in April 2012) and 168 were rated “effective with advisors” (compared with 174).<sup>71</sup>

## Commander’s Unit Assessment Tool Ratings

In assessing the capability of ANA and ANP units, ISAF uses the Commander’s Unit Assessment Tool (CUAT), which has five ratings:<sup>72</sup>

- **Independent with Advisors:** The unit is able to plan and execute its missions, maintain command and control of subordinates, call on and coordinate quick-reaction forces and medical evacuations, exploit intelligence, and operate within a wider intelligence system.
- **Effective with Advisors:** The unit conducts effective planning, synchronizing, directing, and reporting of operations and status. Coalition forces provide only limited, occasional guidance to unit personnel and may provide **enablers** as needed. Coalition forces augment support only on occasion.
- **Effective with Partners:** The unit requires routine mentoring for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. ANSF enablers provide support to the unit; however, coalition forces may provide enablers to augment that support.
- **Developing with Partners:** The unit requires partnering and assistance for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Some enablers are present and effective, providing some of the support. Coalition forces provide enablers and most of the support.
- **Established:** The unit is beginning to organize but is barely capable of planning, synchronizing, directing, or reporting operations and status, even with the presence and assistance of a partner unit. The

**enablers:** specialized units that support combat units such as engineering, civil affairs, military intelligence, helicopter, military police, and intelligence, surveillance, and reconnaissance assets.

Source: DoD, “Mullen Tours Forward Outposts in Afghanistan,” 4/22/2009, accessed 1/4/2012.

unit is barely able to coordinate and communicate with other units. Most of the unit's enablers are not present or are barely effective. Those enablers provide little or no support to the unit. Coalition forces provide most of the support.

## AFGHAN MINISTRY ASSESSMENTS

Assessments of the Ministry of Defense (MoD) and the Ministry of Interior (MoI) this quarter showed continued progress. To rate the operational capability of these ministries, the NATO Training Mission - Afghanistan (NTM-A) uses the Capability Milestone (CM) rating system. This system assesses staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices) using four primary and two secondary ratings:<sup>73</sup>

- CM-1A: capable of autonomous operations
- CM-1B: capable of executing functions with coalition oversight only
- CM-2A: capable of executing functions with minimal coalition assistance
- CM-2B: can accomplish its mission but requires some coalition assistance
- CM-3: cannot accomplish its mission without significant coalition assistance
- CM-4: exists but cannot accomplish its mission

At the MoD, 42 of 47 staff sections and cross-functional areas were assessed this quarter. Of those, 26% were rated CM-2A (the same percentage as last quarter), and 36% were rated CM-2B (a 1% decrease from last quarter), as shown in Figure 3.24 on the following page. Nine staff sections and cross-functional areas improved (three achieved a CM-1B rating—the second highest rating—bringing the number rated CM-1B to six), and 31 were stable. The six highest rated staff sections and cross-functional areas consisted of the following:<sup>74</sup>

- Office of the Minister of Defense
- MoD Chief, Finance
- MoD Chief, Parliamentary, Social & Public Affairs
- ANA Recruiting Command
- Acquisition Agency
- Communications Support Unit

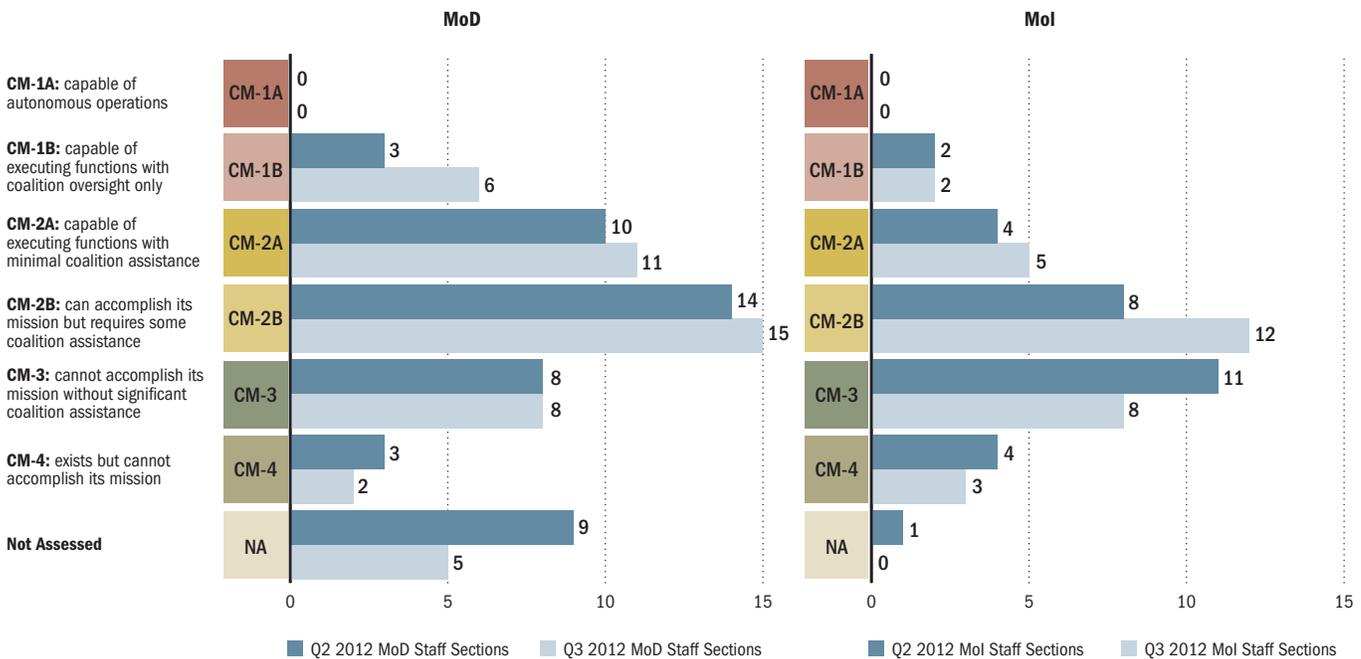
Only two sections received the lowest rating (CM-4): the Office of the Assistant Minister of Defense for Intel Policy and the Gender Integration Office.<sup>75</sup>

At the MoI, all 30 staff sections were assessed. Five had improved since last quarter; none had regressed. The five that had improved were the offices of intelligence (to CM-2B), counter-narcotics (CM-2B), and civil service (CM-2B), the Recruiting Command (CM-2A), and the Afghan Uniform Police (CM-2B).<sup>76</sup>

# SECURITY

FIGURE 3.24

## CAPABILITY MILESTONE RATINGS OF MoD AND MoI, QUARTERLY CHANGE



Notes: CM = Capability Milestone. MoD = Ministry of Defense. MoI = Ministry of Interior.

Sources: CSTC-A, responses to SIGAR data call, 7/2/2012 and 3/27/2012.

## SECURITY ENVIRONMENT

In his June 20, 2012, report to the UN Security Council, the UN Secretary-General noted that 33% fewer security incidents occurred in February, March, and April than in the same months in 2011. As noted in SIGAR's October 2011 quarterly report, in addition to enemy-initiated attacks, the UN takes into account a range of events including cache finds, arrests, assassinations, and intimidation. According to the UN Secretary-General, several factors contributed to the decrease in the number of security incidents:<sup>77</sup>

- poor weather conditions
- successes of Afghan and international forces
- the increasingly political posture of some Taliban leaders
- the uncertainty of fighters over reports of peace talks and the international military drawdown

## AFGHAN NATIONAL ARMY

As of June 30, 2012, the United States had appropriated approximately \$30.4 billion, obligated \$24.4 billion, and disbursed \$21.7 billion of ASFF funds to build, train, and sustain the ANA.<sup>78</sup>

### ANA Strength

As of May 20, 2012, the ANA's strength was 191,592—including 5,580 in the Afghan Air Force (AAF)—according to CSTC-A. As reported, the ANA consists of 29,277 officers, 51,983 noncommissioned officers, and 110,332 enlisted personnel. However, SIGAR noticed anomalies in the data reported this quarter. In addition, CSTC-A noted that civilians were counted as part of overall force strength. As a result, SIGAR is reviewing ANA personnel counts and the methodology used to compile ANA strength.<sup>79</sup>

Most soldiers are assigned to the ANA's six corps, its Special Operations Force, its 111th Capital Division, and the AAF—constituting the ANA's main combat forces—as noted in SIGAR's April 2012 quarterly report. According to CSTC-A, 132,974 personnel were assigned to these forces as of May 20, 2012. However, the number of personnel assigned does not necessarily equal the number of troops present for duty, as noted in previous SIGAR reports. Of these forces, 4–11% were absent without leave (not including the Special Operations Force, which does not report these statistics).<sup>80</sup>

### ANA Sustainment

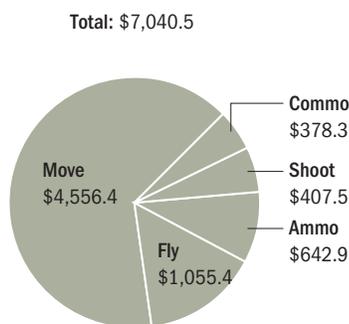
As of June 30, 2012, the United States had appropriated approximately \$9.9 billion, obligated \$8.1 billion, and disbursed \$7.4 billion of ASFF funds for ANA sustainment.<sup>81</sup>



**ANA soldiers graduate** from Regional Military Training Center-North on July 5 in Mazar-e Sharif. This quarter, the United States was funding 32 training programs at a cost of \$576.5 million. (Photo by Mass Communication SPC/2C Cory Rose)

FIGURE 3.25

**CUMULATIVE ASFF FUNDING FOR ANA EQUIPMENT, APRIL 1–JUNE 30, 2012**  
(\$ MILLIONS)



Notes: Numbers affected by rounding. "Fly" involves aircraft and aviation-related equipment. "Commo" includes communications equipment. "Move" includes vehicles and vehicle-related equipment. "Shoot" includes weapons and weapons-related equipment other than ammunition.

Source: CSTC-A, response to SIGAR data call, 7/2/2012.

## ANA Salaries

As of June 30, 2012, the U.S. government had provided \$1.13 billion through the ASFF to pay ANA salaries, including \$138.6 million this quarter, according to CSTC-A. CSTC-A provides these funds to the Ministry of Finance, which counts them as part of the Afghan government's core budget to cover salary expenditures. CSTC-A estimated that in addition to their salaries, 98% to 100% of ANA personnel receive some sort of incentive (extra pay for personnel engaged in combat or employed in specialty fields such as special forces, medical, and explosive-ordnance disposal).<sup>82</sup>

The ANA uses a personnel roster (or *tashkil*) to determine annual personnel costs and the number of personnel in each rank, according to CSTC-A. ANA disbursement officers, acting on behalf of the Ministry of Finance, process monthly reports from ANA finance officers through the Afghanistan Financial Management Information System. The system is used to determine expenditures so that funds can be provided to banks to transfer to individual accounts. More than 98% of ANA personnel are paid by electronic funds transfer to their bank accounts, according to CSTC-A.<sup>83</sup>

This quarter, CSTC-A said it is in the early stages of deploying a computerized pay system for the ANA that would track personnel, base pay, and incentive pay, but noted that the system is months away from being fully capable. Once the system is completed, NTM-A will be able to perform detailed pay audits to better ensure that ANA personnel are paid accurately.<sup>84</sup>

As noted in SIGAR's April 2012 quarterly report, when the ANA reaches its final strength of 195,000 personnel—187,000 in the ANA and 8,000 in the Afghan Air Force (AAF)—it will require nearly \$881.6 million per year to fund salaries, incentives, and bonuses. CSTC-A noted that the estimated U.S. contribution to that figure is \$547.1 million.<sup>85</sup>

## ANA Equipment and Transportation

As of June 30, 2012, the United States had appropriated approximately \$11.0 billion and obligated and disbursed \$9.0 billion of ASFF funds for ANA equipment and transportation.<sup>86</sup> Most of these funds were used to purchase weapons and related equipment, vehicles, communications equipment, ammunition, and aircraft and aviation-related equipment.<sup>87</sup> More than half of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Figure 3.25.

The United States has surpassed its goals for procuring equipment for the ANA and has delivered most of that equipment, according to CSTC-A. As of June 30, 2012, CSTC-A had procured 107% of weapons and weapons-related equipment, 113% of vehicles and transportation equipment, and 107% of communications equipment.<sup>88</sup>

As noted in SIGAR's April 2012 quarterly report, DoD's FY 2013 budget requested only \$241.5 million to be allocated through the ASFF for ANA equipment and transportation—an 83% decrease from the amount

### SIGAR AUDIT

In an ongoing audit, SIGAR is assessing CSTC-A's efforts to develop the ANA's capabilities to manage and distribute petroleum products, determining whether the ANA has the internal controls needed to account for petroleum products and prevent fraud, waste, and abuse. For more information, see Section 2, page 34.

authorized for this purpose in FY 2012. The request did not include amounts for weapons or vehicles; the requested funds would support the AAF (\$169.8 million), provide communications and intelligence equipment (\$1.7 million), and support airlift operations (\$70 million).<sup>89</sup>

## ANA Infrastructure

As of June 30, 2012, the United States had appropriated approximately \$6.4 billion, obligated \$5.1 billion, and disbursed \$3.2 billion of ASFF funds for ANA infrastructure.<sup>90</sup> As of June 30, 2012, the United States had completed 194 infrastructure projects (valued at \$2.26 billion), with another 106 projects ongoing (\$2.58 billion) and 80 planned (\$1.31 billion), according to CSTC-A.<sup>91</sup> This quarter, four new contracts were awarded. The largest were for a detention facility in Kabul (valued at \$68.9 million) and a brigade garrison in Kandahar (\$81.7 million). Five projects, valued at \$88.9 million, were terminated this quarter.<sup>92</sup>

As noted in SIGAR's April 2012 quarterly report, DoD's FY 2013 budget request for ANA infrastructure was 85% less than the amount authorized in FY 2012. The FY 2013 request is not for construction projects, but for upgrades and modernizations of garrisons and force-protection systems, and to prepare coalition facilities for handover to the ANSF as the U.S. forces are drawn down.<sup>93</sup>

## ANA and MoD Training and Operations

As of June 30, 2012, the United States had appropriated approximately \$3.1 billion and obligated and disbursed \$2.1 billion in ASFF funds for ANA and MoD operations and training.<sup>94</sup>

This quarter, the United States was funding 32 ongoing ANA and MoD training programs through the ASFF at a cost of \$576.5 million, according to CSTC-A. Most of that funding (62%) was for training the ANA in a range of disciplines including special operations, intelligence, logistics, countering improvised explosive devices, and vehicle maintenance.<sup>95</sup> Nearly a quarter of funding in this category was for the development of the MoD, as shown in Figure 3.26.

The United States funds a three-year, \$248.2 million contract (two-year base and one-year option) with DynCorp International to support the MoD. The contract provides trainers, mentors, subject-matter experts, and support staff to CSTC-A and the MoD. The purpose of the contract is to assist the MoD and ANA in assuming full responsibility for their security needs, according to CSTC-A.<sup>96</sup>

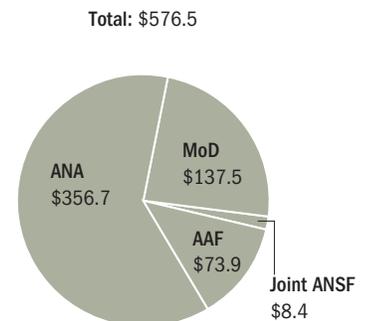
CSTC-A's program synchronizes development of MoD organizations with development of management and operational systems, according to CSTC-A. CSTC-A personnel involved in MoD development include traditional military personnel and special staff in development-specific positions. These personnel rely on contractor support to develop the core

## SIGAR AUDIT

SIGAR has initiated an audit of the decision to award a contract for an ANA garrison in Badghis, following an allegation that NTM-A/CSTC-A did not consider less expensive options before USACE awarded the contract. For more information, see Section 2, page 34.

FIGURE 3.26

U.S. FUNDING FOR ANA AND MoD TRAINING, APRIL 1-JUNE 30, 2012 (\$ MILLIONS)



Notes: Numbers affected by rounding. Joint ANSF = training programs for both ANA and ANP.

Source: CSTC-A, response to SIGAR data call, 7/2/2012.

management and operational systems required for the MoD to manage the ANA.<sup>97</sup>

On July 5, 2012, more than 1,300 ANA personnel graduated from basic training at the Regional Military Training Center-North in Mazar-e Sharif. The graduation marked a transition at the center as NTM-A trainers and advisors draw down, and Afghan leaders and instructors take the lead and begin teaching courses.<sup>98</sup>

## **ANA Literacy**

Low literacy rates among ANSF personnel remain a challenge. Since 2010, the United States has funded three contracts each with a limit of five years of service—one-year options may be exercised in August of each year—and a maximum cost of \$200 million. As of this quarter, according to CSTC-A, three contractors were providing 1,496 literacy trainers to the ANA.<sup>99</sup>

- OT Training Solutions (a U.S. company) was providing 544 trainers.
- Insight Group (an Afghan company) was providing 312 trainers.
- The Higher Education Institute of Karwan (an Afghan company) was providing 640 trainers.

ANA recruits receive 64 hours of literacy and arithmetic training during their basic training. To bring these personnel to Level 3 or “functional literacy” requires an additional 248 hours of instruction, which is provided during specialty occupational training or in the field. According to NTM-A, 11,000 ANSF personnel are enrolled in literacy training at any given time.<sup>100</sup>

Determining the ANA’s current level of literacy has been difficult. According to CSTC-A, the literacy rate of the ANSF as a whole is 11%.<sup>101</sup> However, at the Kabul Military Training Center, approximately 13% of recruits pass initial literacy tests before their training begins, which could suggest a higher literacy rate among those personnel who have completed literacy training courses.<sup>102</sup>

NTM-A/CSTC-A works with the MoD to expand literacy programs, ensure that literacy is valued as a force multiplier, and set conditions to transfer responsibility for literacy training to the ANA. This quarter, CSTC-A noted that standardized testing is used to determine the degree of functional literacy being achieved. NTM-A/CSTC-A captures that data to build a literacy profile of the ANA, identify regional anomalies, and target areas that need improvement. However, CSTC-A noted that “There is no test score criteria, or improved completion time criteria that can be applied to measure success of the program.”<sup>103</sup>

## **Women in the ANA**

As of June 30, 2012, ANA personnel included 361 women—223 officers, 104 noncommissioned officers, 7 enlisted personnel, and 27 enrollees in

officer candidate school—according to CSTC-A. The goal is a force that is 10% women (that is, 19,500 personnel). As noted in SIGAR’s 2012 quarterly report, most women officers serve in medical roles and most noncommissioned officers serve in logistical (50%) or medical (25%) roles. CSTC-A noted that the recruitment of women is a low priority for the ANA and that process problems were at least partly to blame. The ANA lacks a centralized and structured system for screening, testing, and processing female applicants. In addition, there are no clear career paths for women across the ANA.<sup>104</sup>

According to CSTC-A, NTM-A has been focused on two priorities in supporting the recruitment and integration of women into the ANA: the establishment of the ANA’s Office of Human Rights, Ethnic Balancing, and Gender Integration (HREBGI) and a program to support recruiting women into the ANA’s Intelligence Branch. This quarter, the HREBGI Office was recruiting women graduates of Kabul University’s Law School to fill investigator positions identified by the ANA Legal Branch.<sup>105</sup>

## AFGHAN NATIONAL POLICE

As of June 30, 2012, the United States had appropriated approximately \$17.0 billion, obligated \$13.1 billion, and disbursed \$11.6 billion of ASFF funds to build, train, and sustain the ANP.<sup>106</sup>

According to the UN Secretary-General, the MoI launched a national police plan in April 2012. This plan set priorities such as focusing on community-based policing, strengthening crime detection and prevention, safeguarding human rights, combating violence against women and children, and increasing the number of women in the ANP. In the same month, the MoI launched the Democratic Policing Secretariat to “coordinate community policing initiatives and liaise with civil society to increase police accountability and responsiveness.”<sup>107</sup>

### ANP Strength

This quarter, the total strength of the ANP was 146,641, according to ISAF’s June 2012 personnel status report. Of that number, 82,424 were assigned to the Afghan Uniform Police, 22,057 were assigned to the Afghan Border Police, and 14,586 were assigned to the Afghan National Civil Order Police.<sup>108</sup> These numbers are smaller than those reported in SIGAR’s April 2012 quarterly report. SIGAR is reviewing the new numbers to determine the reason for the decline.

### ANP Sustainment

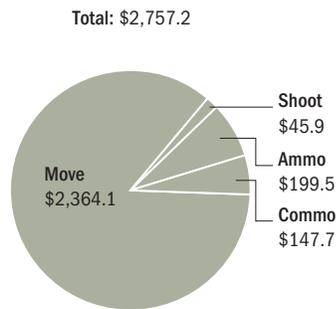
As of June 30, 2012, the United States had appropriated approximately \$5.8 billion, obligated \$4.2 billion, and disbursed \$4.0 billion of ASFF funds for ANP sustainment.<sup>109</sup>



**Officer candidates** of the Female Training Battalion learn self-defense techniques at the Kabul Military Training Center on May 28. There are 361 women in the ANA; the goal is a force that is 10% women. (NTM-A photo)

FIGURE 3.27

**CUMULATIVE ASFF FUNDING FOR ANP EQUIPMENT, 2002–JUNE 30, 2012**  
(\$ MILLIONS)



Notes: Numbers affected by rounding. “Commo” includes communications equipment. “Move” includes vehicles and vehicle-related equipment. “Shoot” includes weapons and weapons-related equipment other than ammunition.

Source: CSTC-A, response to SIGAR data call, 7/2/2012.

## ANP Salaries

As noted in SIGAR’s April 2012 quarterly report, the United States had at that time provided approximately \$914.0 million for ANP salaries to the Law and Order Trust Fund for Afghanistan, managed by the UN Development Programme. According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require approximately \$726.9 million per year to fund salaries, incentives, and food:<sup>110</sup>

- salaries: \$471.6 million
- incentives: \$117.8 million
- food: \$137.5 million

## ANP Equipment and Transportation

As of June 30, 2012, the United States had appropriated approximately \$4.2 billion and obligated and disbursed \$3.3 billion of ASFF funds for ANP equipment and transportation.<sup>111</sup> Most of these funds were used to purchase weapons and related equipment, vehicles, communications equipment, and ammunition.<sup>112</sup> Nearly 86% of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Figure 3.27.

## ANP Infrastructure

As of June 30, 2012, the United States had appropriated approximately \$4.0 billion, obligated \$2.9 billion, and disbursed \$1.8 billion of ASFF funds for ANP infrastructure.<sup>113</sup>

As of June 30, 2012, the United States had completed 422 ANP infrastructure projects (valued at \$1.29 billion). Another 205 were ongoing (\$1.15 billion), and 164 were planned (\$1.09 billion). This quarter, 19 new contracts were awarded with a combined value of \$54.2 million.<sup>114</sup>

## ANP Training and Operations

As of June 30, 2012, the United States had appropriated approximately \$3.0 billion and obligated and disbursed \$2.6 billion of ASFF funds for ANP and MoI training and operations.<sup>115</sup>

The United States funds a three-year, \$1.19 billion contract (two-year base and one-year option) with DynCorp to train and advise the MoI and the ANP. The contract provides logistical support at 14 NTM-A training sites and trainers and advisors at 18 NTM-A police training sites, according to CSTC-A. Most of DynCorp’s 3,500 personnel—half of whom are Afghan nationals—are assigned to logistical support roles.<sup>116</sup>

The police training segment of the DynCorp contract provides 139 trainers and advisors at police training sites. It also provides 340 mentors under IJC’s direction to ANP operational units, according to CSTC-A. In addition, several local contracts provide logistical services at training sites not serviced by the larger DynCorp contract.<sup>117</sup>

### SIGAR AUDIT

In an ongoing audit of the Afghanistan-Technical Equipment Maintenance Program for the ANP, SIGAR is looking at oversight of contractors and contract costs, accountability for parts and supplies, and the transition of responsibility for vehicle maintenance to the ANP. For more information, see Section 2, page 33.

As of June 18, 2012, more than 8,600 ANP personnel had graduated from 15 police training courses; 810 were currently enrolled. During the quarter, the costs of the ANP training segment of the DynCorp contract were \$10.8 million for training and mentoring and \$19.7 million for logistical support (including life—day to day—support, health, welfare, and other associated costs).<sup>118</sup>

## ANP Literacy

Low literacy rates affect the ANP as well as the ANA. Since 2010, the United States has funded three contracts for the ANP, as it has for the ANA. Each has a limit of five years of service—as one-year options that may be exercised in August of each year—and a maximum cost of \$200 million. According to CSTC-A, these contractors were providing 1,729 literacy trainers to the ANP:<sup>119</sup>

- OT Training Solutions (a U.S. company) was providing 470 trainers.
- Insight Group (an Afghan company) was providing 302 trainers.
- The Higher Education Institute of Karwan (an Afghan company) was providing 957 trainers.

Like the ANA recruits, ANP recruits receive 64 hours of literacy and arithmetic training during their basic training and an additional 248 hours of instruction to bring them to Level 3 or “functional literacy.”<sup>120</sup> CSTC-A noted that to achieve functional literacy, ANP students are tested to determine whether they are ready to progress to the next level of training. As of July 1, 2012, the success rate for the entire ANSF was 93.3%; a breakdown by force was not available.<sup>121</sup>

## Women in the ANP

As of June 18, 2012, ANP personnel included 1,399 women—206 officers, 609 noncommissioned officers, and 584 enlisted personnel—according to CSTC-A. The goal for the ANP is to recruit 5,000 women by March 2014. As noted in SIGAR’s April 2012 quarterly report, the ANP is actively recruiting women through a campaign sponsored by the Law and Order Trust Fund for Afghanistan. The United States has provided three gender advisors, assigned to the MoI’s Human Rights, Gender, and Child Rights Directorate. These advisors work with ANP leaders, promote the advantages of having women in a police force, and visit ANP units where women are assigned to identify and address gender-related issues.<sup>122</sup>

## Afghan Local Police

The Afghan Local Police (ALP) is a MoI community-watch initiative designed to enable communities to protect themselves where there is no significant ISAF or ANSF presence.<sup>123</sup> ALP members are nominated by local councils and vetted by the Afghan intelligence service; they serve under

## SIGAR INSPECTION

SIGAR’s inspection of the construction of Afghan Border Police bases found that construction deficiencies at three bases it inspected put \$19 million of investment at risk. For more information, see Section 2, page 35.

# SECURITY

local police chiefs, but do not have arrest authority. They are trained by the ANP, the ANA, and U.S. Special Forces.<sup>124</sup>

As of June 30, 2012, the ALP had 15,252 members—an increase of 2,592 since last quarter—according to the Combined Forces Special Operations Component Command - Afghanistan (CFSOCC-A). Of those, 14,507 were fully trained, assigned, and present for duty. The goal is 30,000 members in 99 districts and at ALP headquarters in Kabul by 2014. From October 2011 through June 2012, the United States obligated \$59.7 million to support the ALP:<sup>125</sup>

- \$44.0 million through CFSOCC-A for salary payments and operations
- \$3.1 million through CFSOCC-A for equipment
- \$12.6 million through NTM-A/CSTC-A (provided electronically to the MoI) for a salary and food stipend program

## U.S. FORCES

According to U.S. Forces - Afghanistan (USFOR-A), 87,000 U.S. forces were serving in the country as of June 30, 2012. Of those, approximately 67,000 were assigned to ISAF and 2,200 to NTM-A/CSTC-A (the joint NATO/U.S. mission responsible for training, equipping, and sustaining the ANSF).<sup>126</sup>

## REMOVING UNEXPLODED ORDNANCE

Since 2006, the Department of State has provided \$206.5 million in funding for non-proliferation, anti-terrorism, de-mining, and related programs in Afghanistan, according to its Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA).<sup>127</sup>

As of June 30, 2012, DoS directly funds five Afghan non-governmental organizations (NGOs), five international NGOs, and one U.S. company (DynCorp) to carry out sustained clearance operations and remove and mitigate risks from abandoned and at-risk weapons. DynCorp, which has received approximately \$47.7 million in such funding since 2006,

TABLE 3.1

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, APRIL 1, 2011–JUNE 30, 2012						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m <sup>2</sup> )	Estimated Contaminated Area Remaining (m <sup>2</sup> )
4/1-6/30/2011	4,043	68,542	481,877	6,259,343	6,799,279	612,000,000
7/1-9/30/2011	2,071	120,616	627,656	6,258,408	7,735,897	602,000,000
10/1-12/31/2011	2,616	88,998	449,589	13,376,738	13,097,574	588,000,000
1/1-3/31/2012	2,113	62,043	467,071	3,364,885	14,604,361	585,000,000
<b>Total</b>	<b>10,843</b>	<b>340,199</b>	<b>2,026,193</b>	<b>29,259,374</b>	<b>42,237,111</b>	<b>(remaining) 585,000,000</b>

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition.

Source: DoS, PM/WRA, response to SIGAR data call, 6/27/2012.

also provides advice to and oversight of the five Afghan NGOs (which have received \$96.4 million since 2006). During the same period, international NGOs have received \$54.8 million from DoS, public institutions (such as UN and NATO program offices) have received \$1.6 million, and a U.K. university has received \$0.7 million for weapons removal and demining activities. According to the PM/WRA, in addition to clearance, removal, and mitigation activities, these organizations carry out the following activities:<sup>128</sup>

- provide stockpile management support
- support the purchase of mine-detection dogs
- build Afghan capacity through training programs
- conduct surveys
- provide services to survivors of accidents caused by land mines or explosive remnants of war
- educate the public on the threat of mines and explosives

From April 1, 2011 to March 31, 2012, DoS-funded implementing partners had cleared 42.2 million square meters of minefields, according to the most recent data available from the PM/WRA. An estimated 585.0 million square meters of contaminated area remain to be cleared as shown in Table 3.1. The PM/WRA defined a “minefield” as an area contaminated by landmines, and a “contaminated area” as an area contaminated with both landmines and explosive remnants of war.<sup>129</sup>

## COUNTER-NARCOTICS

As of June 30, 2012, the United States had appropriated \$6.0 billion for counter-narcotics initiatives in Afghanistan since efforts began in 2002. Most of these funds were appropriated through two sources: the DoS International Narcotics Control and Law Enforcement (INCLE) account (\$3.6 billion), and the DoD Drug Interdiction and Counter-Drug Activities (DoD CN) fund (\$2.3 billion).<sup>130</sup>

### Poppy Eradication

Afghanistan produces approximately 90% of the world’s opium, according to the United Nations Office of Drug Control (UNODC).<sup>131</sup> The UNODC Opium Risk Assessment 2012, released in April, predicts a rise in opium cultivation. Increases are expected in nine provinces, largely in the west and east: Ghor, Herat, Kapisa, Badghis, Farah, Kunar, Nangarhar, Uruzgan, and Badakhshan. Fifteen provinces, mainly in the center, north, and southeast, are likely to retain their poppy-free status.<sup>132</sup> Ghor was poppy-free in 2011, but maintenance of that status will depend on eradication efforts. Kandahar and Helmand still account for the majority of cultivation, although a reduction is expected in Kandahar, where 27,213 hectares were cultivated in 2011.

No major change is foreseen in Helmand, where last year 63,307 hectares—nearly half the countrywide total—were cultivated.<sup>133</sup>

Final production figures will depend on eradication efforts; governor-led operations have continued since March in many provinces. Preliminary data shows that over 10,000 hectares of poppy have been eradicated since the last assessment, an increase of 165% over the same period in 2011.<sup>134</sup>

In late May, the UNODC launched its 2012–2014 country program in Afghanistan with the Ministry of Counter-Narcotics. With an estimated cost of \$117 million, the program is intended to contribute to stability and development by strengthening criminal justice systems and counter-narcotics efforts. The program has four subprograms: research, policy, and advocacy; law enforcement; criminal justice; and health and livelihoods. The UNODC is focusing on monitoring counter-narcotics efforts across the National Priority Programs to ensure that narcotics-related issues receive attention across sectors—not only in security and agriculture, but also in health and education. Terms of reference have been agreed to and will be on the agenda of the next meeting of the Joint Coordination and Monitoring Board.<sup>135</sup>

## Opium Prices

According to the UNODC, 71% of poppy farmers surveyed for the 2012 report identified the “high sales price of opium” as the predominant reason they grow opium (compared with 77% of respondents in 2011). Opium became more attractive to farmers in 2011 when, after years of decline, the price increased sharply. However, the difference in price between illicit crops such as opium and licit crops has always been stark. The UNODC noted that the farm-gate price of fresh or recently harvested opium was \$196.59 per kg in 2011 and \$183.38 in 2012—a modest 7% decrease. For dry opium, those figures were \$256.21 in 2011 and \$254.39 in 2012—a drop of less than 1%.<sup>136</sup>

From 2011 to 2012, prices for food grains increased between 3% and 19% depending on type of crop. These increases, however, offer little incentive to Afghan farmers to divert effort to crops other than opium. According to the UNODC, in 2012, the highest-priced grain, rice, sold for just \$1.17 per kg, followed by wheat at \$0.45 and maize at \$0.34.<sup>137</sup>

Poppy is sown at different times in different regions. In the fall, it is sown in the central, eastern, southern, and western regions; propagation in the northern and northeastern regions occurs in the spring. In irrigated areas, Afghan farmers usually cultivate crops twice a year and will grow maize, rice, vegetables, or cotton after the opium or wheat harvest. The UNODC noted that some farmers will grow cannabis after the first summer harvest.<sup>138</sup>

## Afghan Counter-Narcotics Efforts

Corruption, lack of security, and the fledgling judicial system continue to undermine counter-narcotics efforts, according to DoD, contributing to a culture of impunity that allows narcotics trafficking to flourish. Specialized units of the Counter-Narcotics Police of Afghanistan (CNPA) and the Afghan Special Narcotics Forces rely on ISAF for support when operating in areas with a heavy Taliban presence, especially in the south and southwest, where the link between the insurgency and the narcotics trade is strongest.<sup>139</sup>

According to the UNODC, the Taliban receives \$100 million to \$400 million from the drug trade through levies on farmers and traffickers. Opium profits from operations in Helmand are the biggest source of funding for insurgents.<sup>140</sup>

According to DoD, the Afghan government continues to work closely with ISAF to improve the capabilities of the CNPA and build its specialized units that are mentored by the Drug Enforcement Administration.<sup>141</sup>

As of June 30, 2012, the CNPA had a force strength of 2,622, according to CSTC-A. These forces are trained and advised by military and civilian personnel from the United States, Canada, the United Kingdom, France, Norway, the UNODC, and the European Union Police Mission in Afghanistan.<sup>142</sup>

This quarter, the governments of Russia and Japan began collaborating on a one-year training program to bolster ANP counter-narcotics capabilities, according to the UNODC. The Japanese-financed and UNODC-coordinated program, which is expected to begin in September 2012, will provide ANP personnel with specialized training at a Russian Ministry of Interior center.<sup>143</sup>

## Interdiction Operations

This quarter, the ANSF partnered with ISAF in conducting 112 interdiction operations, according to DoD. These operations included partnered patrols, cordon-and-search actions, detentions, and over-watch operations. They resulted in 111 arrests and led to seizure of the following narcotics contraband:<sup>144</sup>

- 17,082 kg of hashish or marijuana
- 15,727 kg of opium
- 1,176 kg of morphine
- 207 kg of heroin
- 16,060 kg of narcotics-related chemicals

However, the scale of the narcotics problem in Afghanistan is massive. As noted in the UNODC's December 2011 Opium Survey, the amount of opium produced in Afghanistan increased from 3.6 million kg in 2010 to 5.8 million kg in 2011, and the total area under opium cultivation had risen from 123,000 hectares in 2010 to 131,000 hectares in 2011.<sup>145</sup>

## SIGAR AUDIT

SIGAR is examining air-mobility support for Afghan drug interdiction operations to determine the extent to which U.S. assistance provides responsive support and has resulted in the development of sustainable air-mobility support for counter-narcotics efforts. For more information, see Section 2, page 32.



## GOVERNANCE

As of June 30, 2012, the United States had provided over \$22.3 billion to support governance and economic development in Afghanistan.<sup>146</sup> The country's endemic corruption, underperforming formal judicial sector, difficulties in establishing and maintaining governmental authority, and persistent human-rights violations continued to complicate U.S. efforts to establish a stable and mature Afghan government.

### KEY EVENTS

During this reporting period, Afghanistan made a number of commitments in a series of bilateral and multilateral agreements. Along with other initiatives, these commitments sought to reaffirm greater Afghanistan independence, codify steps it needs to take for a successful transition, and solidify the international community's future financial pledges and support.

### U.S.-Afghan Strategic Partnership Agreement

On May 2, 2012, the United States and Afghanistan signed a long-term Strategic Partnership Agreement that emphasized the need for their continued cooperation, set parameters for the transition to greater Afghan control of its future, and imposed restrictions on U.S. operations within the country.<sup>147</sup> The National Assembly approved the agreement on June 3, 2012.<sup>148</sup>

Both countries made a number of commitments related to improving governance, including the following:<sup>149</sup>

- The Afghan government recognized that protecting democratic and human rights is fundamental to the long-term partnership.
- The Afghan government committed to strengthen and improve its electoral process.
- The Afghan government agreed to take tangible steps to improve its efficiency and effectiveness and support the development of a vibrant civil society, including a free and open media.
- The Afghan government said it will protect and advance the role of women in society.

- The U.S. government pledged to continue to support efforts to strengthen the Afghan government’s capacity, self-reliance, and effectiveness in a manner consistent with Afghan priorities.
- The United States and Afghanistan agreed to work together to eliminate “parallel structures” like Provincial Reconstruction Teams (PRTs) and District Support Teams (DSTs).

## Other Strategic Agreements

On June 8, 2012, Afghanistan and China established a strategic and cooperative partnership, pledging to expand their ties. Since reconstruction began in 2001, China’s involvement in Afghanistan has focused on investments to develop natural resources. The two nations agreed to work on a number of other issues such as border security, disease control, disaster prevention, drug trafficking, education, illegal immigration, terrorism, and bilateral trade. China also pledged to provide \$23.8 million to assist the Afghan government in 2012.<sup>150</sup> According to the United Nations Assistance Mission in Afghanistan (UNAMA), the declaration could signal broader Chinese involvement in the future of Afghanistan.<sup>151</sup>

This quarter, Afghanistan also signed strategic-partnership agreements with Australia and Germany. Germany committed to provide €150 million in annual security assistance after 2014. Australia committed to contribute \$100 million per year in development aid from 2015 to 2017.<sup>152</sup> The Afghan government also announced its intention to enter into an agreement with Turkey.<sup>153</sup>

## Tokyo Conference

On July 8, 2012, Afghanistan and a number of its international supporters, including the United States, met in Tokyo and agreed to a number of principles in development, governance, and security. The agreements related to governance were similar to those made in past international conferences. The Afghan government and the international community will monitor five major areas of development and governance agreed to in Tokyo using a series of metrics. The Afghan government will develop a timeline for the metrics. The participants agreed to regular follow-up meetings, which will take place at the ministerial level every two years, at the senior official level in alternate years, and at more frequent intervals under the auspices of the Afghan-UN led Joint Coordination and Monitoring Board.<sup>154</sup>

## RECONCILIATION AND REINTEGRATION

As of June 30, 2012, there had been no publicly reported major breakthroughs from efforts to forge a reconciliation agreement between the Afghan government and insurgent groups. Details of reconciliation negotiations are classified.<sup>155</sup> The UN Secretary-General did report that a five-member delegation representing the Hezb-e Islami insurgent group

met with the High Peace Council and President Karzai in April 2012. The insurgent group presented a 17-point plan detailing its demands but suspended its engagement on May 12, citing disagreement over the Strategic Partnership Agreement with the United States. The Taliban also condemned the agreement but issued a statement that left open all military and political options.<sup>156</sup>

## High Peace Council

On April 14, 2012, President Karzai appointed Salahuddin Rabbani as chairman of the High Peace Council, filling the void created in September 2011, when insurgents assassinated his father, the previous chairman and former Afghan President, Burhanuddin Rabbani.<sup>157</sup> The Secretary-General of the United Nations noted that the appointment should reinvigorate the Council's work.<sup>158</sup>

On May 13, 2012, another senior member of the Council, Mawlawi Arsala Rahmani, was assassinated. He was a former Taliban minister who had joined the reconciliation process; it was not clear who was responsible for the assassination.<sup>159</sup>

## Afghan Peace and Reintegration Program

The progress of reintegration slowed slightly this quarter. From April 1 to June 19, 2012, the **Afghan Peace and Reintegration Program (APRP)** reintegrated 583 people, bringing the program total to 4,673, as shown in Figure 3.28. Last quarter, the APRP reintegrated 919 people.<sup>160</sup>

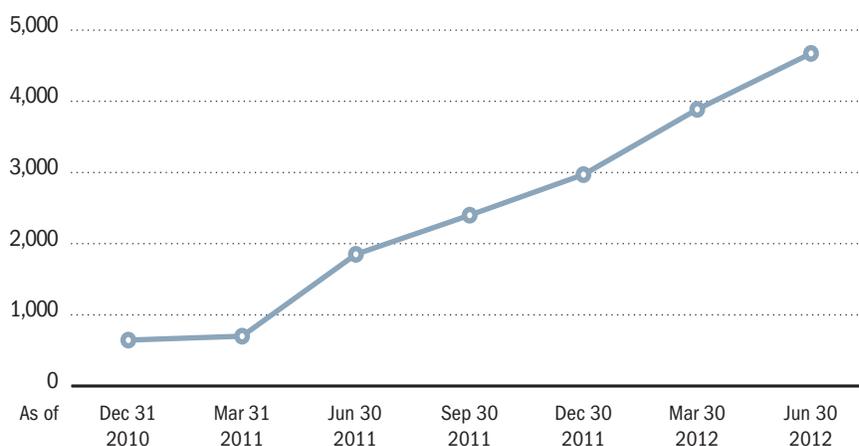
### Afghan Peace and Reintegration

**Program:** the Afghan government's main program for promoting and managing the reintegration of insurgents. It provides a way for Taliban members and other anti-government elements to renounce violence and become productive members of Afghan society. The program also attempts to link peace with development opportunities to enhance the attractiveness of the program. It is administered through a Joint Secretariat, an inter-agency body that has representation from the International Security Assistance Force.

Sources: UNDP, "UNDP Support to Afghan Peace and Reintegration Program," 5/21/2011; ISAF, "APRP," accessed 7/17/2012.

FIGURE 3.28

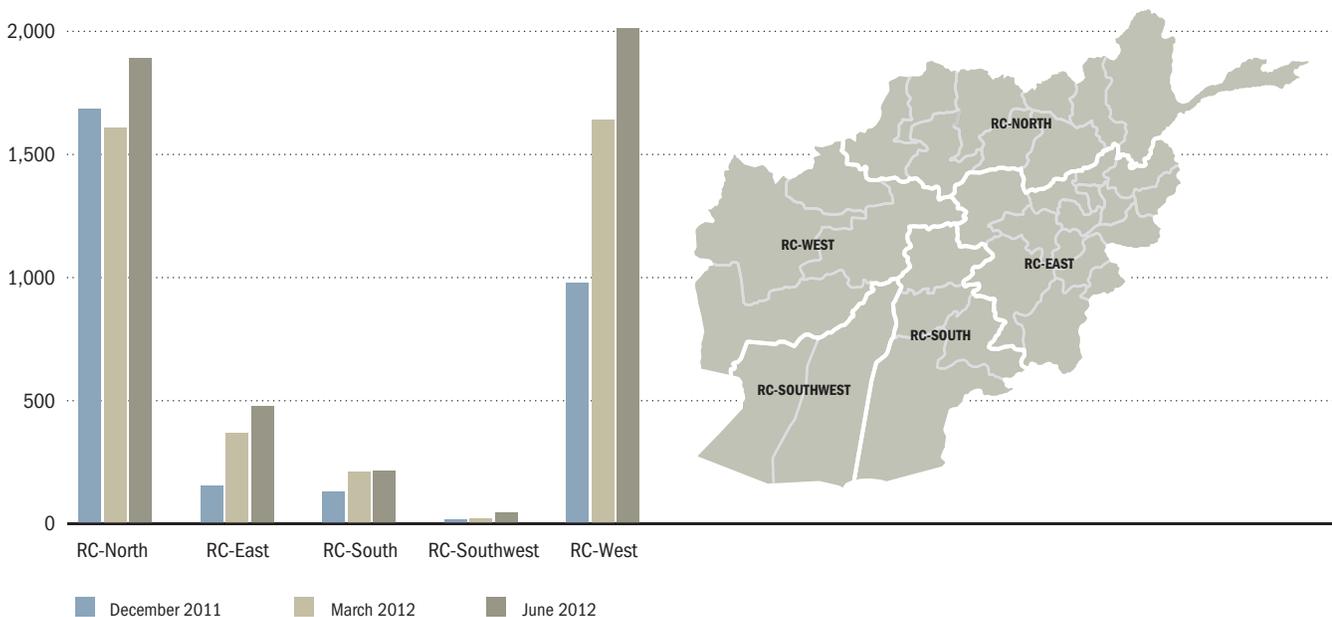
### REINTEGREES UNDER THE APRP, 2010-2012



Sources: DoS, responses to SIGAR data call, 7/5/2012, 3/30/2012, 12/30/2011, 10/6/2011, 7/1/2011, 4/15/2011, and 1/12/2011.

FIGURE 3.29

## REINTEGREES BY REGIONAL COMMAND, DECEMBER 2011-JUNE 2012



Note: The decrease in RC-North in March 2012 was due to the Joint Secretariat disqualifying approximately 250 previous enrollees from Sare Pul.

Sources: DoS, responses to SIGAR data call, 7/5/2012, 3/30/2012, and 12/30/2011.

As in previous quarters, the vast majority of this quarter's reintegrees came from the north and west, as shown in Figure 3.29. Only four insurgents reintegrated in Regional Command - South. As of June 5, 2012, the APRP's Joint Secretariat claimed that an additional 1,138 candidates were in negotiations to reintegrate.<sup>161</sup>

### Regional Reintegration Progress

According to the Department of State (DoS), the APRP's performance at the local level improved during this quarter. Enhanced training, better planning, improved processes, and better leadership from Kabul contributed to the gains. The provinces are also making progress in their implementation of the APRP plan for the current Afghan fiscal year (solar year [SY] 1391). However, DoS said the Provincial Joint Secretariat Team's (PJST's) capacity to implement the program still varied considerably by province, with problems continuing in the south and east. To address this continuing concern, the Joint Secretariat continues to hold capacity-building sessions for PJSTs.<sup>162</sup>

On June 18, 2012, the Ministry of Defense (MoD), National Directorate of Security (NDS), Ministry of Interior (MoI), Independent Directorate of

Local Governance (IDLG) and APRPs Joint Secretariat signed a joint order requiring every province to develop its own reintegration plan. The Joint Secretariat, the High Peace Council, the Afghan National Security Council, and the affected provincial governor must approve each provincial plan. Before this order, provincial planning was inconsistent.<sup>163</sup>

## **Southern Reintegration**

In Kandahar this quarter, as a result of information regarding the activities of the Provincial Peace Council (PPC) and PJST, the Joint Secretariat agreed to travel with the High Peace Council in the coming quarter to visit the province's most volatile districts of Zharay, Panjwai, and Maiwand. DoS said these visits could energize local efforts to seek a political accommodation among the rival tribes and lead to a reduction in support for the Taliban. The Joint Secretariat also committed to conducting a capacity-building workshop for PJST development officers.<sup>164</sup>

Reintegration in Helmand continued to proceed slowly but steadily this quarter, according to DoS, because of the APRP's increased capacity at the provincial and district levels and replacement of a number of ineffective local reintegration officials by the APRP's national leadership.<sup>165</sup>

## **Eastern Reintegration**

Nangarhar has not been the site of much success in reintegrating insurgents, mostly because the provincial government does not support the APRP. The province's governor has publicly and repeatedly opposed reintegration. Though he voiced less hostility to reintegration during this reporting period, DoS noted that he still did not substantively support the APRP. It also noted that the PPC is underperforming and has not been able to travel to the province's border districts because of deteriorating security. However, the PJST has performed well and has identified community recovery projects.<sup>166</sup>

In Khowst, the PJST and PPC are fully established. This quarter, the PJST improved its coordination with the Afghan National Security Forces (ANSF) by establishing regular information-exchange meetings and arranging for security-forces escorts. This made it possible for the PJST to visit the unstable district of Terezai for an outreach event.<sup>167</sup>

This quarter, Paktiya had its first reintegration ceremony, for nine ex-combatants. The event was broadcast on local television. DoS noted that the province's reintegration system was weak and that the reintegrees had yet to complete formal reintegration requirements, including collection of biometric data and receipt of reintegration cards.<sup>168</sup>

Paktika's PPC and PJST did not improve this quarter. According to DoS, the PPC's leader was absent and there were difficulties in obtaining funding from the Joint Secretariat.<sup>169</sup>



**Former insurgents prepare** to hand over weapons to the Afghan government during a reintegration ceremony at the provincial governor's compound in Ghor province. (DoD photo, LTJG Joe Painter)

## Capacity Development for Reintegration

Improving the APRP's ability to carry out national and local reintegration programs is crucial to reintegration's success. Since the program began in 2010, it has faced difficulties in expending money, promoting reintegration in volatile areas, developing structural capacity, and gaining buy-in from local officials. The Afghan government and international community have worked toward improving the APRP's capacity to promote and manage reintegration.

## Financial Management of Reintegration Programs

The APRP has a budget of \$123.7 million for SY 1391 (March 21, 2012, to December 31, 2012—a one-time, nine-month “year” to accommodate a shift in the Afghan fiscal year), according to DoS.<sup>170</sup> The United States provided \$50 million of these funds.<sup>171</sup> Early this quarter, on April 14, the Ministry of Finance's (MoF) financial oversight committee approved the APRP's annual budget, annual plans for three of the line ministries supporting community recovery, and funding for cell budgets for the MoI, the NDS, the MoD, and the IDLG. DoS noted that these approvals will allow the ministries to expedite community recovery projects.<sup>172</sup>

Better delivery of community recovery projects should entice wavering insurgents to join the APRP, according to the Joint Secretariat. DoS noted that the Joint Secretariat had resolved most of the funding issues that affected PJSTs in prior quarters. In addition, instances of unauthorized expenditures at the provincial level continued to decline.<sup>173</sup>

According to the Joint Secretariat, the program had spent \$3.2 million or 3% of its budget as of April 30, 2012. As of June 30, 2012, it was not clear whether the pace of disbursements would accelerate. However, DoS expected expenditures to increase significantly in the coming months because nearly all the ministry budgets and action plans were approved in April, early in Afghanistan's fiscal year. The previous year's budgets and plans were not approved until December, three-quarters of the way through the fiscal year.<sup>174</sup>

## Community Recovery Programs

The Joint Secretariat has reduced the lag time between an insurgent's request to reintegrate and his receipt of transitional assistance. As of June 30, 2012, safe houses intended for short-term support had been established in many provinces, and more than 1,700 reintegrees were participating in community recovery projects funded through the Reintegration Trust Fund. As of April 2012, more than 47,000 community members and reintegrees had benefited from APRP-funded recovery projects. In April, reintegration donors approved a package program to provide supplemental allowances for mid-level and senior commanders, who have higher transition expenses.<sup>175</sup>

Persistent insecurity in the south and east has made delivery of community recovery projects in these areas problematic; however, line ministries have been directed to prioritize these areas in SY 1391, according to DoS.<sup>176</sup>

## **Reintegration Support from the Afghan National Security Forces**

The joint order signed on June 18, 2012, that required provinces to develop reintegration plans also increased the responsibilities of the ANSF for promoting and coordinating with the APRP. The order instructed the ANSF to work toward preserving the security and well-being of reintegrees, tribal elders, religious scholars, and PPC members. DoS expected the order to improve the ANSF's support of reintegration.<sup>177</sup>

During this reporting period, the Afghan National Army (ANA) also issued two new orders supporting the APRP. The first mandates that the ANA's Religious and Cultural Affairs section train ANA personnel on the APRP. The second requires ANA commanders to incorporate the APRP into their planning and operations. The International Security Assistance Force (ISAF) supports these new orders through training events. DoS noted that the Joint Secretariat played a key role in the development of plans for the third tranche of provinces in which responsibility for security will be transitioned to the ANSF.<sup>178</sup>

## **U.S. Support for Reintegration**

The United States supports reintegration training efforts in Kabul and in the provinces. This quarter, ISAF continued to examine the feasibility of using U.S. Afghanistan Reintegration Program funds for PJST capacity-building programs. U.S. ISAF personnel regularly help the Joint Secretariat conduct training. In the provinces, U.S. military and civilian personnel continued to support PJST capacity building and advise on project implementation. Also this quarter, USAID issued guidance to its personnel on supporting the APRP.<sup>179</sup>

## **NATIONAL AND SUB-NATIONAL GOVERNANCE**

This quarter, the Fund for Peace, an independent, non-profit research and educational organization, released its eighth annual Failed States Index, in which Afghanistan ranked sixth lowest of 177 countries. The index draws on more than 110 political, social, and economic indicators. Fund for Peace noted five factors that contribute to instability in Afghanistan: the lack of security, the plethora of powerful political movements, the central government's lack of authority, its inability to provide basic services, and weak development in rural areas.<sup>180</sup>

## Elections Preparations

A key objective of the U.S. strategy is to enhance the capability of the Afghan government to hold successful future elections. This quarter, DoS noted that Afghanistan's main elections body, the Independent Elections Commission (IEC), has improved its capacity. The United States supports the development of the IEC through two main channels: programmatic support from USAID, and a project of the UN Development Programme called Enhancing Legal and Electoral Capacity for Tomorrow, Phase II. To ensure a successful presidential election in 2014, according to DoS, the Afghan government needs to adopt a number of electoral system changes:<sup>181</sup>

- The National Assembly needs to pass new laws covering elections and the IEC that reinforce the independence of electoral institutions.
- The counting and tabulation process needs to produce results more credibly, accurately, and quickly.
- To improve the voter registration and identification process, a short-term solution is needed to determine fair and secure polling locations, verify identities at polling locations, and improve confidence in the system.

This quarter, the IEC provided a draft electoral law to the Ministry of Justice (MoJ) for its review. According to the IEC, the draft law makes structural and procedural changes to the IEC's authority, the technical and operational makeup of the electoral administration, and the electoral systems, and establishes a legal and effective adjudication mechanism for electoral complaints.<sup>182</sup>

## USAID Support to the Elections Project

From June 2008 to June 28, 2012, USAID had obligated almost \$71.1 million for its Support to the Elections Process (STEP) project. The project, which is intended to improve the Afghan government's electoral capacity and administration, had fully or partially met 91% of its targets in April 2012, according to USAID. Project staff had trained more than 12,000 election officials on such subjects as complaint handling, polling and counting procedures, management and leadership, procurement and logistics, asset management, effective communications, computer skills, and call-center operations. In addition, project staff trained 9,905 people, 56% of them women, in the delivery of voter and civic education. USAID said the STEP project had increased the long-term capacity of the IEC to hold independent and credible elections.<sup>183</sup>

## National Assembly

On April 22, 2012, the Wolesi Jirga approved the fourth draft of the national budget for the fiscal year that began March 21. DoS said the most notable change in this draft was that the government's contribution to recapitalizing

### SIGAR AUDITS

In 2009, SIGAR recommended that the United States assist the Afghan government in the development of a strategic plan to build a more sustainable and capable national electoral system. For details, see SIGAR Audit 09-6, "Strategy and Resources Needed to Sustain Afghan Electoral Capacity," at [www.sigarmil](http://www.sigarmil).

the Kabul Bank was reduced from \$80 million to \$65 million. Among other changes, the IDLG budget was increased by \$31 million to cover procurement of vehicles for district governors and the Assembly's budget was increased by \$31.8 million.<sup>184</sup> Laws passed by the Wolesi Jirga this quarter addressed regulating civilian aviation and reforming the structure of the judiciary, according to the UN Secretary-General.<sup>185</sup>

## **USAID Afghanistan Parliamentary Assistance Program**

According to USAID, its Afghanistan Parliamentary Assistance Program (APAP) has improved the National Assembly's oversight, outreach, and legislative abilities. In May 2012, with support from the APAP, the Assembly launched an online legislative tracker. The program has also helped the Assembly improve its oversight of budgetary matters, especially for previous years' expenditures. In addition, it has motivated the Assembly to begin questioning ministers who have spent less than 40% of their budgets.<sup>186</sup>

The APAP has also assisted the Assembly on issues of women's rights. On June 17, 2012, the Women's Affairs Committee held a conference on violence against women, with the help of the APAP. The committee discussed the increase in violence against women and the continued inability of the government to effectively implement the law on Elimination of Violence Against Women. The committee agreed to conduct greater oversight and outreach to key ministries implementing the law before the formulation of the SY 1392 budget. The oversight will concentrate on allocations for programs that are intended to reduce violence against women and children.<sup>187</sup>

## **PRT and DST Support and Transition**

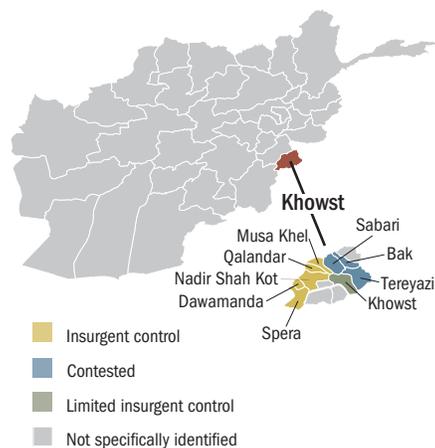
The United States is drawing down its civilian staff in the provinces at the same time as the U.S. military transitions security responsibilities to the Afghan security forces. Coinciding with the security transition plan, a number of PRTs are scheduled to close in the coming quarters. As of June 30, 2012, DoS planned to maintain an enduring civilian presence after 2014 at the U.S. Embassy Kabul and at four field offices in Herat, Mazar-e Sharif, Kandahar, and Jalalabad. The Herat consulate opened in March 2012; the other three will open toward the end of 2014.<sup>188</sup>

## **Provincial and District Governance**

Afghan government control of the more volatile areas in the south and east of the country continues to fluctuate. In the more stable areas, the government has a greater degree of authority. In the more unstable areas, the government often competes with insurgent structures or has no presence. In those areas, the Taliban often exercises true authority over local population. This section provides updates on the situation in several provinces.

FIGURE 3.30

## PROVINCIAL CONTROL: KHOWST



Source: DoS, response to SIGAR data call, 7/5/2012.

### Khowst Province

Insurgent influence in Khowst varies by district, according to DoS. Insurgents have significant power in western areas such as Spera, Musa Khel, Qalandar, Dwamanda, and northern Nadir Shah Kot, as shown in Figure 3.30. Elsewhere the insurgents vie with the Afghan government for authority in Bak, Sabari, and Tereyazi; the insurgents probably have shadow governors in those areas. Insurgent control is limited in the central district of Khowst city and its surroundings, although insurgents are still able to intimidate individuals there.<sup>189</sup>

This quarter, the Khowst PRT worked to build support for the transition and the Strategic Partnership Agreement. The PRT also worked to increase budget execution by engaging provincial line directors about the SY 1391 development budget to ensure that the provincial officials understood the budget and to motivate them to lobby their ministries in Kabul on budgetary matters. The provincial governor and key line directors have obtained information on the status of Khowst development projects administered from Kabul and have achieved modest gains in improving the execution of those projects, according to DoS. In addition, the PRT assisted the provincial utility company in preparing for the delivery of substantially more electric power to the province through the Naghlu transmission line.<sup>190</sup>

FIGURE 3.31

## PROVINCIAL CONTROL: NANGARHAR



Source: DoS, response to SIGAR data call, 7/5/2012.

### Nangarhar Province

The government controls the majority of Nangarhar, although significant pockets of Taliban shadow government control can be found in small, isolated villages throughout the province and in remote border regions, according to DoS. Taliban control is concentrated in the western districts of Hesarak, Sherzad, and much of Khogyani, as shown in Figure 3.31. The Taliban also operates a shadow government along the southern and eastern borders with Pakistan.<sup>191</sup>

Nangarhar's governor reshuffled the posts of nine district governors this quarter. According to DoS, district-governor reshuffling has become a fixture of Nangarhar politics. The reshuffling prevents district governors from establishing significant power bases, but also destabilizes the government and negates the PRT's mentoring and advising work. In addition, insurgent assassinations have undermined governance. Three judges were assassinated between March and June 2012, and insurgents have continued to attempt to assassinate district governors in unstable areas.<sup>192</sup>

### Paktika Province

The Afghan government has at least some control over most districts in Paktika, according to DoS. However, insurgents continue to intimidate citizens and there is little government presence in several districts near the borders with the Pakistani regions of North and South Waziristan and

Baluchistan, as shown in Figure 3.32. Insurgents have complete control in at least two districts in this part of the province. Insurgents continue to deliver “night letters” to Afghan officials throughout the province, warning them not to work for the government.<sup>193</sup>

Afghan Local Police (ALP) efforts in the province have improved security in the east and west, DoS said, enabling local officials to travel more freely and engage the population in those areas. Although the improved security situation allowed education officials to reopen several schools, particularly in districts where the ALP operates, subsequent travels by those officials were marred by lethal attacks on their convoys. Before April 2012, judges were present only in the capital of Sharana. Since then, in contrast, six judges traveled to two other districts. However, those districts have no defense attorneys and few prosecutors—key elements of a functioning justice system—making the judges’ presence alone inadequate.<sup>194</sup>

This quarter, the Paktika PRT increased its efforts to link tribal leaders with the government. The PRT successfully persuaded the province’s justice director to travel outside the provincial capital and engage with tribal leaders. The interaction led to the appointment of two new *huquqs* (provincial civil law offices), helping to create links to mechanisms of traditional dispute resolution. The PRT also worked with local officials to conduct greater outreach, creating initial improvements in the delivery of public-health services. DoS noted that the province’s director of agriculture is in jail. The PRT and DSTs have therefore focused on working with district agricultural representatives.<sup>195</sup>

## Paktiya Province

In districts scattered throughout Paktiya, the Taliban’s shadow government has considerable influence in Zormat, Jaji, Jani Kheyl, and Ahmed Kheyl, as shown in Figure 3.33. In Zormat, Taliban courts operate throughout the district. Provincial leadership has been mostly unwilling to travel to outlying districts without ISAF protection.<sup>196</sup>

The Paktiya PRT has developed solid relationships with key provincial officials through regular meetings, according to DoS. This quarter, the PRT worked with local officials on a jointly created provincial strategy focused on enabling key line directors and officials to manage governance and development efforts with limited outside assistance.<sup>197</sup>

## Helmand Province

The Afghan government is generally effective in Helmand, according to DoD.<sup>198</sup> Nevertheless, according to DoS, the northern districts of Nar-e Saraj, Musa Qala, and Now Zad continue to experience nationwide highs of violent attacks. U.S.-Afghan military operations have had an impact. For example, following a recent military operation, village elders in Kajaki to

FIGURE 3.32

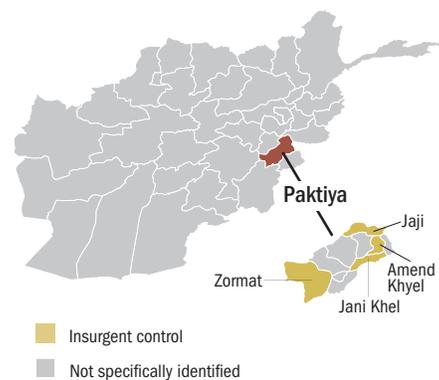
### PROVINCIAL CONTROL: PAKTIKA



Source: DoS, response to SIGAR data call, 7/5/2012.

FIGURE 3.33

### PROVINCIAL CONTROL: PAKTIYA



Source: DoS, response to SIGAR data call, 7/5/2012.

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the northeast were able to travel to the district's center to meet with the district governor for the first time in years.<sup>199</sup>

One measure of improved stability is that district officials travel more often by road. This quarter, government officials were able to travel safely throughout the center of the province, even at night. Governing capacity has also improved. According to DoD, the authorities in the Central Helmand River Valley demonstrated autonomy in budgeting and successful representative governance.<sup>200</sup> In addition, the IDLG successfully organized elections for the Nahr-e Saraj District Community Council on May 8, 2012. More than 4,000 votes were cast, a participation rate of over 90% in what had been one of Helmand's most violent districts.<sup>201</sup>

## **Kandahar Province**

Kandahar has an adequate level of governance, according to DoD. Kandahar City has seen an expansion in governing capacity; the judicial sector is expanding rapidly, with more trials taking place, and evidentiary procedures are improving. The local government has had success in identifying needs and developing budgets, but its ability to execute the budget remains problematic, according to DoD.<sup>202</sup> DoS noted that Kandahar officials now are able to travel throughout the province and more often use security personnel from the ANSF than from ISAF.<sup>203</sup>

## **U.S. Capacity-Building Programs for Public Administration**

The United States is developing capacity in the Afghan government through a number of programs to improve the work of ministries, local and provincial governments, and the civil service. This sub-section reviews some of those efforts.

### **USAID Sub-National Governance Program**

As of June 28, 2012, USAID had obligated almost \$12 million from the Economic Support Fund for its Sub-National Governance Program. USAID stated that although the program has helped improve the capacity of Provincial Councils, these councils would not yet be able to operate or reach constituents at an effective level without USAID support. The Afghan government also needs to pass and enact the Provincial Council law. The program has been successful in helping the councils consistently conduct citizen outreach, plan provincial development, conduct oversight, and promote government accountability. However, lack of security, poor regulatory frameworks, a lack of resources, and a highly centralized governing structure have all hampered the ability of program staff to help develop fully functioning, self-sustaining councils. The program was supposed to end on July 31, 2012, but at press time USAID was working to extend it until September 30, 2013.<sup>204</sup>

## USAID Afghanistan Civil Service Support

This quarter, USAID stated that its Afghan Civil Service Support (ACSS) project has helped improve the functioning of the Independent Administrative Reform and Civil Service Commission (IARCSC). As of the end of the quarter, the ACSS had developed a standard curriculum in five common functions and trained more than 16,000 civil servants at the national and sub-national levels in those functions. With assistance from the ACSS, the IARCSC had achieved a number of improvements:<sup>205</sup>

- made more than 108,000 merit-based appointments
- recruited over 88,000 civil servants under the pay and grading system
- conducted performance evaluations for more than 11,000 junior and 200 senior civil servants
- completed technical capacity assessments in eight ministries, in Kabul and three provinces

These achievements notwithstanding, the program faces serious challenges, according to USAID. Lack of security continues to make it difficult to recruit Afghans into the civil service. Also, restrictions on women's mobility and the low levels of women's education prevent robust recruitment of qualified women.<sup>206</sup>

As of March 20, 2012, USAID had obligated almost \$237.1 million for the ACSS project. On March 20, 2012, the project was transitioned to an Afghan-owned on-budget program that uses USAID funds. The Afghan government will need to meet 23 benchmarks to continue to receive assistance.<sup>207</sup>

## Financial Management and Budgeting

Afghanistan's ability to conduct proper financial management remains limited. As of June 30, 2012, financial reports were provided ad hoc. Treasury was working with the MoF to assist it in standardizing reporting formats for line directors and PRTs, and making greater use of the Afghan Financial Management Information System.<sup>208</sup>

Afghanistan continued to have difficulty in executing its development budget. For SY 1390, it executed only 53% of its development budget, as compared with 96% of its operating budget.<sup>209</sup> As noted in previous SIGAR quarterly reports, budget-execution difficulties stem from a number of problems, including three major ones:<sup>210</sup>

- lack of technical capacity to manage and implement projects
- long and arduous procurement processes
- unrealistic and exaggerated budgets for development projects

Treasury continued to assist Afghan budget officials in improving the capacity of the government to plan and execute its budget effectively. Its support includes the following:<sup>211</sup>

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- working with the Budget Directorate and external donors to include in the national budget those projects that donors manage externally
- strengthening the MoF's capacity to manage the formulation and execution of the development budget and improving estimates of sustainability
- improving the degree to which the annual budget for provinces reflects the preferences of provincial officials
- developing programs for capacity building for financial managers in line ministries
- developing strategies to reduce the Budget Directorate's reliance on donor-funded staff for operational tasks
- establishing consensus with the Budget Directorate on policies for issuing allotments and for cash availability

Treasury is also focusing on improving the government's ability to conduct internal audits of its ministries. Treasury has been working with the MoF's internal-audit department to build an effective internal structure and establish standardized auditing processes. This quarter, assessment and revenue-process audits were finalized at four ministries. Follow-up audits and exit conferences were completed at an additional five ministries.<sup>212</sup>

This quarter, the ministries of Public Works and Interior temporarily stopped their assessments and revenue-process audits. However, after being notified that non-compliance reports would be issued, they resumed work on the audits and eventually finished them.<sup>213</sup>

**informal justice system:** local mechanisms dominated almost exclusively by men that apply traditional practices of dispute resolution, including the traditional Pashtun code of conduct known as Pashtunwali.

**jirga or shura:** terms used by Pashtuns (jirga) and others (shura) for traditional assemblies or consultative councils that make or endorse decisions or dispense justice. These informal bodies, made up of designated community members, have participatory and representative elements but do not approximate Western-style democracy.

## JUDICIAL REFORM AND RULE OF LAW

The ability of the Afghan government to effectively and reliably deliver justice varies wildly throughout the country. Rural and unstable areas suffer from a generally weak formal justice system that is unable to arbitrate and adjudicate local civil and criminal disputes. Officials in the formal justice system occasionally defer to the **informal justice system** by sending cases for adjudication. The Asia Foundation found in its most recent survey that a narrow majority of Afghans take their cases to a local **jirga or shura** instead of a state court, and are more satisfied with the verdicts handed down by those traditional authorities. However, those authorities do not always respect and sometimes even violate the constitutional rights of women and minorities.<sup>214</sup> The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) recently began funding a U.S. Institute of Peace project to build more solid relationships between the formal and informal justice systems so that all Afghans, men and women, can have access to justice. In particular, through the new program INL will attempt to better understand how women navigate the justice landscape so that it can promote increased access. The program will use Islamic principles to defend and promote women's interests.<sup>215</sup>

Source: CRS, "Afghanistan: Politics, Elections, and Government Performance," 6/5/2012, pp. 2, 49.

The skill and education levels of judges, attorneys, and court officials vary widely throughout the country. All attorneys are expected to have at least a bachelor's degree. Judges are supposed to have a degree and two years of post-degree training. In practice, lawyers and judges do not always meet those standards. Some are illiterate; many officials are either unaware or unsupportive of the right of the accused to a defense attorney.<sup>216</sup>

Corruption and criminal patronage networks have negatively affected the judicial system. Afghan officials' commitment and ability to address such issues varies by jurisdiction. Some prosecutors and judges have reportedly demanded payment of bribes from those who are accused.<sup>217</sup>

Insurgents, criminals, and others have targeted judicial officials. Because of the threat of assassination, INL supports the U.S. Marshals Service's Judicial Security Unit, which provides security for key judicial officials at high-profile institutions, both on site and on travel. Although the recruits for the new positions had not yet been identified or trained as of June 30, 2012, the unit's number of authorized staff was recently increased so that it could expand its work into Parwan and Kandahar.<sup>218</sup>

## Due Process and the Afghan Case Management System

The implementation of the Afghan Case Management System (CMS) demonstrated the difficulties practitioners face in the judicial system's due-process record. The CMS is a database that tracks criminal cases from investigation through sentencing and appeal. The United States supports the Afghan implementation of the CMS. From March 2011 to March 2012, the CMS recorded 5,540 new criminal cases in Kabul. A review found that 20% of those cases had due-process violations, including cases that did not go to trial within legal time limits and defendants who were kept in custody without formal charges. The JSSP will work to address the case-flow problems and develop a plan to bring late cases to the attention of judicial institutions for immediate resolution. INL's Justice Sector Support Program (JSSP) is working with Afghan officials to use the findings of the CMS data to improve the transparency and management of cases, which could assist in deterring corruption. In June 2012, the JSSP began expanding the CMS in Herat and Balkh.<sup>219</sup>

## Attorney General's Office

On May 8, 2012, the Afghan Attorney General officially approved the long-term strategy for the Attorney General's Office (AGO)—a major achievement for the Office, according to DoS. The document covers 2012–2016 and is designed to facilitate major performance objectives. The AGO also began an initiative aimed at standardizing the AGO's internal case-filing system. DoS noted that the system is based on accepted legal forms already in use at the AGO and that its implementation would make file quality more consistent across the country.<sup>220</sup>

### SIGAR AUDITS

In a 2009 audit, SIGAR found that U.S. assistance for Afghan judicial security was at times uncoordinated and lacked a strategic approach. U.S. Embassy Kabul now has a coordinator for U.S. programming related to rule of law. For details, see SIGAR Audit 10-3, "Actions Needed For a More Strategic Approach to U.S. Judicial Security Assistance," at [www.sigar.mil](http://www.sigar.mil).

## National Priority Program

The Afghan government and international community continued to revise portions of the National Priority Programs related to law and justice this quarter. The Afghan government and its international supporters agreed to these programs at the Kabul Conference in 2010. The programs cover key areas in governance, development, and security. The law and justice revisions have focused on management structures and access to justice. According to the UN Secretary-General, UNAMA and the international community will work to develop a strategy to enhance cooperation between the police and the justice sector, in particular the AGO.<sup>221</sup>

## Criminal Procedure Code

As of June 30, 2012, the National Assembly had not approved the updated Criminal Procedure Code. Last quarter, the **Taqnin** department of the Ministry of Justice (MoJ) sent a modified draft of the Criminal Procedure Code to the Ministry of Parliamentary Affairs, which is charged with submitting the draft to the National Assembly, according to DoS. The code has been scheduled for revision since 2009 and covers justice issues like detention procedures, investigation measures, witness protection, the handling of cooperative suspects and alternatives to detention, both prior to trial and after conviction.<sup>222</sup>

**Taqnin:** The legislative drafting unit in the MoJ that is tasked with scrutinizing draft laws. According to the MoJ, all draft laws in Afghanistan must be vetted by the Taqnin for such things as compliance with the Constitution, Islamic law, and international agreements that Afghanistan has ratified.

Source: MoJ, "Department of Legislative Drafting," accessed online 7/17/2012.

## U.S. Rule of Law Programming

Developing a competent justice sector in Afghanistan has been a major component of U.S. reconstruction efforts. Between 2006 and July 8, 2012, the United States had funded about \$1.8 billion in rule of law and counter-narcotics programs. INL's main justice program is the JSSP. The program, which began in 2004, had trained over 14,000 Afghan investigators, prosecutors, defense attorneys, and judges, as of July 8, 2012.<sup>223</sup>

## U.S. Justice Sector Support Program

This quarter, the JSSP trained more than 1,400 defense attorneys, prosecutors, judges, and members of civil society. Topics included gender justice, defense representation of indigent and vulnerable clients, procurement, management, and human rights. The JSSP also hosted a workshop with the MoJ on developing and drafting human-rights treaties. In addition, the JSSP provided the MoJ with technical assistance in evaluating its property and licensing records. As of June 30, 2012, attorneys for the JSSP included 149 U.S., Afghan, and third-country nationals.<sup>224</sup>

## USAID Rule of Law Stabilization Program

As of the end of this quarter, USAID's Rule of Law Stabilization Program had supported the following capacity-building efforts for the judiciary and law schools:<sup>225</sup>

- 353 judges were trained; the goal was 300.
- 1,292 (80%) of the nation's 1,607 civilian judges completed the traditional Judicial Stage program.
- 52 students participated in moot court activities; the goal was 45.
- 27% of Afghans have been reached by the program's public awareness campaigns; the goal was 35%.

Notwithstanding these achievements, USAID noted that security is a continuing issue for the program's informal component in the east. In the north, the security situation has deteriorated, limiting the program's ability to conduct events and Afghans' ability to attend them. In addition, in May 2012, the governor of Kandahar declined the offer by the program's informal component to hold a regional network meeting.<sup>226</sup>

As of June 28, 2012, USAID had obligated over \$32 million for the formal component and almost \$11 million for the informal component. The agency had not yet fully approved the informal component's follow-on contract.<sup>227</sup>

USAID noted that the judicial sector's paper-based version of the case management system had been integrated into 485 of the country's 551 courts and *dewans* (the Supreme Court's sub-courts) (88%) and has been an effective means of tracking cases through the courts.<sup>228</sup>

**Afghanistan's Judicial Stage program qualifies graduates to work as judges. Established by the country's Supreme Court in 1968, the program provides advanced training modeled on the French system of judicial training. In 2010, the program was expanded from one year to two to provide increased substantive training and practical skills to its graduates.**

Source: USAID/Afghanistan, "Women Take Center Stage," 8/22/2011.

## ANTI-CORRUPTION

Corruption is one of the most persistent and significant problems facing Afghanistan. This quarter, efforts to conduct effective investigations and prosecutions related to corruption and fraud continued to face many of the same problems that have plagued the country throughout its reconstruction. However, the Afghan government did show some signs of progress, such as moving forward with a long-stalled high-profile case, an increased willingness to adopt anti-corruption recommendations, and more aggressive ANSF anti-corruption measures.

### Special Cases Committee

This quarter, the joint Afghan-international Special Cases Committee made slow but steady progress in investigating and prosecuting individuals associated with the corruption scandal at the Dawood National Military Hospital, according to DoD. As of June 30, 2012 it was reviewing five cases, three of which were referred to the MoD's legal department for formal investigation. The cases focus on senior-level military officers and primarily deal with fuel theft and pharmaceutical irregularities at the Kabul facility. The United States continued to work with Afghan officials to progress the investigation, prosecution, and conviction of Major General Yaftali and members of his criminal network that operated the hospital, according to DoD.<sup>229</sup> DoS noted that the Afghan High Office of Oversight and

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The Special Cases Committee (SCC) was formed in January 2012 as a joint Afghan and international mechanism for guiding the efforts of the AGO in significant public corruption cases after the AGO failed to adequately prosecute many previous cases. The role of the international advisors (including U.S. personnel) is to help the AGO decide which cases the AGO ought to pay special attention to and devote resources to investigating and prosecuting if there is evidence to support prosecution. In addition, the international advisors help the AGO design its investigations and prosecution strategies. The purpose of international participation is also to help the AGO acquire information and evidence in the possession of the international community.

Source: DoS, response to SIGAR data call, 7/5/2012.

Anti-corruption (HOOAC) has sent cases related to Yaftali's network to the AGO.<sup>230</sup> DoD noted that the cases are taking longer than desired, but that Yaftali and others had at least been removed from the hospital staff.

The investigation of Yaftali is particularly noteworthy because of his mujahadeen-era ties and his links to key power brokers who have pressured the government to discontinue the investigation.<sup>231</sup> According to DoS, without the SCC's involvement, it is doubtful that the Afghan government would have accomplished much in this case.<sup>232</sup>

This quarter, the SCC also began its investigation of the former governor of Kapisa. However, DoS noted that the evidence for that case is likely no longer available, in part because two essential witnesses for the prosecution have been murdered.<sup>233</sup>

## Monitoring and Evaluation Committee

The joint Afghan-international Monitoring and Evaluation Committee (MEC), which is tasked with developing anti-corruption benchmarks for the Afghan government, has established more than 50 benchmarks related to accountability and transparency, according to DoS. As of May 13, 2012, the government had implemented 40% of the recommended changes and made important progress on another 40%, according to the UN Secretary-General, who noted that real success in these areas will ultimately depend on strong political will.<sup>234</sup>

DoS said that it considers the number of benchmarks excessive and a dilution of the effect of the MEC. The international community has urged the MEC to consolidate the benchmarks into a manageable number. DoS did laud the progress the MEC has made in a difficult environment and noted that its work is receiving proper attention from the Afghan government and international community. It pointed out that much of the government has agreed with most of the MEC's benchmarks. Notable exceptions were the AGO and the HOO; the HOO has also continued to interfere with the MEC's work, although with diminishing effect. The Ministry of Mines and the Ministry of Finance's Customs Department have been particularly receptive to implementing changes to meet the MEC's benchmarks. Although President Karzai had attempted to limit the scope of the MEC in February 2012, the Afghan government did not prevent the MEC from conducting its work this quarter. USAID is planning to provide technical assistance and possibly a small amount of funding for the MEC.<sup>235</sup>

## Afghan Attorney General's Office

This quarter, the AGO made some progress in addressing corruption, although many issues remain. In addition to the AGO's relatively productive work with the SCC, the AGO's Anti-Corruption Unit made gains in two significant cases: a bank official at Pashtany Bank was charged and convicted for embezzlement, and a prominent businessman was charged with fraud

and forgery. DoS noted that these cases moved forward despite protests from some high-level officials in the executive branch. The AGO did, however, continue to balk at acting on referrals from the U.S.-assisted Major Crimes Task Force (MCTF), according to DoS.<sup>236</sup>

## Control and Audit Office

The draft audit law intended to improve the Afghan Control and Audit Office's ability to conduct independent oversight remained in limbo this quarter. In May 2012, the Wolesi Jirga restored key provisions in the law that had been weakened by the Cabinet last quarter. The Wolesi Jirga broke for recess this quarter, so the law was not expected to pass until September 2012 at the earliest. Even then, DoS said it did not expect President Karzai to sign the bill with the restored provisions. The Wolesi Jirga would need a two-thirds vote to override a presidential veto.<sup>237</sup>

## Corruption in Customs Collections

As of June 30, 2012, President Karzai had not yet approved the establishment of a Presidential Executive Commission that is intended to stem the large amount of corruption in customs collections. The problem has significant impacts: From March 2011 to March 2012, customs revenue accounted for 48% of Afghan government revenue.<sup>238</sup> But as SIGAR reported last quarter, staff members at inland customs depots estimate that some depots lose up to 70% of potential border revenue because of corruption.

## U.S. and International Assistance for Anti-Corruption Efforts

The United States and the international community have developed a number of programs and committees to help officials counter government corruption. These efforts have faced a fair amount of resistance from some high-level officials, although this quarter there was some improvement in the government's actions.

## Task Force Shafafiyat

DoD told SIGAR that the Combined Joint Interagency Task Force (CJIATF)-Shafafiyat has helped the MoD and MoI make significant progress in counter-corruption efforts. Both ministries have established internal anti-corruption groups. Senior MoD officials have developed 54 targets for transparency reforms within the ministry and made progress on 49 of them as of June 30, 2012. Political will within the MoI has grown, as demonstrated by the removal this spring of close to 70 police officers in western Afghanistan on corruption and abuse charges. The MoI has also responded to requests from the CJIATF-Shafafiyat and ISAF to stop "recycling" officials who have been removed for corruption; there were 19 egregious cases of such reassignments in 2011, but only one in the first half of 2012. In addition, the MoI opened four new regional Shafafiyat commissions this

quarter, which will help in addressing regional corruption issues, according to DoD.<sup>239</sup>

The CJIAF-Shafafiyat has deepened its partnership with the various Afghan agencies responsible for anti-corruption efforts, including the SCC, the MCTF, and the HOO, according to DoD. The CJIAF-Shafafiyat has also been successful in focusing greater attention on corruption and organized crime in the transition process—which was not a topic in early transition discussions. For the third tranche of provinces transitioning to Afghan responsibility for security, ISAF and Afghan security leaders from the MoD, MoI, and NDS formed anti-corruption boards. The boards assess corruption in candidate provinces and districts, identify anti-corruption measures applicable to specific provinces and districts, and apply sanctions on corrupt actors in positions that are critical to successful transition. According to DoD, the efforts of these boards have helped ensure that security and governance institutions in transition areas are less subject to criminal subversion.<sup>240</sup>

## **U.S. Support for Financial System Transparency**

U.S. agencies and task forces, including the CJIAF-Shafafiyat, have improved visibility into the links between Afghan criminal networks and the international financial system and have nominated candidates for international financial sanctions. DoD noted that the implementation of the Illicit Activities Initiative for Afghanistan would accelerate and expand targeted financial sanctions and international law-enforcement actions against criminal networks. The initiative would establish a U.S.-based inter-agency body intended to develop cases as well as manage the application of targeted sanctions and international law-enforcement actions against the national and international elements of Afghan criminal networks. The initiative was endorsed this quarter by then-Ambassador Ryan Crocker, General James Mattis of U.S. Central Command, and Secretary of Defense Leon Panetta.<sup>241</sup>

Treasury mentors the MoI and NDS on techniques for investigating financial crimes, focused on investigations into money laundering, bribery, fraud, and counterfeiting U.S. currency. Treasury has developed a course for undercover officers that covers planning, preparing, and implementing undercover operations. This quarter, Treasury also mentored the MCTF's investigations group on public corruption, tax evasion, customs fraud, kidnapping, and organized crimes activities. In addition, Treasury worked with the MCTF on an investigation of suspicious large cash transfers from a non-governmental organization (NGO) to an apparent Afghan government employee's personal account.<sup>242</sup>

## **USAID's Assistance to Anti-Corruption Authority (4A)**

USAID's Assistance to Anti-Corruption Authority (4A) program aims to mitigate corruption by working to help develop a well-functioning HOO and a robust civil society. As of June 28, 2012, USAID had obligated \$6 million for the project, \$5 million of which had been expended.<sup>243</sup>

As noted in previous SIGAR quarterly reports, the HOO has had little success in implementing an asset-verification process for government officials. Allegations continue to be made about verifiers extorting bribes from officials they are investigating, according to USAID. To counteract such efforts, the 4A drafted a non-disclosure agreement to protect officials who submit declarations, plus a series of responses to common questions that officials have about the verification policy and the publication of asset information. The HOO approved these documents.<sup>244</sup>

The 4A has worked with the HOO to develop memorandums of understanding (MOUs) between the HOO and ministries on asset investigation, but only two of the nine MOUs drafted have been signed by both parties. The 4A will continue to work with the HOO to establish MOUs with the ministries and government agencies that are the most essential for verification work.<sup>245</sup>

Better processes within ministries are also important for improving transparency and accountability. The 4A program has identified four ministries for business-process redesigns. The Strategy and Planning Department and the Prevention Department have approved a standard process developed by the 4A. Implementation of the process changes is moving steadily but slowly, according to USAID, which noted that ministerial, operational, and logistical issues remain to be addressed.<sup>246</sup>

The 4A program also assisted the HOO's Asset Registration and Verification Department in conducting workshops and printing revised asset-registration documents. This quarter, the HOO held verification workshops for ministries and agencies in Kabul and Jalalabad; as of June 28, workshops had been held in 53 government bodies. In addition, the 4A program worked with the HOO this quarter to merge its two databases, held capacity trainings on complaints-related issues, and established an online complaint registration form on the HOO's website.<sup>247</sup>

A number of challenges continue to hamper USAID-funded anti-corruption efforts. They include a persistent lack of political will and a legal department with insufficient and unqualified staff. Inadequate support from counterpart ministries like the AGO and the MoJ have also thwarted anti-corruption efforts. At the end of the quarter, USAID was considering funding the second option year of the program, with a shift to focus more focus on civil-society engagement and further engagement of the MEC.<sup>248</sup>

## HUMAN RIGHTS

The Afghan government's record in protecting human rights continued to be inconsistent. Although improvements have been made, women, children, ethnic minorities, detainees, and others experience numerous abuses by various actors. As of June 30, 2012, three commission appointments were still unfilled in the Afghanistan Independent Human Rights Commission

### SIGAR AUDITS

In a 2009 audit, SIGAR found that the HOO suffered from significant gaps in operational capacity, insufficient authority or enforcement power, and a lack of independence. For details, see SIGAR Audit 10-2 "Afghanistan's High Office of Oversight Needs Significantly Strengthened Authority, Independence, and Donor Support to Become an Effective Anti-Corruption Institution," at [www.sigar.mil](http://www.sigar.mil).



**Afghan boys learn** about other countries during a cultural-diversity youth shura on June 23 at a combat outpost in Kunar province. (RC-East photo)

(AIHRC). In December 2011, President Karzai decided to not renew the expired terms of three commissioners.<sup>249</sup>

## Gender Equity

UNAMA expressed increased concerns about women's rights this quarter. Violence against women remains endemic, and women face challenges to exercising their economic, social, and cultural rights. Judicial officials have continued to treat running away from home (often to flee mistreatment and abuse) as an adulterous crime, despite the fact there is no law against this "offense" in the criminal code, according to the UN Secretary-General.<sup>250</sup> In April 2012, the Attorney General released a letter to prosecution offices in which he directed prosecutors not to prepare "unjustifiable" cases related to running away.<sup>251</sup>

In July 2012, a video was released of a man publicly executing a woman in Parwan as a crowd cheered the murder. The Afghan government and the United States immediately condemned the killing, which reportedly was carried out by the Taliban. The Afghan government directed the provincial police to identify and arrest those responsible for the killing.<sup>252</sup>

## Human Trafficking

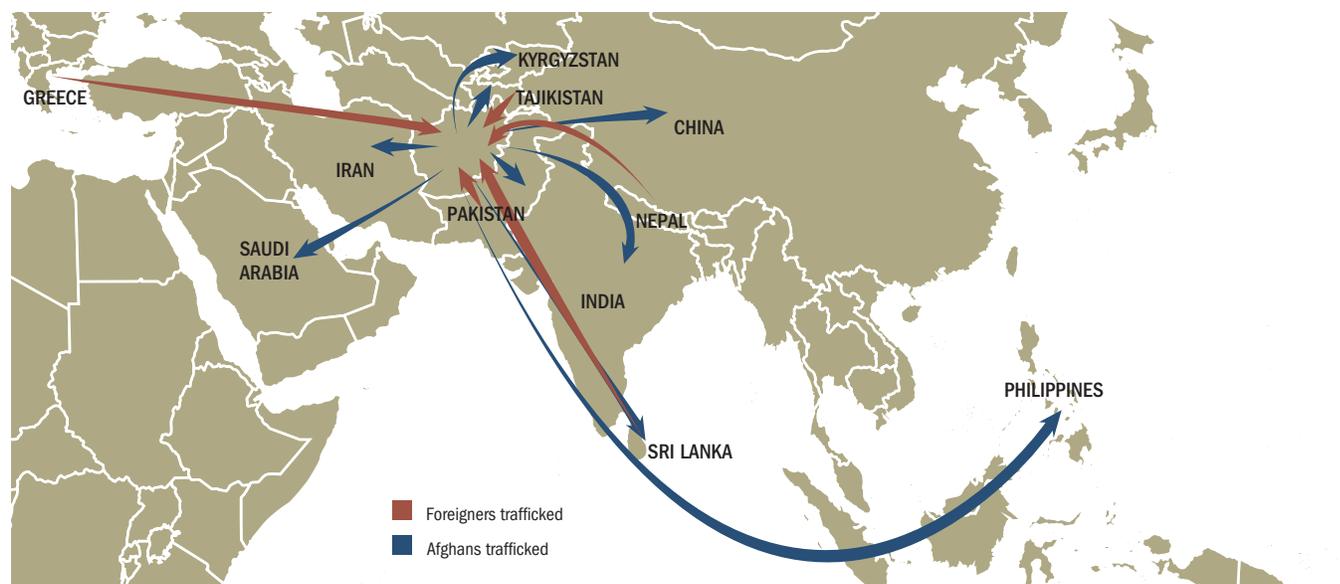
Human trafficking continues to be a major problem. This quarter, DoS released its 2012 Trafficking in Persons Report, which identified Afghanistan as a source as well as a transit and destination country for men, women, and children subjected to forced labor and sex trafficking. For the third consecutive year, the report placed Afghanistan on DoS's Tier 2 Watch List, the second-lowest possible ranking.<sup>253</sup>

According to the DoS report, the Afghan government does not yet comply with the minimum standards for the elimination of trafficking in persons and showed no progress between June 2011 and June 2012 in reaching the standards. Although the Afghan government approved an anti-trafficking law in 2008, it has not used this law to prosecute or convict traffickers. The government has even punished victims for offenses they committed as a result of being trafficked. DoS said that based on Afghanistan's record alone, it would have been downgraded to Tier 3, the lowest ranking in the report. However, DoS granted the government a waiver because it had a written plan that—if implemented—would make significant progress to curb human trafficking.<sup>254</sup>

The DoS report said most of the victims of human trafficking are children and their numbers are increasing. Afghan children are subject to forced labor and domestic servitude, commercial sexual exploitation, forced begging, and international drug trafficking within Afghanistan as well as in Pakistan, Iran, and Saudi Arabia. Some families knowingly sell their children into forced prostitution practices like bacha baazi, in which wealthy men use groups of young boys for social and sexual entertainment. Families

FIGURE 3.34

## TRAFFICKING IN AND OUT OF AFGHANISTAN



Note: Afghans were also trafficked into unspecified areas in the Gulf States and Southeast Asia.

Source: DoS, "2012 Trafficking in Persons Report," 6/19/2012, p. 62.

that farm opium fields sometimes sell their children—particularly their daughters—to settle debts with drug traffickers.<sup>255</sup>

Levels of forced prostitution and labor trafficking into and out of Afghanistan remained high, affecting many countries, as shown in Figure 3.34. Afghan women and girls are forced into prostitution and domestic servitude in Pakistan, Iran, and India. Women and girls from the Philippines, Kyrgyzstan, Pakistan, Sri Lanka, Iran, Tajikistan, and China have reportedly been coerced into prostitution within Afghanistan. Labor recruiting agencies have lured foreign workers from a number of countries in the region, under the pretext of high-paying jobs. Traffickers also lure Afghan villagers to Afghan cities or to India and Pakistan, where they are sometimes forced into labor or prostitution.<sup>256</sup>

The Afghan government has sometimes been an enabler or a culprit in human trafficking. DoS noted that traffickers are known to bribe government officials for their complicity. Members of the ANSF have sometimes sexually abused boys. The living conditions in government-run orphanages are very poor, and officials running the orphanages may have sexually abused orphans or forced them into prostitution.<sup>257</sup>

## Detention Center Operations

This quarter, the AIHRC reported that conditions had improved in NDS detention centers. In the six provincial detention centers that the AIHRC monitored this quarter, only the one in Kandahar did not improve.

According to the AIHRC, detainees were treated better and outside monitors were given more access to them.<sup>258</sup> In the original report, released in March 2012, the AIHRC and the Open Society Foundation described widespread instances of abuse and torture at NDS facilities.<sup>259</sup>

## Refugees

As of May 2012, 1.7 million registered Afghans refugees were living in Pakistan and almost a million were registered in Iran, according to DoS. Although exact figures of undocumented Afghans in each country are difficult to establish, Pakistani officials assume there are 400,000 to 1 million unregistered Afghans within its borders, and Iran estimates that a million undocumented Afghans live within its borders.<sup>260</sup>

Both countries have been generous hosts to Afghan refugees since 1979. However, in recent months, the Pakistani and Iranian governments have expressed increasing frustration with the number of refugees and floated policy proposals aimed at deporting undocumented Afghans more readily than in the past.<sup>261</sup> Pakistan's proof-of-registration cards for refugees are set to expire on December 31, 2012; as of June 30, the government had not announced its intentions about their renewal. Because of the effect of sanctions and a weak economy, Iran has eliminated subsidies for refugee assistance, although it continued to provide access to health care and education.<sup>262</sup>

Representatives of Afghanistan, Iran, and Pakistan met in Geneva on May 2 and 3, 2012, and presented a three-year strategy to the international community that would offer a range of solutions for Afghan refugees and returnees in the region, according to DoS.<sup>263</sup> The meeting participants recognized the need to provide basic shelter, essential services, and economic opportunity to refugees who have returned to Afghanistan, thereby creating more viable long-term communities.<sup>264</sup>

The Geneva conference concluded that returnees are more likely to remain in Afghanistan if they can be integrated into viable communities. These communities, in turn, will attract other refugees to return home. Successful efforts should also help to reduce the pressure on Afghans to leave the country in search of work opportunities. The United Nations High Commissioner for Refugees (UNHCR) noted that assistance to host countries requires coordinated engagement of governments and humanitarian organizations as well as sustained and tangible support from the international community.<sup>265</sup>

Returnees face a number of difficulties in reintegrating into Afghan society and finding a consistent means of support after years, if not decades, living abroad. A recent DoS-commissioned evaluation found that it takes

about seven to nine years before a returnee attains a standard of living comparable to that of Afghans who have not left. International refugee assistance has been helpful, but it still falls short of demand, particularly in assistance with food and livelihoods. DoS funds 10 NGO programs that assist Afghan returnees with protection, basic services, and economic opportunities. In addition, the United States provides funding to the UNHCR and the International Committee of the Red Cross.<sup>266</sup>

All levels of the Afghan government will need to improve their protection of and assistance to refugees and IDPs, according to DoS. The Afghan government and the Ministry of Refugees and Repatriation (MoRR) have had difficulty in managing refugee and IDP assistance and returnee reintegration needs, although their capacity did improve from January to June 2012. This quarter, the MoRR signed three MOUs with line ministries to support returning refugees and integrate refugee needs into the National Priority Programs.<sup>267</sup>

## Freedom of the Press

This quarter, the Ministry of Information and Culture proposed a draft media law that would expand governmental control over the media by modifying numerous elements of the 2009 media law. According to Human Rights Watch, the proposed control would chill the exercise of free speech. It would make the Minister of Information and Culture the leader of a High Media Council with expanded powers to set policies and implement laws that govern the media, and to influence the composition and budgets of all media oversight bodies. The law would also reduce the authority of the Mass Media Commission and the presence of journalists on its staff, making it more difficult to conduct fair oversight.<sup>268</sup> The proposed law would restrict broadcasts of foreign programming. It would also establish a special prosecutor and court to monitor the media and create civil penalties for violations of security, religion, and morality, according to UNAMA.<sup>269</sup>

Nai, an Afghan independent media organization that USAID supports, convened a national conference on June 27, 2012, with representatives of media associations, journalist unions, and media outlets to discuss revisions to the media law. On the basis of these consultations, Nai developed a set of recommendations for the Ministry of Information and Culture to consider in its revision of the law.<sup>270</sup>

Violence against members of Afghanistan's media continues to hinder freedom of the press. This quarter, Afghanistan had the seventh-lowest score on the annual survey conducted by the Committee to Protect Journalists. The committee calculates unsolved murders of journalists as a percentage of a country's population.<sup>271</sup>



## ECONOMIC AND SOCIAL DEVELOPMENT

As of June 30, 2012, the U.S. government had provided over \$22.3 billion to support governance and economic development in Afghanistan (see Appendix B). Concerns remained about Afghanistan's economic growth and sustainability in light of the planned drawdown of U.S. troops in 2014, and the expected accompanying reduction in international-donor assistance.

This quarter, efforts continued to help prepare Afghanistan to transition successfully to full control of its national security and to minimize economic contraction in the coming Decade of Transformation. Several high-level meetings of regional and international stakeholders took place, including the Chicago NATO Summit in May and the Tokyo Donors' Conference in July.

### KEY EVENTS

The Afghan government and its international partners met on July 8 in Tokyo, where donors pledged \$16 billion through 2015 to help Afghanistan meet its immediate fiscal needs, which cannot be financed by current domestic revenue levels. The participants underscored that good governance is essential for long-term, sustainable economic development.

The International Monetary Fund (IMF) completed its first review of Afghanistan's economic performance under the Extended Credit Facility (ECF) arrangement reached last November. It determined that in a difficult and challenging environment, Afghanistan has made some, albeit weak, progress toward achieving the IMF's reform criteria.

In a move to help instill consumer and investor confidence in Afghanistan's financial sector, a Special Tribunal to prosecute those accused of economic crimes against Kabul Bank was set up through the Attorney General's Office. Modest cash and asset recovery was reported. At the time this report went to press, criminal indictments and other charges have been brought to the tribunal, including against the two main architects of the theft.

“We know Afghanistan's security cannot only be measured by the absence of war; it has to be measured by whether people have jobs and economic opportunity ...”

—*Secretary of State  
Hillary Rodham Clinton*

Source: DoS, Secretary of State Hillary Rodham Clinton Intervention at the Tokyo Conference on Afghanistan, 7/8/2012.

## **ECONOMIC IMPACT OF DECLINING DONOR ASSISTANCE**

SIGAR has consistently noted challenges to assessing the economic impact of U.S. and coalition activity on the Afghan economy. The difficulties include data inadequacy and lack of a standardized process for tracking donor funds to the external budget (outside the Afghan government's control). These challenges become more acute when trying to determine the effect of the drawdown of the U.S. and coalition presence and forecasting Afghanistan's ability to become self-reliant. Afghanistan's economy is heavily dependent on foreign assistance. The World Bank has warned that sharp, unexpected drops in foreign aid could be destabilizing, risking the government's legitimacy and strengthening challenges to its authority. It can also jeopardize the economy by fueling corruption and other illegal activity.<sup>272</sup>

## **ECONOMIC ASSESSMENT**

This quarter, a draft report from the Center for Strategic & International Studies (CSIS) called into question the integrity of all official sources of economic data because they do not adequately account for the economic uncertainties related to security, peace, and transition throughout the country. The report pointed out that both the GDP and population data is mostly consistent across the sources, yet inaccurate. Most are based on Afghanistan's Central Statistics Organization (CSO) figures, the accuracy of which generally suffer from government capacity and access issues, especially in remote regions of the country. The CSIS report also found flaws in the statistical base points on Taliban control that are generally relied upon for estimates and comparisons. GDP figures do not take into account the economic contributions of illicit activities or informal household-level income activities, which the report cites as significant. Although tangible economic progress has been made in the past decade, the report noted that it was based on war and aid spending, skewing a true reflection of sustainable economic growth.<sup>273</sup>

While noting the difficulty of collecting reliable data, in May the World Bank released the analytic and quantitative basis of its late-2011 presentation on Afghanistan transition. Despite gains in economic growth and basic health and education, the Bank notes, Afghanistan remains one of the world's least developed countries.<sup>274</sup> More than 33% of Afghans live below the poverty line (\$1.25 a day), more than 50% are vulnerable to or at serious risk of falling into poverty, and 75% are illiterate.<sup>275</sup>

Most of the economic gains have been bolstered by donor assistance, reaching an estimated \$15.7 billion in FY 2011—almost equal to Afghanistan's GDP. The vast majority—88% (\$13.8 billion)—of that assistance was executed through the external budget. The World Bank estimated that only 10–25% of the external budget assistance affects the Afghan

economy (much of it is actually spent outside Afghanistan), versus 70–95% of the on-budget assistance.<sup>276</sup>

Despite sometimes large fluctuations in real GDP growth over the years caused by changes in agricultural yields, real GDP growth rose by an average annual rate of approximately 9% since FY 2004. The services sector continues to contribute most to GDP, driven by consumption stemming from donor assistance. Within this sector, communications, transportation, construction, and government services have seen strong growth. Agriculture is the second leading contributor to GDP, providing jobs for most of Afghanistan's rural population. The contributions of private investment and mining have been marginal.<sup>277</sup>

The World Bank predicts that the transition will have a large impact on the Afghan economy. Economic growth will likely slow, weakening labor markets and resulting in higher unemployment and increased poverty. The Bank noted that revenues have grown 20% over the last four years, reaching 11% of GDP in FY 2011, as compared with 3% in FY 2003. It acknowledged that revenue growth of more than 0.5% of GDP a year over an extended period of time is impressive.<sup>278</sup>

Offsetting this revenue, however, are Afghanistan's spending obligations, which the Bank projects will reach 43% of GDP in 10 years. Most of the increase will be due to spending on security—for operations and maintenance (O&M) and for wages for the army and police. The government will also have to cover the O&M costs of donor-built infrastructure as well as rising government wages. The resulting fiscal gap, between expenditures and revenues, is unsustainable because the government cannot finance it. The Bank concluded, as have other observers, that Afghanistan will require considerable amounts of aid for the foreseeable future.<sup>279</sup>

## U.S. Economic Support Strategy

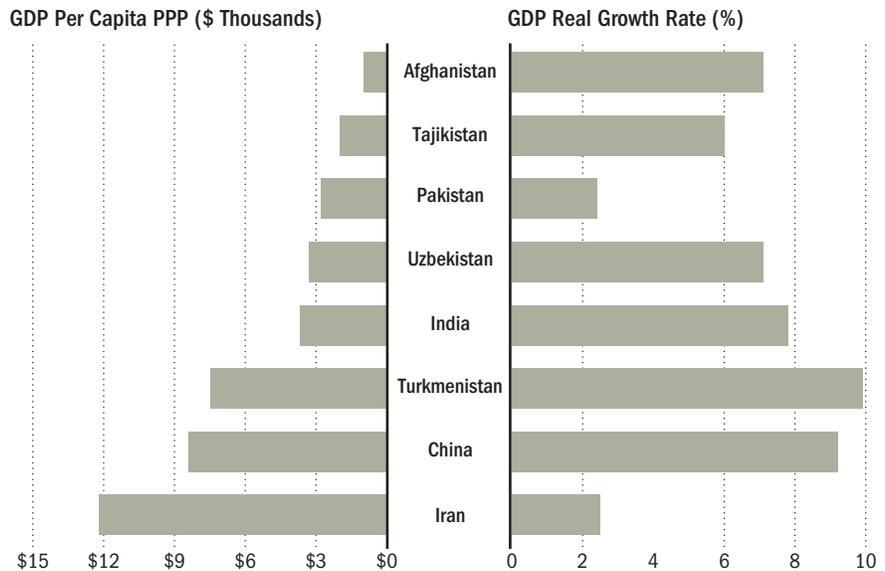
One of the long-term U.S. development strategies for Afghanistan is the “New Silk Road.” This vision seeks greater regional economic integration with the country's neighbors, including the free movement of goods, services, capital, and people. According to the Department of State (DoS), the New Silk Road initiative is an organizing principle for use in broader decisions about U.S. assistance made by the U.S. Embassy Kabul and the inter-agency Afghanistan Infrastructure Program. SIGAR's audit of the Afghanistan Infrastructure Program found there is no master plan for the energy sector (see Section 2).<sup>280</sup>

## ECONOMIC INDICATORS

As a land-locked economy, Afghanistan is highly dependent on cooperation from regional countries for its trade, transit, security and stability. Afghanistan's economy has improved significantly since 2002. Its growth,

FIGURE 3.35

## REGIONAL COMPARISON OF ECONOMIC INDICATORS (2011 EST.)



Note: Numbers affected by rounding. 2011 data is in 2011 U.S. dollars. PPP = purchasing power parity, a measure for per capita comparisons. GDP at PPP exchange rates is the value of goods and services produced in a country, at prices prevailing in the United States. It requires assigning U.S. dollar values to all goods and services even if they have no equivalent in the United States (for example, an oxcart).

Source: CIA, World Factbook, accessed 7/5/2012.

as a percentage of GDP, is on par with or exceeds that in many neighboring countries, but still lags behind in per capita GDP, as shown in Figure 3.35.

### Revenue Collection

The Afghan government continued to improve its ability to collect revenue, according to Afghanistan Customs Department statistics provided by the U.S. Agency for International Development (USAID).<sup>281</sup> This quarter, the U.S. Department of Treasury's (Treasury) Office of Technical Assistance (OTA) participated in efforts to improve Afghanistan's generation and collection of non-tax revenue, abilities that will be critical as foreign-donor contributions decline. OTA assisted the Ministry of Transport and Civil Aviation (MoTCA) in several areas:<sup>282</sup>

- OTA helped review an application bid for a new revenue-management system for the MoTCA. The system would allow a third party to obtain data, bill, collect fees, and deposit revenue directly to the central bank. This automated, web-based revenue-management system will improve transparency by permitting its users to access their accounts online, by

reducing opportunities for corruption in fee assessment and revenue collection, and by making auditing easier.

- OTA helped review 17 solicitation statements of interest from the private sector to perform ground handling operations (plane servicing, ground-power provision, cleaning, baggage handling) at Afghanistan's four international airports. The winning bidder will also take over building maintenance and ticketing services. The winner will make an initial investment in equipment, staff, and management, and be required to participate in a revenue-sharing program with the government.
- OTA helped implement an aviation security fee to start in August 2012—\$25 per flight for international travel, and \$10 per flight for domestic, as noted in SIGAR's April 2012 quarterly report. This fee will be collected by the International Air Transport Association, not the airlines, and paid directly to the Ministry of Finance (MoF) and the MoTCA. OTA noted that this will prevent those airlines that have not been handing over collected security fees from receiving any security-fee revenue.

## Customs Revenue Tracking

Afghanistan uses the Automated System for Customs Data (ASYCUDA) at certain customs points. The version that it uses tracks duty and tax revenue collected at the point of import or export declaration. The taxes collected through ASYCUDA, which are paid to Da Afghanistan Bank (DAB, the central bank), include the following:<sup>283</sup>

- customs duties
- business-receipts taxes (2% value of goods for business license holders; 3% for others)
- fixed taxes (2% value of goods)
- Afghanistan Red Crescent Society (2% value of customs duties)

As of June 28, 2012, ASYCUDA is used at five border crossing points, to permit movement of goods to another customs location, and eight inland clearing depots, to enter goods for customs clearance, as shown in Figure 3.36 on the following page.

## Land Reform

This quarter, USAID continued to promote land reform, underscoring the economic importance of legally recognized and enforceable property rights as a fundamental prerequisite for private-sector investment and job creation. To help move toward such rights, USAID launched the Land Reform in Afghanistan (LARA) project in March 2011. At that time, USAID signed an implementation letter with the Jalalabad municipality to design title-deed and property-registration systems.<sup>284</sup>

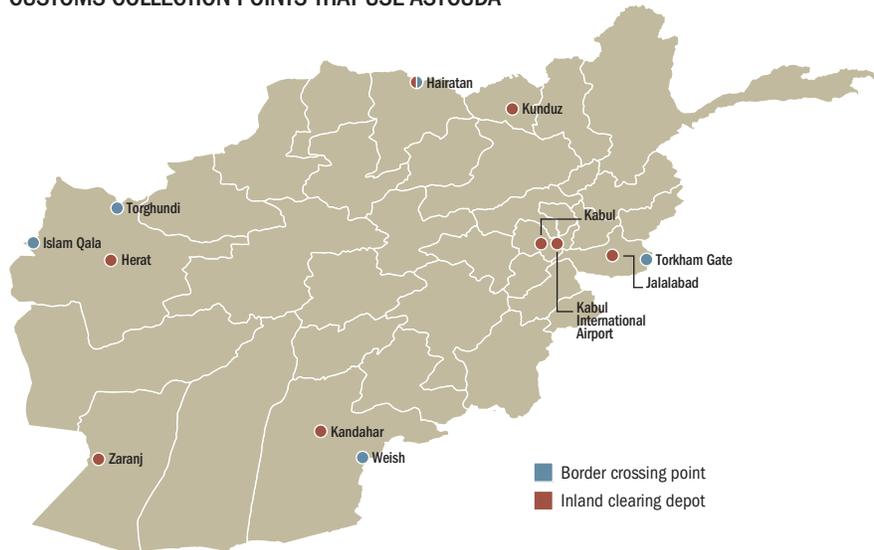
As of June 28, 2012, LARA staff members were helping build capacity at the Jalalabad municipality and the Supreme Court, where USAID had approved procuring an IT system for property registration. LARA staff were

**The ASYCUDA software is used in more than 80 countries as the basis of a comprehensive, integrated customs information system. Computerization strengthens customs administration by accelerating customs clearance and simplifying procedures, helping countries facilitate trade.**

Source: UNCTAD, "What Is ASYCUDA," accessed 7/9/2012.

FIGURE 3.36

## CUSTOMS COLLECTION POINTS THAT USE ASYCUDA



Source: USAID, response to SIGAR data call, 6/28/2012.

also building capacity at the Afghanistan Land Authority (part of the Ministry of Agriculture, Irrigation and Livestock), where they will install a new IT system to streamline the land-leasing process. Revenue from leased government land was not available and LARA staff members were not tracking economic growth or private investment metrics resulting from the program.<sup>285</sup>

To improve public awareness, especially among women, of citizens' ability to exercise property rights, the LARA staff organized two conferences on women's inheritance and land rights in Afghanistan. The first one was held on May 8 in Kabul to explain Afghan constitutional and civil-code protection of those rights.<sup>286</sup> On July 5, a second conference on women's inheritance and land rights was held in Jalalabad.<sup>287</sup> Additionally, the Women's Land Rights Task Force, created in 2011 with USAID support, regularly meets with non-governmental organizations and government entities to inform them of women's land rights. The LARA program has held about 10 training events for its Afghan government partners.<sup>288</sup> According to USAID, a public awareness campaign is expected to begin in August 2012.<sup>289</sup>

To date, LARA completed four regional consultation workshops on proposed amendments to the Land Management Law, and USAID anticipates two additional workshops to be completed next quarter. LARA also provided management and IT training to regional government employees and related private sector entities. Finally, LARA worked with local communities to identify infrastructure and essential services priorities for informal settlements in their areas.<sup>290</sup>

## **BANKING AND FINANCE**

This quarter, Afghanistan continued to reform its banking and finance sectors in line with the requirements set out under its donor assistance agreement with the IMF. Improving accountability, transparency, and efficiency in banking and finance was seen as crucial to instilling international donor confidence ahead of the Tokyo summit. U.S. assistance towards this effort focused on training and capacity building for banking and micro-finance institutions.

### **IMF Extended Credit Facility Agreement**

On June 29, 2012, the IMF announced it had completed its first review of Afghanistan's implementation of the Extended Credit Facility (ECF) approved on November 14, 2011. The three-year, \$129 million loan to Afghanistan is part of the IMF's conditions-based financial assistance to countries that have protracted balance-of-payments problems. The IMF released its first disbursement of \$18.2 million in November 2011, with further disbursements requiring Afghan progress toward structural changes in its banking and finance sectors. In its review, the IMF declared that Afghanistan has begun moving toward macroeconomic stability and economic self-reliance, and sufficiently made progress toward several structural benchmarks:<sup>291</sup>

- a draft law to implement a value-added tax in 2014
- a strategy to combat economic crimes
- an improved capitalization framework for the central bank
- greater cash and asset recovery from the 2010 Kabul Bank scandal
- progress toward holding accountable those accused of economic crimes in the scandal

IMF staff nonetheless characterized the implementation of changes as weak and attributed the slow pace of reform to limited technical capacity, the heavy workload of preparing for the Tokyo Conference, lack of ownership by the government, and opposition from vested interests. Treasury, which concurred with this assessment, added that these obstacles will remain a challenge to meeting future IMF benchmarks, such as developing and implementing a new or amended banking law, devising and enforcing a strategy for banks that fail to meet minimum capital requirements, restructuring the Financial Supervision Department, and enacting measures to deter and punish economic crime.<sup>292</sup>

On June 29, the IMF Board accepted the staff recommendation to release the second disbursement of \$18.2 million and grant a waiver of nonobservance of a performance criterion and modification of other performance criteria. However, the IMF warned that continued Afghan government commitment to the ECF is essential, as are the needs for the government to improve its budget implementation capacity, address critical governance issues, and improve accountability.<sup>293</sup>

## Recapitalization of DAB

The 2010 near-collapse of the bank brought to light the loss of nearly \$1 billion in stolen funds. The Attorney General's Office (AGO) noted that since President Karzai's April announcement of the June loan repayment deadline, \$108 million in assets had been recovered, including \$26 million in cash. This included the sale of Pamir Airline, Bakhtar TV, the Gas Group, 147 apartments in the Istiqlal Township in Kabul, 19 apartments in Dubai, and 150 container rooms. An unspecified amount of land was also transferred to government ownership. The AGO did not provide data on the sales prices of these assets—important details because the IMF does not count recoveries of non-cash assets until they are liquidated.<sup>294</sup>

The Afghan government reported somewhat different numbers than the IMF. As of June 4, 2012, the government claimed \$128 million in total cash recoveries (of the \$935 million stolen). Of the \$128 million, \$54 million was recovered since the ECF Agreement was signed in November 2011, and an additional \$30 million was recovered since President Karzai's announcement of the loan repayment deadline. However, no one identified in the forensic audit of the Kabul Bank conducted by the U.S. firm Kroll Associates has repaid his debts in full.<sup>295</sup>

## Update: Special Tribunal

According to DoS, a Special Tribunal was set up by the Supreme Court on April 18, 2012, to investigate and prosecute economic crimes at the bank. Although President Karzai's official website declared that a Special Prosecutor's Office was to be established, the president's April 4 decree that set up the Special Tribunal did not call for the establishment of a Special Prosecutor's Office.<sup>296</sup> At a June 2 meeting, President Karzai and government officials decided to officially refer the Kabul Bank loan-recovery case to the Special Tribunal.<sup>297</sup>

This quarter, the AGO issued criminal indictments and charges in the Special Tribunal. According to Treasury, those charged included Kabul Bank's former Chairman Sher Khan Farnood and former CEO Khalilullah Ferozi, as well as several former employees, in addition to current or former DAB officials.<sup>298</sup> The MoF announced that the AGO based the indictments, in part, on the forensic-audit report conducted by Kroll Associates to determine the amounts and responsibility associated with the bank's collapse, as well as other documents turned over to the tribunal. According to the information provided to Treasury, however, the indictments were not fully in line with the findings of the forensic audit.<sup>299</sup>

On June 9, the relevant government stakeholders met at the MoF to discuss the legal issues surrounding asset recovery. They determined that the Kabul Bank receivers would refer the civil cases to the Financial Disputes Resolution Commission (FDRC) and that if criminal components were

found, the cases would be transferred to the tribunal through the AGO. Disagreements with FDRC rulings can be appealed to the tribunal.<sup>300</sup>

According to Treasury, the Afghan government confirmed that one group loan case had been referred to the AGO as a criminal case after the FDRC was unable to resolve it as a civil case. Treasury believes that two additional civil cases were referred to the FDRC this quarter, and that the Kabul Bank receiver is preparing to forward additional civil cases to the FDRC next quarter.<sup>301</sup> As of June 7, 2012, DoS's tally showed that 21 cases had been referred for prosecution.<sup>302</sup> No new prosecutions or updates on existing prosecutions were identified this quarter.

On May 23, the Wolesi Jirga, the lower house of the National Assembly, held a plenary session with officials from the MoF, DAB, and Kabul Bank's audit committee to discuss the status of loan recovery. In addition to being briefed on the loan amounts still owed, assembly members insisted on learning the identities of those accused of economic crimes.<sup>303</sup> Afghan news organizations published a partial list of 22 names, with amounts owed ranging from \$1 million to \$279 million—collectively totaling \$779.4 million. This list, consisting of individuals, companies, and account holder groups, includes Kabul Bank's founder and chairman and its CEO, as well as President Karzai's brother and the brother of the First Vice President.<sup>304</sup>

## Update: Sale of NKB to Private Investors

The New Kabul Bank (NKB) is a temporary “bridge bank” containing the good assets, loans, and deposits from Kabul Bank. It cannot extend new loans. Last quarter, SIGAR reported the MoF's intention to sell NKB to private investors by June 30, 2012, or if a buyer is not found, to liquidate it by March 2013. According to the IMF, these deadlines have been pushed out. An advisor began developing a privatization plan this quarter, which is expected to be completed in August. If that schedule is maintained, the IMF said that NKB could be offered for sale by September 30, and if it is not sold, liquidated by the end of 2013.<sup>305</sup>

## Prudential and Other Audits

The Kabul Bank scandal led to donor-funded forensic audits of Kabul Bank and Azizi Bank and World Bank–funded prudential audits of 10 unnamed commercial banks. The United States was not involved in these audits, and DAB has not given Treasury the reports; however, Treasury has received information on the general findings through the IMF, the World Bank, and U.S. allies.<sup>306</sup> According to DoS, donors were briefed on the findings of five of the World Bank–funded audits on June 12, and the remaining five on July 1.<sup>307</sup> Treasury stated that it does not expect that the results will be made public, although it does expect that a discussion of the general findings will be posted on the IMF website as part of its Afghanistan program review.<sup>308</sup>

## U.S. Assistance Programs

This quarter, USAID provided a \$1.2 million grant to the Afghanistan Institute of Banking and Finance (AIBF) for operating expenses in 2012 and 2013, through the Financial Access for Investing in the Development of Afghanistan program. The AIBF, a public-private partnership with DAB, the Afghanistan Bankers Association, and the Microfinance Investment Support Facility for Afghanistan, provides long- and short-term training, and capacity-building programs to banking and micro-finance institutions, with plans to reach out to the finance sector at the provincial level.<sup>309</sup> With this grant, the AIBF aims to accomplish several tasks:<sup>310</sup>

- encourage financial institutions to base career placement and advancement decisions on merit
- provide professional mentoring to government employees
- develop specialist-specific certificate training programs in commercial banking, Islamic finance, and microfinance
- develop academic degree and professional diploma programs in conjunction with international universities and academic centers of excellence
- provide professional development through workshops and seminars
- promote professional symposiums, conferences, and gatherings
- improve the capacity of AIBF faculty and administration
- establish a library and research facility with online accessibility at the AIBF

This quarter, OTA helped finalize a banking request for proposal for the ministries of Interior and Defense that sought financing from NATO to reduce the transaction costs of paying ministry salaries. OTA stated that this effort helped obtain NATO buy-in for other key OTA mentoring initiatives such as banking agreements and mobile money programs.<sup>311</sup>

OTA also is helping Afghanistan to achieve certain ECF benchmarks and instilling international donor confidence by helping it deter economic crimes. This quarter, OTA helped build the capacity of investigators at the Major Crimes Task Force (MCTF) to conduct financial crimes investigations, and to develop financial analysts from within the MCTF Intelligence Unit. OTA provides weekly training and mentoring focused on money laundering, bribery, fraud, and counterfeiting of U.S. currency.<sup>312</sup>

According to DoS, the Afghan government has requested U.S. technical assistance for DAB to help stabilize the finance sector. That request is under review.<sup>313</sup>

## USAID Development Priorities

According to USAID, its FY 2012 and FY 2013 budgets reflect current U.S. strategy—that is, a strong emphasis on economic growth and broad support for initiatives in democracy, governance, health, and education. The agency's FY 2013 budget request includes an additional \$28 million over FY 2012

levels for elections preparation, in anticipation of the presidential elections scheduled for 2014.<sup>314</sup>

## Mobile Money

In May 2011, USAID helped four major telecommunications companies that offer mobile money services form the Association of Mobile Money Operators of Afghanistan (AMMOA). Initial members consist of Afghan Wireless Communications (AWCC), Etisalat, MTN, and Roshan.<sup>315</sup> In April, the AMMOA and USAID launched a nationwide university-student contest seeking innovative money applications and on July 9 announced eight winners (of more than 5,000 entrants). The students received a cash prize, and their universities will receive five desktop computers with Internet access for their libraries. AMMOA members will offer two new mobile money applications based on the winning concepts.<sup>316</sup>

## Infrastructure Turnover

Almost all USAID-funded projects in Afghanistan, including capital projects, are governed by bilateral Strategic Objective Grant Agreements (SOAGs) between the United States, represented by USAID, and the Afghan government. To help ensure that projects fulfill their intended purposes, SOAGs contain provisions that define the agreements' purpose, objective, and expected results, as well as a description of activities to be undertaken and the parties' roles and responsibilities. They also include clauses related to sustainability, results orientation, collaboration,



**A USACE officer** makes a symbolic hand-off of keys as the Corps of Engineers transfers responsibility for property operations and maintenance to Afghan counterparts. (USACE photo by Joe Marek)

transparency, and accountability. Finally, they include provisions that address documentation (reports and information, agreement books, and records), oversight (audits and inspections), and completeness.<sup>317</sup>

According to USAID, at the end of a capital project, project implementation letters signed by U.S. and Afghan officials are standard to officially inform the Afghan government of the project's completion, summarize results, and formally transfer responsibility for and ownership of the project. Implementation letters make clear that the Afghan government assumes custody and full responsibility for the facility and equipment, as well as security, proper O&M services, and when possible, O&M costs.<sup>318</sup>

If the Afghan government does not use a USAID-funded capital project for its intended purpose, USAID uses the SOAG to determine the appropriate legal recourse. USAID may choose, at its discretion, to address and resolve the issue through political or other means.<sup>319</sup>

## AGRICULTURE

Agriculture plays a dominant role in the Afghan economy. Only 12% of the land is arable and less than 6% is cultivated, yet 80% of Afghans directly and indirectly earn a living from agriculture.<sup>320</sup>

### Drought and the Harvest

The Famine Early Warning Systems Network (FEWS Net) forecasted the 2012 national cereal harvest to be above average and regional imports of wheat and wheat flour—which constitute more than 70% of the Afghan diet—to decline by up to half.<sup>321</sup> However, some areas—in the northeast, at higher elevation levels in the central highlands, and in spring-flood regions—will not benefit from the above-average harvest and will face food insecurity. FEWS Net noted that this year most rivers and reservoirs have above-average water levels for irrigation, making possible a second crop on irrigated land, particularly for rice and cotton. Although the dry season, which began in June, is expected to last until August, FEWS Net warned that eastern portions of Afghanistan (primarily Kunar, Nangarhar, Pakhtiya, and Laghman provinces) may flood this summer due to the annual Indian monsoon.<sup>322</sup>

### Food Prices

Food prices continued to decline but remained above the average levels seen before the last severe drought of 2008. The World Food Program (WFP) reported that wheat prices decreased in May, continuing the trend since January 2012. In the main cities, prices in May were 4.1% lower than in April and 6.9% lower than a year earlier. Wheat flour prices also decreased in May, dropping 2.5% from April.<sup>323</sup>

Those prices remain well above levels from January through October 2007, before the 2008 drought and consequent import restrictions sent food prices

soaring.<sup>324</sup> Wheat prices were 20.6% and wheat flour prices 33% higher than the pre-crisis levels.<sup>325</sup>

## ESSENTIAL SERVICES

Improving the Afghan government's ability to deliver public services will help contribute to long-term stability and sustainable economic growth. This quarter, the United States continued to prioritize its assistance programs in essential areas to best mitigate the economic impact of transition. This section addresses key developments in U.S. efforts to improve government capacity and services.

### Energy

The energy sector is considered a priority for the country's core infrastructure by the Afghan government and international donors. This quarter, DoS, USAID, the Department of Defense (DoD), and other partners continued to support numerous projects for additional power generation, increased power-transmission capacity, and upgraded electric distribution grids.<sup>326</sup>

### Energy Sector Development

This quarter, the compressed natural gas (CNG) station in Sheberghan was handed over to the Ministry of Mines (MoM). It began commercial operations in May. Construction of the station had been funded by DoD's Task Force for Business and Stability Operations (TFBSO). Because CNG is 50% cheaper than gasoline, as well as cleaner, the TFBSO said that the CNG station should reduce fuel imports and provide greater energy security.<sup>327</sup>

In addition, USAID signed an implementation letter to provide \$90 million in on-budget assistance to the MoM to strengthen the gas sector and enhance energy security by producing enough energy from the Sheberghan gas fields to fuel a 200 MW power plant, with the goal of reducing Afghanistan's reliance on imported energy. As of June 28, USAID had committed \$30 million of that \$90 million.<sup>328</sup>

USAID has three ongoing energy contracts:<sup>329</sup>

- Sheberghan Gas Development Program: The goal is to strengthen government capacity to manage the gas industry by providing off-budget technical assistance. Total estimated cost: \$35 million.
- Tarakhil Power Plant Operation and Maintenance: The goal is to build the capacity of Da Afghanistan Breshna Sherkat (DABS)—the national electric utility—to operate and maintain the Tarakhil power plant. Total estimated cost: \$30.5 million.
- Kandahar-Helmand Power Project: The goal is to improve the supply of electricity in Kandahar and Helmand provinces. Total estimated cost: \$266 million.



**Afghan electrical power** receive on-the-job training from U.S. Army Corps of Engineers soldiers on safely setting power poles and replacing power lines. SIGAR's audit of the Afghanistan Infrastructure Program looked at U.S. efforts to help modernize infrastructure, including power generation, transmission, and distribution. (USACE photo, Karla Marshall)

## SIGAR AUDIT

In its audit of the Afghanistan Infrastructure Program, SIGAR evaluated project selection, outcomes, and fulfillment of legislative requirements. For more information, see Section 2, page 25.

Regular communication and coordination is necessary to make the most effective, efficient use of U.S. and other donor support for Afghanistan's energy infrastructure. According to USAID, U.S.-funded energy projects are discussed jointly with U.S. military and civilian leadership. U.S. implementing agencies such as U.S. Forces - Afghanistan, the U.S. Army Corps of Engineers, DoS, and USAID coordinate regularly through the Infrastructure Working Group and Afghanistan Infrastructure Program meetings.<sup>330</sup>

This quarter, USAID participated in two regional conferences sponsored by the Asian Development Bank (ADB)—in Istanbul and in Manila—to discuss the development of a regional energy master plan. USAID gathers regularly with international partners such as the World Bank and ADB at the Inter-ministerial Commission on Energy meetings, as well as other bilateral and multilateral meetings and conferences.<sup>331</sup>

## Public Utilities

The Power Transmission Expansion and Connectivity (PTEC) program is a U.S.-funded program designed in collaboration with the MoF, the Ministry of Energy and Water, and DABS to modernize Afghanistan's power generation, transmission, and distribution systems. As part of the PTEC, USAID has been working to help commercialize DABS and improve its revenue collection.

According to USAID, the 27-month Kabul Electricity Services Improvement Project (KESIP), improved revenue collection by DABS-Kabul by 59% (from

\$53.8 million to \$85.5 million), and decreased technical and commercial losses by 12% (from 50% to 38%). USAID said the KESIP created a sustainable model that could be expanded to DABS distribution centers in other provinces.<sup>332</sup>

As of May 2012, of USAID's \$140 million commercialization budget under the PTEC, \$53.0 million had been committed and obligated, and \$49.1 million disbursed for DABS-Kabul under the KESIP. Since 2010, USAID has been working with DABS-Kandahar to improve revenue collection, reduce operating losses, and improve capacity and sustainability. As of May 2012, USAID had committed \$7 million, obligated \$6.9 million, and disbursed \$5.8 million under its Afghanistan Infrastructure Rehabilitation Program.<sup>333</sup>

## Natural Resource Tenders

As noted in SIGAR's last quarterly report, the MoM opened a tender in early March for the exploration, development, and production of hydrocarbons in six blocks (defined areas of exploration) in the western portion of the Afghan-Tajik Basin. The TFBSO assisted the MoM in this effort. The six blocks contain an estimated 700–900 million barrels in reserves, according to the TFBSO. Expressions of interest were due at the close of this quarter, on June 30, 2012.<sup>334</sup> On July 4, the MoM announced the names of 8 qualified bidders from the 20 companies that had submitted expressions of interest: U.S.-based ExxonMobil, Dubai-based Dragon Oil, Kuwait Energy, India's ONGC Videsh, Brazil's Petra Energia, Pakistan Petroleum, Thailand's PTT, and Turkey's TPAO.<sup>335</sup>

According to the MoM, 60 geological structures that may contain oil or gas were identified through gravity and magnetic surveys. Of those, 25 were mapped using two-dimensional seismic data collection this quarter. That data will be made available to the bidders as part of the tender process.<sup>336</sup> Bids are due in October 2012. After they are received and analyzed by the MoM in December, the TFBSO will know the monetary value of the tender. The TFBSO expects that third-party estimates to be made in August will show the estimated quantities of hydrocarbons, but not their monetary value.<sup>337</sup>

This quarter, the TFBSO continued to advise the MoM on tendering hydrocarbons in the Tirpul Basin, in western Afghanistan. The official tender announcement is expected in August 2012, although the timeline is not yet confirmed.<sup>338</sup>

## TAPI Pricing Agreement

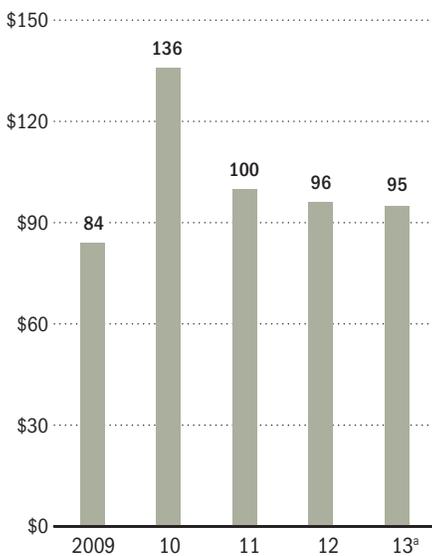
On May 23, India, Pakistan, and Turkmenistan signed gas pricing agreements, and Afghanistan and Turkmenistan signed a memorandum of understanding on long-term gas cooperation, as part of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline.<sup>339</sup> Negotiations over TAPI have long been hampered by delays, spanning more than 20 years. The project is designed to deliver gas from Turkmenistan through Afghanistan to Pakistan and India. If fully realized, it could bring transit revenue to Afghanistan, improve energy

**Under the Afghanistan Infrastructure and Rehabilitation Program, quick-response task orders are used to address infrastructure project needs that are of short duration and limited scope, and that require immediate action. The program is intended to cover small-scale, unforeseen, recurring technical support activities that need to be conducted quickly in order to keep larger efforts moving forward.**

Source: USAID, "Afghanistan Infrastructure and Rehabilitation Program (IRP) – Quick Response General Services," accessed 7/11/2012.

FIGURE 3.37

**USAID FUNDING ALLOCATED FOR EDUCATION**  
(\$ MILLIONS)



a. FY 2013 Congressional Budget Justification.

Sources: USAID, response to SIGAR data call, 6/28/2012; USAID, "Partnership, Progress, Perseverance," 3/29/2012, accessed 7/5/2012.

security, and become an example of the New Silk Road model of regional integration the United States has been advocating.<sup>340</sup> A commercial framework and technical assistance to operate the pipeline is still needed, as is international financing at an estimated cost of about \$7.6 billion.<sup>341</sup>

## Education

Fewer than a million Afghan children were in school under Taliban rule. Since 2002, however, more than 8 million youths and more than 63,000 university students have attended school, and 614 schools have been built.<sup>342</sup> As of May 2012, USAID is managing six contracts in the education sector valued at a total of \$195.3 million.<sup>343</sup> From FY 2009 through FY 2012, USAID had allocated \$416 million for education programs through the Economic Support Fund, as shown in Figure 3.37. The agency requested \$95 million in its FY 2013 budget justification to Congress.<sup>344</sup> USAID hopes that investments in education will make Afghanistan more attractive for private-sector development.<sup>345</sup>

## Aligning Education Goals with Industry Needs

Despite the investment and gains made so far, USAID stated that neither the quality of higher education curricula nor the quality of graduates meets the needs of sectors that are vital to the growth of the country. Graduates have a difficult time gaining employment, and private-sector companies prefer to import skilled labor from Turkey, India, and other countries.<sup>346</sup>

According to USAID, the quality of public higher education is generally poor—school curricula are old, the professors' knowledge base is generally limited and dated (only about 35% of professors have graduate degrees), and laboratory facilities are inadequate. Moreover, the numbers of students seeking entry into higher-education programs far outpace what the system can handle.<sup>347</sup>

Afghanistan's public-sector technical schools and vocational education and training providers tend to be supply-driven, USAID said. They do not have career-specific goals or targets for numbers of students to meet a business or industry requirement. They also have only a limited number of career-specific study tracks, and in many they teach students outdated skills. In contrast, private-sector technical schools tend to be more business-oriented and offer courses that are more demand-driven. Realizing this discrepancy, the government's National Priority Program 1 identified the need for public-sector technical and vocational education providers to become labor-market oriented.<sup>348</sup>

Information on labor-market needs, however, is not readily available. USAID noted that for several years, the International Labor Organization has sought donor support to conduct a national labor market survey. Last year, the U.K. Department for International Development agreed to help fund a three-year, \$5 million study in collaboration with Afghanistan's

CSO. However, the study was postponed indefinitely because the CSO was over-extended.<sup>349</sup>

To help focus its two-year Afghanistan Workforce Development Program (AWDP), which began in April 2012, USAID conducted surveys of the labor market and of small and medium enterprises in the six cities proposed for the AWDP. Similar surveys will be conducted throughout the life of the program—four over a two-year period, at six-month intervals—to monitor and evaluate progress.<sup>350</sup> The AWDP offers access to labor-market-driven vocational education and training, business-development support, business-management training programs, financial credit, and job-placement services.<sup>351</sup> As of this quarter, 10 master's degree programs operate in Afghanistan. Two were developed with USAID support: teaching English as a second language, and public policy and administration. The others are in Dari, Pashtu, sciences, religious studies (Sharia law), education, construction engineering, hydrology, and business administration. There were no PhD programs as of this quarter.<sup>352</sup>

## **Update: USAID Higher Education Project**

This quarter, the Masters of Education Program (a component of USAID's Higher Education Project) graduated its third cohort of 22 students, bringing the total number of graduates to 65. Two additional cohorts of 22 students are in session. All graduates of the first three cohorts are education faculty members in the country who have returned to their institutions. USAID said at least 17 of the graduates have been promoted into positions of authority in their universities.<sup>353</sup>

## **Health**

Afghanistan is working closely with the international community to improve key social and economic indicators. According to a report from the Afghan Central Statistics Organization (CSO) and UNICEF released this quarter, among women aged 20–24, 25% have given birth by age 18. Almost 80% of Afghan women do not use any form of birth control, and the report points to the strong correlation between early childbearing and mothers' education levels. Nutritionally, the results show about one third of Afghan children under five are moderately and severely underweight, about one half are moderately stunted, and about one fifth are moderately or severely wasted.<sup>354</sup>

Despite poor statistical reporting and tracking, HIV rates in Afghanistan are believed to be currently low, but the country is high risk for an outbreak. Intravenous drug use is spreading across the country; there is low HIV awareness amongst women generally and sex workers in particular, as well as a high rate of migration in and out of the country. The CSO/UNICEF report found that only 26% of women aged 15–49 had heard of AIDS, but only 2% have an accurate understanding of HIV prevention and

transmission. Authorities believe improving women's HIV awareness and understanding is key to curbing the threat.<sup>355</sup> The CSO and UNICEF did not survey men, nor did it report on men's awareness and understanding of HIV or their role in prevention and transmission.

## **Immunization Rates**

The CSO report reiterated the Afghan government's concern about inadequate vaccination coverage. Only 25% of children receive vaccination before age 1, only 18% aged 12–23 months are fully vaccinated, and just 31% of all children had vaccination cards. For vaccines with multiple dosages, the highest coverage is at the first dosage and declines thereafter. From 2010 to 2011, 66% of children received the first dose of the polio vaccine by age 1, and this declines to 42% by the third dose.<sup>356</sup>

## **Polio Eradication**

In the first six months of 2012, 10 cases of polio were reported, according to statistics from the World Health Organization.<sup>357</sup> The Minister of Public Health said Afghanistan was among three countries where polio is still prevalent because polio eradication campaigns are not taking place in insecure provinces and because of an absence of healthy environments in some areas. The minister urged parents to vaccinate their children under 5 and asked media outlets to create public awareness campaigns.<sup>358</sup> The ministry is working to create permanent polio vaccination teams in southern provinces; a measles and polio campaign was scheduled for 15 provinces on July 7, and in parts of Kandahar and Helmand from July 14 to 19.<sup>359</sup>

## **Trade**

This quarter, USAID teamed up with the Afghanistan Customs Department and the Afghan Border Police to improve trade and prevent illegal activity at Hairatan, on the border with Uzbekistan. Through this partnership, known as the Border Management Model, USAID is training these Afghan agencies in international best practices, and establishing clear roles and responsibilities for stemming corruption, smuggling, infiltration, and drug trafficking. Under this ongoing pilot program, customs operations have been expanded to 24 hours a day, allowing for more licit trade and a stronger economy. The program itself meets an IMF requirement, and if successful it will meet another by being replicated at two other border crossings—one at Sherkhan Bandar, on the border with Tajikistan, and the other at Islam Qala, on the border with Iran.<sup>360</sup>

On June 18, the World Trade Organization (WTO) expressed support for Afghanistan's early accession to the WTO. Afghanistan applied for membership in November 2004 with the goal of joining by the end of 2014. Its membership still hinges on Afghanistan implementing reforms, adhering to WTO rules, and entering into separate negotiated agreements with

individual member countries and with the organization as a whole.<sup>361</sup> USAID is assisting Afghanistan in this effort through its Trade and Accession Facilitation program.<sup>362</sup>

## Regional Cooperation

As noted earlier, a key goal of the U.S. reconstruction strategy in Afghanistan is to promote greater regional economic integration through the New Silk Road initiative. One way the United States advances this initiative is by participating in conferences with the Afghan government, as well as with regional and international partners, to identify and prioritize infrastructure and policy-reform requirements.<sup>363</sup>

This quarter, Afghanistan participated in a number of regional meetings to improve trade relations and enhance economic cooperation including, the “Heart of Asia” Ministerial Conference,<sup>364</sup> the Shanghai Cooperation Organization Summit in Beijing, where Afghanistan was granted observer status,<sup>365</sup> the Delhi Investment Summit on Afghanistan, which showcased foreign investment opportunities in Afghanistan,<sup>366</sup> and one in which the Turkish Foreign Minister pledged to dismantle Turkish Provincial Reconstruction Teams operating in Afghanistan and transfer their infrastructure to the government.<sup>367</sup>

Additionally, Afghanistan and Germany entered into a bilateral agreement to cooperate on sustainable economic development, education, health, energy, water and civil aviation.<sup>368</sup> Afghanistan and Australia signed a comprehensive long-term partnership agreement, outlining long-term development assistance, government capacity assistance, and support for Afghanistan’s natural resources and agriculture sectors.<sup>369</sup> Afghanistan and Kazakhstan signed several agreements, including one to expand investment cooperation while seeking future collaboration in the rail transportation, mining, agriculture, telecommunications, and energy sectors.<sup>370</sup> Afghanistan and China signed a strategic cooperative partnership agreement, which included a \$23.8 million grant to Afghanistan during 2012 and reaffirmed a commitment to expand bilateral trade, investment, and economic cooperation.<sup>371</sup>

## Other Meetings

Other meetings this quarter also addressed Afghanistan’s future economic viability. Leaders of the Group of Eight (G-8) met in Camp David, Maryland, on May 18–19 to discuss major global economic, political, and security challenges, including Afghanistan’s economic transition.<sup>372</sup> The G-8 countries pledged to support Afghanistan’s efforts to increase domestic revenues, improve government capacity, better manage spending in order to reduce its reliance on international donor funding, and bolster Afghanistan’s private sector.<sup>373</sup>

At the NATO summit in Chicago on May 20–21, participants reaffirmed their commitment to Afghanistan’s security, governance, and economic and

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**Heart of Asia:** a ministerial conference held with the aim of enhancing regional cooperation in commerce, trade, development, and education. Countries participating were Afghanistan, Azerbaijan, China, India, Iran, Kazakhstan, the Kyrgyz Republic, Pakistan, the Russian Federation, Saudi Arabia, Tajikistan, Turkey, Turkmenistan, the United Arab Emirates and Uzbekistan. The United States is a supporting country.

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Source: Embassy of Afghanistan, “Heart of Asia Ministerial Conference Declaration,” 6/14/2012, accessed 6/25/2012.

social development. They emphasized the need for regional cooperation and support for Afghan stability.<sup>374</sup>

At the Tokyo conference on July 8, donors reaffirmed the goals of long-term economic growth and fiscal self-reliance for Afghanistan. Donors committed to align 80% of their foreign aid with Afghanistan's National Priority Programs, which focus on economic growth, revenue generation, jobs, and human development. At least 50% of development assistance will be on-budget. The international community pledged \$16 billion through 2015 and sustaining support through 2017.<sup>375</sup>

## Transportation

Afghanistan's lack of overall transportation infrastructure continues to hamper trade and economic growth by restricting market access across industries.<sup>376</sup> This shortcoming is especially problematic for the agriculture and service sectors, which currently contribute the most to GDP, but will also be imperative for the mining sector in years to come, according to DoS.<sup>377</sup> For example, Afghanistan's mining sector requires roads and rail connections to neighboring countries.<sup>378</sup> Inadequate transportation networks also affect costs and employment opportunities, as well as domestic and international development assistance, and the delivery of humanitarian aid. This quarter, the United States continued its efforts to strengthen Afghanistan's transportation sector by helping develop transportation laws, administrative strategy, ministry capacity, and compliance with international standards.<sup>379</sup>

## Rail

The United States and its international partners have been helping Afghanistan develop its rail sector, with the goal of building a profitable and sustainable system. Central to this effort is establishing a rail authority to set and regulate construction standards and safety operations. Afghanistan has no meaningful railroad development, operational experience, or capacity of its own, nor has it come to a consensus about which government ministries should have control and oversight of its railway. Therefore, the U.S. Department of Transportation (DoT) has identified the establishment of the national railway authority as a priority.<sup>380</sup>

Since September 2011, a DoT rail advisor has been embedded in the MoM, serving as a rail expert to the minister. Last quarter, the framework for the new rail authority was presented to the MoM and the ministries of Transportation and Civil Aviation, Public Works, and Finance, as well as the Senior Economic Advisor to the President. Approval for the formation of the authority rests with the Council of Ministers. DoT warned that funding from the Asian Development Bank (ADB) and European Union (EU) earmarked for the development of the rail authority is at risk unless approval occurs soon.<sup>381</sup>

Upon cabinet approval, U.S. Embassy Kabul and DoT's Federal Railroad Administration official in Kabul will continue working with other U.S. entities and coalition partners to support development of the authority's requirements—from developing strategic planning and core competencies to staffing. This quarter, U.S. Embassy Kabul continued to generate minimum rail development standards and safety requirements for dissemination. It also trained and mentored Afghan government staff in regulatory formulation, enforcement, and operational oversight.<sup>382</sup>

## RAIL LINES

As of June 27, Afghanistan has one completed rail line, from Hairatan to Mazar-e Sharif. As noted in SIGAR's January 2012 quarterly report, Uzbekistan's national railway has begun operating this 75-km freight rail line, from the Hairatan freight terminal by the Uzbek border to Mazar-e Sharif.<sup>383</sup> It cost \$170 million.<sup>384</sup>

The Afghan government, its extractive industries partners, and the international donor community are considering three proposals for additional rail corridors:<sup>385</sup>

- **East-West Corridor.** This 1,094-km line would run from Herat to Sherkhan Bandar, with spurs from Herat to Iran and Torghundi, and from Sheberghan to Andkhoy and Aqina, which would open a trading route into Turkmenistan. ADB estimates that it would cost \$7 billion to complete the corridor, not including the Herat-to-Iran spur. ADB has pledged to fund the Sheberghan to Andkhoy segment, according to DoT, although no schedules have been set. ADB has conducted a pre-feasibility study for the Herat to Sherkhan Bandar segment, including the spurs from Herat to Torghundi and from Sheberghan to Aqina.
- **North-South Corridor.** This 500-km line would stretch from Kunduz to Kabul, passing through Bamiyan, allowing access to the Hajigak iron ore mine. One spur would run from Kabul to Aynak, allowing access to the Aynak copper mine, and a second from Kabul to Torkham, connecting with the Pakistani railway system. ADB estimates that the Jalalabad to Torkham segment will cost \$196 million, according to DoT. As part of its winning bid for the Hajigak mine, the Steel Authority of India committed \$1 billion to help build this corridor. As part of the winning bid by the China Metallurgical Group Corporation (MCC) for the Aynak copper mine, MCC is required to conduct a pre-feasibility study of the Kabul to Mazar-e Sharif line by 2013. It is also doing a similar study encompassing the full corridor. MCC has not yet committed to funding the cost of the line.
- **Southern Corridor.** This 1,200-km line would run from Herat and Kabul to Kandahar, and from Kandahar to Chaman, which would also connect to the Pakistani railway system. ADB estimates the Kandahar to Chaman segment will cost \$204 million, according to DoT.

## **FREIGHT RAIL**

SIGAR's January 2012 quarterly report noted that the Hairatan freight terminal near the Uzbekistan border was already operating at its peak capacity of 4,000 tons of cargo per month. The World Bank estimated that the volume of traffic could likely increase six- to ten-fold because of rising imports from Central Asia.<sup>386</sup> To help meet this demand, DoT evaluated terminal operations and found that capacity improvements were needed in efficiency, equipment, and personnel.<sup>387</sup>

- **Efficiency:** Trains originating from Uzbekistan contain mixed freight, which is transported over the Freedom Bridge to the Hairatan Customs Yard. After clearing Afghan customs, the train moves on to the Hairatan Classification Yard, where it is reorganized into trains that carry only fuel and trains that carry wood, steel, or wheat. This slows down operations. DoT recommended that Uzbekistan assemble the cargo-specific trains before trains depart, allowing for more efficient handling after clearing Afghan customs.
- **Equipment:** There is only one switching locomotive (which disassembles and reassembles trains for regular locomotives to pull) in Hairatan. DoT recommended that switching locomotives and crews be provided to meet demand as needed.
- **Personnel:** Afghanistan has never operated a rail line and has limited technical capacity to do so. DoT recommended that a railway training program be developed, including classroom instruction and on-the-job training in all railway disciplines, to promote uniformity of standards and practices.

DoT also assessed several railroad “ports” (cargo-handling areas with roads, ramps, equipment, and structures). Its detailed assessment, the first of its kind, covered Hairatan Ports 2 and 3 (Port 1 handles only barges, so was not assessed), Niababad Port 4, and Mazar-e Sharif Port 5. DoT found that a variety of minor and major improvements at the sites would make them adequate by correcting outdated equipment, rail and road traffic congestion, deteriorated roads and ramps, insufficient security, limited lighting, and undersized staging areas. Shortcomings occurred in varying combinations and degrees across the locations studied.<sup>388</sup>

## **Commercial Aviation**

This quarter, the United States continued to provide assistance and training to support Afghanistan's efforts to bring its civil-aviation capacity up to international standards. DoT helped develop Afghanistan's Aviation Security Directorate and continued to build capacity in the Flight Safety Oversight department. It also worked on updating the civil aviation regulations and designing an organizational structure that will be incorporated into the Civil Aviation Authority (CAA). The CAA's main goals are to attain

full compliance with international standards and provide regulatory oversight of aviation. The CAA will be established as part of the Civil Aviation Law, which was approved this quarter by the Cabinet, passed by the Lower House, and ratified with changes by the Upper House.<sup>389</sup> The two versions must be reconciled by the National Assembly before going to the president for signature into law.<sup>390</sup>

This quarter, DoT announced a three-year, \$10.6 million USAID-funded program to train 70–75 air traffic controllers, 16 technicians, and 6–8 additional flight safety inspectors in the fundamentals of air traffic control and flight safety at regional aviation academies. The program will comply with the requirements of the International Civil Aviation Organization; Federal Aviation Administration personnel will provide oversight.<sup>391</sup>

## Mining

USAID has \$15 million in its FY 2012 operational plan to support the extractive industries through the Mining Investment and Development for Afghan Sustainability (MIDAS) program. No disbursements were made this quarter.<sup>392</sup>

This quarter, USAID's Engineering Quality Assurance and Logistical Support program helped the MoM address technical issues related to the Aynak Cultural Resource Recovery Program, Aynak copper mines, and Hajigak iron tender. USAID also trained eight MoM and Afghan Geological Survey staff in data collection, digitization, and mapping to create a database of mineral resources and assets.<sup>393</sup>

For its part, TFBSO has allocated approximately \$15.45 million through the first three quarters in FY 2012. This included \$1.37 million to support tenders and a virtual data room; \$5 million for a TFBSO–U.S. Geological Survey Interagency Agreement for sampling mission personnel and analysis; \$29,950 in equipment for a Village Stability Operations project in Kas Konar; and \$9.05 million for an extension of commercial, technical, and legal support to the MoM to execute existing and prepare future tenders.<sup>394</sup>

## U.S. ASSISTANCE

On May 22, 2012, the TFBSO, the Afghan Investment Support Agency, and the MoM hosted a business match-making event in Kabul for mining firms and Afghan businesses. Over 45 Afghan businesses participated. Also this quarter, the Principal Deputy Director of the TFBSO attended a conference to discuss the future of Afghanistan's construction industry. The event brought together Afghan government officials, U.S. government representatives, ISAF officials, and Afghan and international business people. Many of the companies in attendance were adapting their businesses to become more competitive in the mining and energy sectors.<sup>395</sup>

**The MIDAS program supports private-sector development by advancing the following Afghan government objectives:**

- boost economic activity
- enhance revenue generation for the government
- increase jobs
- diversification through the inclusion of women

Source: DoS, response to SIGAR data call, 7/5/2012.

The TFBSO helped the MoM tender the exploration packages for these sites. The tenders were offered on December 6, 2011, at the London Mines and Ministry Conference, as noted in SIGAR's January 2012 quarterly report.

Source: TFBSO, response to SIGAR data call, 1/2/2012.

## PRIVATE-SECTOR INVESTMENT

This quarter, the TFBSO helped the MoM arrange site visits for representatives of 16 companies to the areas for four major tenders—Zarkashan, a copper porphyry deposit; Badakhshan, a gold-quartz vein; Balkhab, a copper deposit; and Shaida, a copper deposit. The companies gave presentations to the ministers of Mines and Finance, and met with local and regional officials as well as staff members of the Afghan Geological Survey and the MoM.<sup>396</sup>

As of June 1, 2012, 16 companies had paid the required bidding fees for the deposits. Official bids for the four mineral deposits are due next quarter. The total value of the deposits was not yet known, but the TFBSO estimates that the Afghan government could take in as much as \$6 billion in revenue from each of the three copper mines. In the more immediate future, the government may collect some payroll-tax revenues during the exploration phase from the hiring of surveyors, engineers, and geologists. In the meantime, the TFBSO is planning for the next four mineral tenders—North Aynak (copper), Khanneshin (rare-earth elements), Dudkash (industrial minerals), and Duser (copper). Sampling and evaluation work is to begin by the end of this summer.<sup>397</sup>

## Communications

Like energy, communications is considered a core infrastructure priority by the Afghan government and international donors. This quarter, DoS, USAID, DoD, and other partners continued to support numerous projects in the sector, including the establishment of cellular communication and fiber-optic infrastructure, and construction of broadcast towers.<sup>398</sup>

Also this quarter, the Minister of Communications and Information Technology led a delegation in May to the World Summit on the Information Society (WSIS) Forum 2012 in Geneva. The annual summit is a platform for addressing evolving information and communication technologies (ICT), which play an increasing role in sustainable development. The goal of the WSIS is to achieve an open, inclusive and people-centric information society.<sup>399</sup> In an Afghanistan Country Workshop, the National ICT Alliance of Afghanistan highlighted the following attainments:<sup>400</sup>

- four major telecommunications companies and numerous private IT companies
- over 100 Internet service providers
- an estimated 2 million Internet users
- growing numbers of ICT educational courses and advanced degrees
- several national and international associations and organizations representing Afghanistan's ICT sector

Other highlights:<sup>401</sup>

- 70% of all phones are mobile phones
- Internet access costs of approximately \$60 per month for fiber-optic connections, down from \$3,000 per month for satellite connections
- Over 100,000 ICT sector jobs created

On a June 11–12 visit to the United States, the minister of Communications and Information Technology met with several organizations, U.S. government officials, and industry representatives to discuss progress in and development of the telecommunications sector. He discussed Afghanistan's cybersecurity strategy with U.S. officials and conferred with industry representatives about investment opportunities in Afghanistan's burgeoning technology infrastructure and satellite industry.<sup>402</sup>

On June 20, 2012, the ministry signed the country's second \$25 million, 3G license agreement with telecommunications provider MTN Afghanistan. MTN Afghanistan expected its 3G services to be operational by mid-July.<sup>403</sup> The ministry issued the first 3G license to Etisalat on March 18, 2012 (also valued at \$25 million).<sup>404</sup> On June 12, communications provider Roshan announced that it had more than 6 million active subscribers. Roshan said it has spent over \$550 million on network infrastructure since 2003, contributes about 5% to the government's overall domestic revenue, employs over 1,300 people, and provides indirect employment for approximately 30,000 others.<sup>405</sup>

As noted last quarter, Roshan has teamed up with Western Union to provide international mobile money remittances directly through their phones with the M-Paisa service, which makes possible money transfers, bill payments, and airtime purchases. The international mobile money transfer service was officially launched on May 21.<sup>406</sup>



**On Watch**

ISAF personnel operate in the skies over Logar province. The cultivated fields exemplify the centrality of agriculture in the Afghan economy. (U.S. Army photo)

# 4 OTHER AGENCY OVERSIGHT





## OTHER AGENCY OVERSIGHT

SIGAR’s enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs and to submit a report to Congress on SIGAR’s oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates.

The descriptions appear as they were submitted, with certain changes for consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies are performing oversight activities in Afghanistan and providing results to SIGAR:

- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

### COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the 18 oversight projects related to reconstruction that the participating agencies reported were completed this quarter.

TABLE 4.1

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2012			
Agency	Report Number	Date Issued	Project Title
DoD OIG	D-2012-104	6/18/2012	DoD Needs to Improve Vocational Training Efforts to Develop the Afghan National Security Forces Infrastructure Maintenance Capabilities
DoD OIG	D-2012-103	6/18/2012	Accountability of Night Vision Devices Procured for the Afghan National Security Forces Needs Improvement
DoD OIG	D-2012-094	5/30/2012	Afghan National Police Contract Requirements Were Not Clearly Defined but Contract Administration Improved
DoD OIG	D-2012-093	5/30/2012	Improving Army Contract Award and Management for Small Arms Acquired Using Afghanistan Security Forces Funds
DoD OIG	D-2012-092	5/25/2012	Development of Individual Equipment Requirements for the Afghan National Army Needs Improvement
DoD OIG	D-2012-089	5/17/2012	Better Contract Oversight Could Have Prevented Deficiencies in the Detention Facility in Parwan, Afghanistan
DoD OIG	D-2012-083	5/7/2012	Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution
DoD OIG	D-2012-074	4/11/2012	Investigation of a USCENTCOM Referral: Non-compliance with Interrogation Policy
GAO	GAO-12-619	6/28/2012	Defense Management: Steps Taken to Better Manage Fuel Demand but Additional Information Sharing Mechanisms are Needed
GAO	GAO-12-607C	5/18/2012	Interim Results on U.S.-NATO Efforts to Transition Lead Security Responsibility to Afghan Forces

# OTHER AGENCY OVERSIGHT

TABLE 4.1 (CONTINUED)

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2012			
Agency	Report Number	Date Issued	Project Title
GAO	GAO-12-133	5/15/2012	Army Has Taken Steps to Improve Reset Process, but More Complete Reporting of Equipment and Future Costs Is Needed
GAO	GAO-12-534	5/9/2012	Foreign Police Assistance: Defined Roles and Improved Information Sharing Could Enhance Interagency Collaboration
GAO	GAO-12-438SU	4/26/2012	Afghanistan Security: Estimated Costs to Support Afghan National Security Forces Underscore Concerns about Sustainability
GAO	GAO-12-442	4/23/2012	Defense Biometrics: Additional Training for Leaders and More Timely Transmission of Data Could Enhance the Use of Biometrics in Afghanistan
GAO	GAO-12-471SU	4/20/2012	Afghan Security: Renewed Sharing of Biometric Data Could Strengthen U.S. Efforts to Protect U.S. Personnel from Afghan Security Force Attacks
GAO	GAO-12-396C	4/5/2012	Intelligence, Surveillance, and Reconnaissance: Actions Needed to Improve DOD Guidance, Tools, and Training for Managing Collection Capabilities
USAID OIG	F-306-12-004-P	6/29/2012	Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West Program
USAID OIG	F-306-12-003-P	6/25/2012	Audit of USAID/Afghanistan's Internal Controls in the Administration of the Involuntary Separate Maintenance Allowance

Sources: DoD OIG, response to SIGAR data call, 6/21/2012; DoS OIG response to SIGAR data call, 6/22/2012; GAO, response to SIGAR data call, 6/25/2012; USAID OIG, response to SIGAR data call, 6/19/2012.

## U.S. Department of Defense Office of Inspector General

During this quarter, DoD OIG issued eight reports related to Afghanistan reconstruction.

### DoD Needs to Improve Vocational Training Efforts to Develop the Afghan National Security Forces Infrastructure Maintenance Capabilities

(Report No. D-2012-104, Issued June 18, 2012)

Vocational training provided under the operations and maintenance contracts did not effectively develop Afghan National Security Forces (ANSF) infrastructure-maintenance capabilities. Specifically, the U.S. Army Corps of Engineers (USACE) and Combined Security Transition Command-Afghanistan (CSTC-A) officials did not require the contractor to implement vocational training at 9 of the 18 ANSF sites required by the contracts. This occurred because CSTC-A Infrastructure Training Advisory Group officials were still developing their transition strategy and assessing the feasibility of implementing training at additional sites.

In addition, USACE officials did not incorporate measurable performance standards in the contracts or conduct sufficient quality-assurance activities because officials considered the vocational training portion of the contracts to be negligible in relation to the value of operations and maintenance services to be performed.

As a result, CSTC-A will continue to be at an increased risk for not meeting its goal to transition facility operations and maintenance responsibilities to the ANSF by the end of 2014. In addition, the approximately \$10.3 billion

planned U.S. investment in facilities may be diminished if the ANSF are unable to maintain their infrastructure.

## **Accountability of Night Vision Devices Procured for the Afghan National Security Forces Needs Improvement**

(Report No. D-2012-103, Issued June 18, 2012)

Defense Security Cooperation Agency (DSCA) officials, North Atlantic Treaty Organization Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan (NTM-A/CSTC-A) officials, ANSF officials, and DoD contractors did not maintain complete accountability for night vision devices (NVDs) and associated spare tubes procured for the ANSF. Specifically, DoD IG found

- 342 NVD serial numbers were missing from the Security Cooperation Information Portal (SCIP) and 88 NVD serial numbers were missing from the Operational Verification of Reliable Logistics Oversight Database (OVERLORD) during shipping-document reconciliations
- 113 NVD serial numbers were missing from SCIP and 40 NVD serial numbers were missing from OVERLORD in SCIP and OVERLORD comparisons
- 75 NVDs were unaccounted for during physical inventory
- 397 discrepancies existed in the contractor's database
- 518 discrepancies existed across four units' property books during accountable-record reconciliations

This occurred because DSCA officials did not provide adequate oversight to verify that U.S. Army Communications - Electronics Command (CECOM) and NTM-A/CSTC-A officials properly implemented procedures. In addition, NTM-A/CSTC-A officials did not always reconcile the NVDs received to the shipping documents, use SCIP for NVD accountability, perform complete physical inventories, and provide adequate oversight of DoD contractors and ANSF officials. Further, CECOM officials did not provide adequate oversight of DoD contractors. As a result, NVDs and associated spare tubes are more vulnerable to theft or loss, officials cannot rely on the data as a tool to determine NVD requirements, and officials cannot perform effective end-use monitoring.

## **Afghan National Police Contract Requirements Were Not Clearly Defined but Contract Administration Improved**

(Report No. D-2012-094, Issued May 30, 2012)

Army contracting officials at Army Contracting Command-Aberdeen Proving Ground did not appropriately award and administer the Afghan National Police (ANP) contract in accordance with Federal and DoD guidance. CSTC-A personnel made substantial changes to the statement of work immediately after contract award and the contractor more than doubled

# OTHER AGENCY OVERSIGHT

the size and cost of its program management office. CSTC-A, International Security Assistance Force Joint Command, and Army contracting officials did not adequately define contract requirements or identify that the contractor omitted key program office positions from its proposal during the source-selection process. As a result, the cost of the ANP contract increased by \$145.3 million in the first four months of the contractor's performance, and contractor officials still had not reached the staffing levels required in the contract at the time of this review.

The Defense Contract Management Agency (DCMA)-Afghanistan administrative contracting officer inappropriately authorized the prime contractor to award a subcontract for a power-plant upgrade that was outside the prime contract's scope of work. As a result, the Army did not receive potential cost savings by competing the contract. The Army Contracting Command-Rock Island procuring contracting officer made several improvements to the management of the ANP contract.

## **Improving Army Contract Award and Management for Small Arms Acquired Using Afghanistan Security Forces Funds**

(Report No. D-2012-093, Issued May 30, 2012)

Army Contracting Command officials did not properly award or manage 19 contract actions in accordance with regulations and did not include specific quality requirements in the contract for 13 contract actions because they did not perform all necessary contracting procedures when accelerating procurements. Specifically, Army Contracting Command contracting officials did not:

- properly compete or adequately justify sole-source awards for 6 actions
- adequately determine foreign subcontractor qualifications for 13 actions
- adequately address contractor nonperformance for 2 actions
- require anything other than a visual inspection to verify the correct quantity and weapon type before accepting 13 actions

As a result, Army Contracting Command contracting centers may have overpaid on six contract actions, and foreign-manufactured small arms may be of lower quality or delivered late or not at all. In addition, Army Contracting Command contracting officials did not document the requirement for 25 contract actions and the use of commercial acquisition procedures for 10 contract actions. This occurred because contracting officials did not maintain a letter of offer and acceptance and documentation to support the commerciality of the small arms in the contract file. As a result, the Army Contracting Command contracting officials may procure the incorrect item or quantity, and may be using acquisition procedures that limit the government's ability to monitor and inspect the small arms.

## **Development of Individual Equipment Requirements for the Afghan National Army Needs Improvement**

(Report No. D-2012-092, Issued May 25, 2012)

NTM-A/CSTC-A officials did not develop adequate sustainment requirements for the 15 types of Afghan National Army (ANA) individual equipment items. Specifically, officials did not develop supportable recapitalization and maintenance requirements. This occurred because NTM-A/CSTC-A

- relied on anecdotal evidence, experience, and professional judgment to develop the recapitalization rates
- could not determine the items identified for recapitalization or the process used to develop the requirements in FY 2007 through FY 2011
- did not request all necessary maintenance data from contractors
- did not request subject-matter expertise from the Life Cycle Management Commands in developing sustainment requirements

As a result, NTM-A/CSTC-A had no assurance that 2,613 individual equipment items, costing \$5.6 million and planned for recapitalization in FY 2012, were sufficient to replace irreparably damaged or lost items. In addition, NTM-A/CSTC-A had no assurance that items would be available to replace a potential 29,569 irreparably damaged or lost ANA individual equipment items, valued at approximately \$49 million, acquired before FY 2012. Also, NTM-A/CSTC-A did not have information to make informed decisions on ANA individual-equipment sustainment requirements.

## **Better Contract Oversight Could Have Prevented Deficiencies in the Detention Facility in Parwan, Afghanistan**

(Report No. D-2012-089, Issued May 17, 2012)

USACE Afghanistan Engineer District-North officials accepted the detention facility from the contractor in September 2009, despite major deficiencies. Specifically, the contractor used materials in major infrastructure systems that did not conform to contract specifications. This occurred because USACE Afghanistan Engineer District-North officials did not provide adequate oversight over construction of the detention facility and did not comply with their internal policies regarding oversight of the contractor's warranty. As a result, major infrastructure systems had recurring deficiencies requiring replacement or repair. These deficiencies increased safety and security risks to DoD personnel and detainees.

The Commander, Combined Joint Interagency Task Force-435, stated the sewage system and the fire-suppression system have not been a problem since the 43rd Military Police Brigade took command in April 2011. However, he also stated that access doors are in disrepair and will be replaced as soon as new, prison-grade doors arrive from the United States; and that a change order is pending to have the operation and maintenance contractor upgrade the electrical system to U.S. electrical-code standards.

# OTHER AGENCY OVERSIGHT

## **Additional Guidance and Training Needed to Improve Afghan National Army Pharmaceutical Distribution**

(Report No. D-2012-083, Issued May 7, 2012)

Although the ANA pharmaceutical distribution process improved since February 2011, the procurement, delivery, and inventory-control processes for pharmaceuticals at medical facilities and depots could be improved. Specifically, Afghan Logistics Command officials effectively received, accounted for, and prepared pharmaceuticals for issuance to the forward supply depots and National Military Hospital. However, of the six supply depots and medical facilities reviewed:

- Four did not have or maintain pharmaceutical accountability controls.
- None properly used or completed all Ministry of Defense forms.

This occurred because the new distribution process was still in early implementation. Specifically, ANA officials, in coordination with CSTC-A, did not effectively communicate or train all ANA personnel. In addition, Afghan Medical Command officials, in coordination with CSTC-A, did not develop procedures instructing medical facility personnel how to implement logistics guidance and how to collect and accurately report on pharmaceutical usage data.

In addition, none of the 11 vendors that Afghan Acquisition, Technology, and Logistics officials selected for a \$4.7 million contract to procure pharmaceuticals and medical supplies delivered all of the pharmaceuticals in accordance with contract requirements. This occurred because officials did not fully document vendor evaluations during source selection.

As a result, ANA is at an increased risk that the usage data cannot be relied upon to develop pharmaceutical requirements, and of mismanagement, theft, and waste of U.S.-funded pharmaceuticals. In addition, CSTC-A is at risk of not being able to transition the distribution process to full ANA control.

CSTC-A and ANA officials have taken or planned corrective actions in response to preliminary concerns identified during the audit, such as improving access controls, providing training, and issuing guidance.

## **Investigation of a USCENTCOM Referral: Non-compliance with Interrogation Policy**

(Report No. D-2012-074, Issued April 11, 2012)

The results of this report are classified.

## **U.S. Department of State Office of Inspector General–Middle East Regional Office**

During this quarter, DoS OIG issued no reports related to Afghanistan reconstruction.

## Government Accountability Office

During this quarter, GAO issued eight reports related to Afghanistan reconstruction.

### **Defense Management: Steps Taken to Better Manage Fuel Demand but Additional Information Sharing Mechanisms Are Needed**

(Report No. GAO-12-619, Issued June 28, 2012)

According to DoD, the U.S. military's dependence on liquid fuel in countries like Afghanistan creates an enormous logistics burden that exposes forces to enemy attack and diverts operational resources from other mission areas to support delivery of this critical resource. In 2011, DoD consumed almost 5 billion gallons of fuel in military operations worldwide, at a cost of approximately \$17.3 billion.

GAO was asked to (1) assess DoD's approach for fuel demand management, including at forward-deployed locations in Afghanistan, (2) determine the extent to which DoD has initiatives to promote fuel efficiency at forward-deployed locations in Afghanistan and efforts to coordinate and collaborate on such initiatives, and (3) assess efforts to measure the results of its fuel demand management initiatives and establish a baseline measure of fuel consumption in Afghanistan.

GAO found that DoD has taken steps to establish an approach for managing its overall fuel demand, but is still developing comprehensive guidance to address fuel demand management, including at forward-deployed locations in countries such as Afghanistan. Additionally, multiple DoD organizations are developing initiatives to decrease fuel demand at forward-deployed locations, including in Afghanistan, and the department has worked to facilitate some coordination and collaboration among the services on fuel demand management efforts. However, it is still developing an approach to systematically identify and track all of the fuel demand management initiatives that have been fielded, or are in the research and development phase throughout DoD.

Finally, DoD has started to measure the results of some of the fuel demand management initiatives used in Afghanistan, but is still in the process of collecting and assessing comprehensive baseline data needed to measure current fuel consumption at forward-deployed locations. GAO recommends that DoD finalize and implement a systematic approach that includes establishing a mechanism to identify and track fuel demand management initiatives that have been fielded, or are in the research and development phase.

## **Interim Results on U.S.-NATO Efforts to Transition Lead Security Responsibility to Afghan Forces**

(Report No. GAO-12-607C, Issued May 18, 2012)

This report is classified and is restricted to those with the appropriate level of security clearance and a need to know its content.

## **Army Has Taken Steps to Improve Reset Process, but More Complete Reporting of Equipment and Future Costs Is Needed**

(Report No. GAO-12-133, Issued May 15, 2012)

From 2007 to 2012, the Army received about \$42 billion to fund its expenses for the reset of equipment—including more than \$21 billion for depot maintenance—in support of continuing overseas contingency operations (OCO) in Southwest Asia. Reset is intended to mitigate the effects of combat stress on equipment by repairing, rebuilding, upgrading, or procuring replacement equipment.

In 2007, GAO reported that the Army's reset strategy did not target equipment shortages for units deploying to theater. For this report, GAO (1) examined steps the Army has taken to improve its equipment reset strategy since 2007, and (2) determined the extent to which the Army's reset reports to Congress provide visibility over reset costs and execution.

Since GAO's 2007 review, the Army has taken steps to improve its use of reset in targeting equipment shortages. In 2008, the Army issued its Depot Maintenance Enterprise Strategic Plan, noted that filling materiel shortages within warfighting units is a key challenge facing the depot maintenance enterprise, and called for changes in programs and policies to address those shortages. Additionally, GAO found that the Army's monthly reports to Congress do not include expected future reset costs, or distinguish between planned and unplanned reset of equipment. GAO has reported that agencies and decision makers need visibility into the accuracy of program execution to ensure basic accountability and to anticipate future costs.

To address these concerns, GAO recommends that the Army revise its monthly congressional reset reports to include its future reset liability and status information on equipment reset according to the initial reset plan by vehicle type. DoD did not concur, and said the Army would report its reset liability annually instead of monthly. Because DoD did not agree to report its reset status by vehicle type, GAO included a matter for congressional consideration to direct the Army to report this information.

## **Foreign Police Assistance: Defined Roles and Improved Information Sharing Could Enhance Interagency Collaboration**

(Report No. GAO-12-534, Issued May 9, 2012)

In April 2011, GAO reported that the United States provided an estimated \$3.5 billion for foreign police assistance to 107 countries during FY 2009. GAO agreed to follow that report with a review of the extent to which

U.S. agencies evaluated and coordinated their foreign police assistance activities. This report (1) updates GAO's analysis of U.S. agencies' funding of foreign police assistance during fiscal years 2009 through 2011, (2) examines the extent to which DoD and DoS and the U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) assess or evaluate their activities for countries with the largest programs, and (3) examines the mechanisms U.S. agencies use to coordinate foreign police assistance activities.

GAO found that the United States provided an estimated \$13.9 billion for foreign police assistance during FYs 2009 through 2011. Funds provided by U.S. agencies rose and then fell between FYs 2009 and 2011. During FYs 2009 through 2011, the United States provided the greatest amount of its foreign police assistance to Afghanistan, Iraq, Pakistan, Colombia, Mexico, and the Palestinian Territories. DoD and DoS funds constituted about 97% of U.S. funds for police assistance in FY 2009 and 98% in FYs 2010 and 2011. DoD and INL have acknowledged limitations in their procedures to assess and evaluate their foreign police assistance activities and are taking steps to address them.

GAO also found that U.S. agencies have implemented various mechanisms to coordinate their foreign police assistance activities as part of wider foreign assistance activities, such as the National Security Council (NSC)-led interagency policy committees that coordinate policies at a high level and various working groups at the overseas posts; however, some areas for improvement were noted. GAO recommended that (1) NSC complete its efforts to define agency roles and responsibilities, and (2) the Secretaries of Defense and State establish mechanisms to better share and document information among various U.S. agencies.

## **Afghanistan Security: Estimated Costs to Support Afghan National Security Forces Underscore Concerns about Sustainability**

(Report No. GAO-12-438SU, Issued April 26, 2012)

This report is sensitive but unclassified and is restricted to those with a need to know its content.

## **Defense Biometrics: Additional Training for Leaders and More Timely Transmission of Data Could Enhance the Use of Biometrics in Afghanistan**

(Report No. GAO-12-442, Issued April 23, 2012)

The collection of biometrics data, including fingerprints and iris patterns, enables U.S. counterinsurgency operations to identify enemy combatants and link individuals to events such as improvised explosive device detonations. GAO was asked to examine the extent to which (1) DoD's biometrics training supports warfighter use of biometrics, (2) DoD is effectively

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collecting and transmitting biometrics data, and (3) DoD has developed a process to collect and disseminate biometrics lessons learned. GAO found that DoD has trained thousands of personnel on the use of biometrics since 2004, but biometrics training for leaders does not provide detailed instructions on how to effectively use and manage biometrics collection tools. Also, several factors during the transmission process limit the use of biometrics in Afghanistan. Among them is unclear responsibility for the completeness and accuracy of biometrics data during their transmission. As a result, DoD cannot expeditiously correct data transmission issues as they arise. Finally, GAO found that lessons learned from U.S. military forces' experiences with biometrics in Afghanistan are collected and used by each of the military services and U.S. Special Operations Command. Military services emphasize the importance of using lessons learned to sustain, enhance, and increase preparedness to conduct future operations, but no requirements exist for DoD to disseminate existing biometrics lessons learned across the department.

GAO recommended that DOD take several actions to expand leadership training to improve employment of biometrics collection, help ensure the completeness and accuracy of transmitted biometrics data, determine the viability and cost-effectiveness of reducing transmission times, and assess the merits of disseminating biometrics lessons learned across DoD for the purposes of informing relevant policies and practices.

## **Afghan Security: Renewed Sharing of Biometric Data Could Strengthen U.S. Efforts to Protect U.S. Personnel from Afghan Security Force Attacks**

(Report No. GAO-12-471SU, Issued April 20, 2012)

This report is sensitive but unclassified and is restricted to those with a need to know its content.

## **Intelligence, Surveillance, and Reconnaissance: Actions Needed to Improve DoD Guidance, Tools, and Training for Managing Collection Capabilities**

(Report No. GAO-12-396C, Issued April 5, 2012)

This report is classified and is restricted to those with the appropriate level of security clearance and a need to know its content.

## **U.S. Army Audit Agency**

The USAAA did not complete any new audits related to Afghanistan reconstruction this quarter.

## **U.S. Agency for International Development Office of Inspector General**

During this quarter, USAID OIG issued two reports related to Afghanistan reconstruction.

### **Audit of USAID/Afghanistan's Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW) Program**

(Report No. F-306-12-004-P, Issued June 29, 2012)

USAID/OIG conducted this audit to determine whether USAID/Afghanistan had appropriate internal controls to prevent improper use of involuntary separate maintenance allowance. The final report includes these issues:

- The project's strategic focus and staffing have not been consistent. Although IDEA-NEW was designed for the purpose of dissuading Afghans from growing poppy by increasing access to licit, commercially viable, alternative sources, USAID/Afghanistan reportedly directed the contractor to reorient its program to focus only on expanding the licit economy. In addition, the project experienced frequent turnover of vital personnel. Project monitoring needs to be strengthened. Neither USAID/Afghanistan nor its implementing partner adequately monitored this project.
- Plans for sustainability are needed. The sustainability of the IDEA-NEW project is questionable. The participation of women should be increased. Although the cooperative agreement specifically addresses the need to maintain gender integration and balance in all activities, the participation of women in the project has been low. Additional guidance on cash-for-work projects is needed. Although infrastructure projects have been the major focus of IDEA-NEW's cash-for-work activities, the mission has no standard policies and procedures for these activities.

The report included 18 recommendations to address these issues.

### **Audit of USAID/Afghanistan's Internal Controls in the Administration of the Involuntary Separate Maintenance Allowance**

(Report No. F-306-12-003-P, Issued June 25, 2012)

USAID/OIG conducted this audit to determine whether USAID/Afghanistan had appropriate internal controls to prevent improper use of the involuntary separate maintenance allowance (ISMA). The final report includes the following issues:

- The mission lacked internal controls over the approval of applications. Although the mission was responsible for establishing internal controls over the processing and approval of ISMA applications for U.S. and

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third-country national personal-services contractors, it had not established such controls.

- Employees signed for their spouses on applications claiming ISMA benefits for the spouse, even though required to obtain the spouse's signature. These employees were U.S. direct-hire employees whose ISMA applications were approved in USAID/Washington.
- Controls over allowance payments were insufficient. USAID/Afghanistan had established internal controls to prevent improper ISMA payments, but those controls did not always work.
- No controls covered approval of home-leave travel. Home-leave travel is not authorized for family members already on ISMA, but the mission approved and made improper payments for home-leave travel for dependent family members of at least two employees, when those family members had been authorized for and were already receiving ISMA benefits.

The report included 10 recommendations to address these issues.

## ONGOING OVERSIGHT ACTIVITIES

As of June 30, 2012, the participating agencies reported 29 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

TABLE 4.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2012			
Agency	Project Number	Date Initiated	Project Title
DoD OIG	D2012-D000AT-0170.000	5/11/2012	Availability of Spare Parts for the C-27A/G222
DoD OIG	D2012-D000AS-0137.000	3/9/2012	Oversight Processes and Procedures for the Afghan National Police Mentoring/Training and Logistics Support Contract
DoD OIG	D2012-D000AT-0129.000	3/8/2012	Datron Radio Contracts To Support the Afghan National Security Forces
DoD OIG	D2012-D000JB-0126.000	3/8/2012	Air Force Center for Engineering and the Environment's Contract Management and Oversight of Military Construction Projects in Afghanistan
DoD OIG	D2012-D00SPO-0090.000	2/28/2012	U.S. and Coalition Efforts To Develop Leaders in the Afghan National Army
DoD OIG	D2012-DT0TAD-0002.000	2/14/2012	Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan
DoD OIG	D2012-DT0TAD-0001.000	2/14/2012	Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan
DoD OIG	D2012-D000JB-0093.000	1/11/2012	Building Institutional Capacity Through the Ministry of Defense Advisors Program
DoD OIG	D2012-D00SPO-0085.000	1/6/2012	U.S. Efforts to Develop the Afghan National Security Forces Command and Control System
DoD OIG	D2012-D000JB-0071.000	12/16/2011	Contract Management and Oversight of Military Construction Projects in Afghanistan
DoD OIG	D2012-D000AS-0075.000	12/7/2011	Task Orders for Mi-17 Overhauls and Cockpit Modifications
DoD OIG	D2012-D000AS-0031.000	11/17/2011	Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command
DoD OIG	D2011-D00SPO-0234.000	5/20/2011	Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force
DoD OIG	D2011-D000FD-0121.000	3/30/2011	Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations

# OTHER AGENCY OVERSIGHT

TABLE 4.2 (CONTINUED)

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2012			
Agency	Project Number	Date Initiated	Project Title
DoS OIG-MERO	12AUD30	12/2011	Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Correction System Support Program in Afghanistan
GAO	351747	6/11/2012	DoD's Transition to the Afghan Public Protection Force
GAO	351742	5/11/2012	Security Force Assistance Roles for DoD Forces
GAO	351743	5/11/2012	Advisory Teams in Afghanistan
GAO	121049	3/29/2012	Assessment of Joint Report on Contracting in Iraq and Afghanistan
GAO	121042	2/2/2012	Recommendations of the Commission on Wartime Contracting
GAO	320889	2/2/2012	Streamlining Aid to Afghanistan
GAO	351708	2/1/2012	U.S. Capabilities to Support Afghanistan Security Transition
GAO	351688	11/19/2011	DoD's Preparations for Drawdown of Forces in Afghanistan
GAO	320856	9/26/2011	Security Transition in Afghanistan
GAO	120976	3/31/2011	State Contracting for Conflicted Countries
USAID OIG	FF101112	5/1/2012	Audit of USAID/Afghanistan's Kandahar Power Initiative
USAID OIG	FF100312	5/1/2012	Audit of USAID/Afghanistan's Performance-Based Governor's Fund
USAID OIG	FF101812	12/1/2011	Review of USAID/Afghanistan's Monitoring and Evaluation System
USAID OIG	FF101712	10/25/2011	Review of USAID/Afghanistan's Use of the Commander's Emergency Response Program Funds for Selected Projects

Sources: DoD OIG, response to SIGAR data call, 6/21/2012; DoS OIG, response to SIGAR data call, 6/22/2012; GAO, response to SIGAR data call, 6/25/2012; USAAA, response to SIGAR data call, 6/21/2012; USAID OIG, response to SIGAR data call, 6/19/2012.

## Department of Defense Office of Inspector General

DoD continues to face many challenges in executing its OCO. DoD OIG has identified priorities based on those challenges and high risks. In FY 2012, DoD OIG continues to focus oversight on OCO with a majority of its resources supporting operations in Afghanistan. The DoD OIG focus in Afghanistan continues in the areas of the management and execution of the Afghanistan Security Forces Fund, military construction, safety of personnel, and the administration and oversight of contracts supporting coalition forces.

As billions of dollars continue to be spent in Afghanistan, a top priority will continue to be the monitoring and oversight of acquisition and contracting processes focused on training, equipping, and sustaining the ANSF. DoD OIG planned oversight efforts address the administration and oversight of contracts for equipping the ANSF, such as rotary-wing aircraft, airplanes, ammunition, radios, and night-vision devices. DoD OIG will also continue to review and assess the Department's efforts in managing and executing contracts to train the ANP.

As military construction continues in Afghanistan to build or renovate new living areas, dining and recreation facilities, medical clinics, base expansions, and police stations, DoD OIG will continue to provide aggressive oversight of contract administration and military construction projects.

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DoD OIG will also continue to focus on the accountability of property, such as contractor-managed, government-owned property and Army high-demand items; the Department's efforts to strengthen institutional capacity at the Afghan Ministry of Defense; and financial management controls.

DoD OIG-led Southwest Asia Joint Planning Group coordinates and deconflicts Federal and DoD OCO-related oversight activities. DoD OIG continues to work with the SIGAR as well as fellow Inspectors General and Defense oversight community members to develop an FY 2013 strategic audit plan for the entire IG community working in Afghanistan. This SIGAR-led effort provides the Congress and key stakeholders with more effective oversight of reconstruction programs.

## **Office of the Deputy Inspector General for Auditing**

Ongoing Operation Enduring Freedom-related oversight addresses the safety of personnel with regard to construction efforts; force protection programs for U.S. personnel; accountability of property; improper payments; contract administration and management including construction; oversight of the contract for training the Afghan police; logistical distribution within Afghanistan; health care; and acquisition planning and controls over funding for Afghan security forces.

## **Availability of Spare Parts for the C-27A/G222**

(Project No. D2012-D000AT-0170.000, Initiated May 11, 2012)

DoD OIG is determining whether the cost and availability of spare parts for the C-27A/G222 will allow for continued sustainability of the aircraft for the Afghan Air Force.

## **Oversight Processes and Procedures for the Afghan National Police Mentoring/Training and Logistics Support Contract**

(Project No. D2012-D000AS-0137.000, Initiated March 9, 2012)

DoD OIG is conducting the second in a series of audits on the ANP Mentoring/Training and Logistics support contract. The overall objective for the series of audits is to determine whether DoD officials are using appropriate contracting processes to satisfy mission requirements and are conducting appropriate oversight of the contract in accordance with federal and DoD policies.

For this audit DoD OIG will determine whether the Army, NTM-A/CSTC-A, and DCMA had adequate oversight processes and procedures for the contract. Additionally, DoD OIG will determine whether the Army, NTM-A/CSTC-A, and DCMA conducted adequate contractor surveillance. The first audit in this series is "Afghan National Police Mentoring/Training and Logistics Support Contract," Project Number D2011-D000AS-0271.000.

## **Datron Radio Contracts To Support the Afghan National Security Forces**

(Project No. D2012-D000AT-0129.000, Initiated March 8, 2012)

DoD OIG is determining whether the U.S. Army Communications-Electronics Command implemented effective policies and procedures for awarding Datron radio contracts, negotiating fair and reasonable prices, verifying timely deliveries, and establishing quality assurance measures in accordance with applicable requirements.

## **Air Force Center for Engineering and the Environment's Contract Management and Oversight of Military Construction Projects in Afghanistan**

(Project No. D2012-D000JB-0126.000, Initiated March 8, 2012)

DoD OIG is determining whether Air Force Center for Engineering and the Environment officials are providing effective oversight of construction projects in Afghanistan. This is the second in a series of audits on contract management and oversight of military construction projects in Afghanistan. The first project, D2012-D000JB-0071.000, focuses on U.S. Army Corps of Engineers contract management and oversight of military construction projects in Afghanistan.

## **U.S. and Coalition Efforts To Develop Leaders in the Afghan National Army**

(Project No. D2012-D00SPO-0090.000, Initiated February 28, 2012)

DoD OIG is assessing the sufficiency and effectiveness of the coalition's leader programs for developing ANA officers and non-commissioned officers.

## **Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan**

(Project No. D2012-DT0TAD-0002.000, Initiated February 14, 2012)

DoD OIG is determining whether fire-suppression systems built by military construction in selected U.S.-occupied facilities in Afghanistan are in compliance with the U.S. Central Command Unified Facilities Criteria and National Fire Protection Association standards. DoD OIG will assess U.S.-occupied facilities at Kandahar Airfield, Bagram Airfield, Camp Eggers, and other locations as necessary. The assessment will also report the status of DoD OIG recommended corrective actions from previous fire-suppression system assessments.

## **Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan**

(Project No. D2012-DT0TAD-0001.000, Initiated February 14, 2012)

DoD OIG is determining whether electrical systems built by military construction in selected U.S.-occupied facilities in Afghanistan are in compliance with United States Central Command Unified Facilities Criteria and National Electrical Code standards. DoD OIG will assess U.S.-occupied facilities at Kandahar Airfield, Bagram Airfield, Camp Eggers, and other locations as necessary. DoD OIG will also assess the status of DoD OIG–recommended corrective actions from previous electrical system assessments.

## **Building Institutional Capacity Through the Ministry of Defense Advisors Program**

(Project No. D2012-D000JB-0093.000, Initiated January 11, 2012)

DoD OIG is determining whether the Ministry of Defense Advisors Program is achieving its intended purpose. Specifically, DoD OIG will determine whether the program’s goals, objectives, and resources are being managed effectively and efficiently to achieve its intended results.

## **U.S. Efforts To Develop the Afghan National Security Forces Command and Control System**

(Project No. D2012-D00SPO-0085.000, Initiated January 6, 2012)

DoD OIG is determining whether DoD will complete development of the ANSF Command and Control System by established end-state dates. Specifically, DoD OIG will assess whether U.S. government and coalition strategy, guidance, plans, and resources are adequate for the development and operational implementation of an effective ANSF Command and Control System.

## **Contract Management and Oversight of Military Construction Projects in Afghanistan**

(Project No. D2012-D000JB-0071.000, Initiated December 16, 2011)

DoD OIG is determining whether DoD is providing effective oversight of military construction projects in Afghanistan. Specifically, DoD OIG will determine whether DoD is properly monitoring contractor performance during construction and adequately performing quality-assurance oversight responsibilities.

To provide command with timely and focused reports, this project has been separated into two projects. The original project will focus on USACE contract management and oversight of military construction projects in Afghanistan. The second project, D2012-D000JB-0126.000, focuses on Air Force Center of Environmental Excellence contract management and oversight of military construction projects in Afghanistan.

## **Task Orders for Mi-17 Overhauls and Cockpit Modifications**

(Project No. D2012-D000AS-0075.000, Initiated December 7, 2011)

DoD OIG is determining whether DoD officials properly awarded and administered task orders for the overhaul and modification of Mi-17 aircraft in accordance with federal and DoD regulations and policies. Contracting officers issued the task orders under indefinite-delivery, indefinite-quantity contract number W58RGZ-09-D-0130.

## **Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command**

(Project No. D2012-D000AS-0031.000, Initiated November 17, 2011)

DoD OIG plans to conduct a series of audits relating to Afghanistan rotary-wing transportation contracts to determine whether Transportation Command officials are properly managing and administering the contracts in accordance with Federal Acquisition Regulation and DoD guidance while contracting for services performed in a contingency environment. For this first audit in the planned series, DoD OIG will determine whether contracting officials have adequate controls over the transportation of supplies, mail, and passengers in Afghanistan.

## **Assessment of U.S. and Coalition Plans To Train, Equip, and Field the Afghan Air Force**

(Project No. D2011-D00SPO-0234.000, Initiated May 20, 2011)

DoD OIG is determining whether U.S. government and coalition forces' goals, objectives, plans, and guidance to train, equip, and field a viable and sustainable Afghan Air Force are prepared, issued, operative, and relevant.

## **Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations**

(Project No. D2011-D000FD-0121.000, Initiated March 30, 2011)

DoD OIG is determining what fees and surcharges DoD components charge on intragovernmental orders funded by Afghanistan Security Forces Fund appropriations. DoD OIG will also evaluate whether the cost data exists to support those charges.

## **Department of State Office of Inspector General—Middle East Regional Office**

DoS OIG did not initiate any new projects this quarter related to Afghanistan reconstruction.

## **Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Correction System Support Program in Afghanistan**

(Project No. 12AUD30, Initiated December 2011)

The audit objective is to evaluate the effectiveness of the INL Correction System Support Program (CSSP) in building a safe, secure, and humane prison system that meets international standards and Afghan cultural requirements. Specifically, OIG will evaluate whether INL is achieving intended and sustainable results through the following CSSP components: training and mentoring; capacity building; Counter-Narcotics Justice Center and Judicial Security Unit compound operations and maintenance; Pol-i-Charkhi management and stabilization team; Central Prison Directorate engagement and reintegration team; and Kandahar expansion and support team.

## **Government Accountability Office**

### **DoD's Transition to the Afghan Public Protection Force**

(Project No. 351747, Initiated June 11, 2012)

The Afghan Public Protection Force (APPF) began assuming security responsibilities in March 2012. Key questions: (1) To what extent has DoD developed cost estimates related to the transition to the APPF and what actions are being taken to minimize costs? (2) To what extent has DoD identified and implemented oversight and management mechanisms to ensure that the APPF and risk management companies are providing services as agreed upon? (3) What impact(s) has the transition of convoy security from private security contractors to the APPF had on DoD operations in Afghanistan, and what actions, if any, has DoD taken to mitigate any negative impacts? (4) To what extent has DoD planned for the transition of static security from private security contractors to the APPF, including the degree to which DoD has developed base-security contingency plans?

### **Security Force Assistance Roles for DoD Forces**

(Project No. 351742, Initiated May 11, 2012)

DoD plans to rely on special-operations forces to conduct security-force assistance activities, while continuing to institutionalize these capabilities within the general-purpose force. Objectives are to determine the extent to which DoD has (1) delineated the roles and responsibilities of general-purpose and special-operations forces; (2) distinguished between the types of situations or environments where the respective types of forces would be used to conduct security-force assistance activities; and (3) identified,

synchronized, and prioritized the respective requirements and resource needs for building the capabilities of both types of forces.

## **Advisory Teams in Afghanistan**

(Project No. 351743, Initiated May 11, 2012)

Regarding the use of security-force assistance advisory teams in Afghanistan, GAO is to determine the extent to which (1) DoD has defined intended roles, missions, and command relationships for the advisory teams; (2) the Marine Corps and Army have defined personnel, equipment, and training requirements; (3) DoD plans to adjust its current use of augmented brigade/regimental combat teams for advisory missions; and (4) the Marine Corps and Army have been able to fill personnel and equipment requirements for the advisory teams, including any impacts on reported readiness.

## **Assessment of Joint Report on Contracting in Iraq and Afghanistan**

(Project No. 121049, Initiated March 29, 2012)

In response to a mandate in the National Defense Authorization Act for Fiscal Year 2011, Section 835, GAO will (1) assess the data and data sources used by DoD, DoS, and USAID to develop their annual joint report on contracting in Iraq and Afghanistan; (2) review how DoD, DoS, and USAID are using the data and data sources to manage, oversee, and coordinate contracting in Iraq and Afghanistan; and (3) assess the departments' and agency's plans for strengthening or improving common databases for tracking statutorily required information on contracts and associated personnel with performance in Iraq and Afghanistan.

## **Recommendations of the Commission on Wartime Contracting**

(Project No. 121042, Initiated February 2, 2012)

Key question: What actions have DoD, DoS, and USAID taken or planned to address the final and special-report recommendations of the Commission on Wartime Contracting in Iraq and Afghanistan?

## **Streamlining Aid to Afghanistan**

(Project No. 320889, Initiated February 2, 2012)

Key questions: (1) To what extent do the development projects administered by U.S. agencies in Afghanistan address similar objectives? (2) What mechanisms do U.S. agencies use to coordinate planning and implementation of these projects? (3) To what extent is there duplication in these projects?

## **U.S. Capabilities To Support Afghanistan Security Transition**

(Project No. 351708, Initiated February 1, 2012)

Key questions: (1) What is the process for transitioning operational lead security responsibility to the ANSF? (2) To what extent has DoD identified the enabling capabilities that it will need to support the transition? (3) What factors, if any, may affect DoD's ability to provide these capabilities?

## **DoD's Preparations for Drawdown of Forces in Afghanistan**

(Project No. 351688, Initiated November 19, 2011)

Key questions: To what extent is DoD (1) prepared to execute drawdown of forces and materiel in Afghanistan and (2) implement lessons learned from Iraq as it prepares for the Afghanistan drawdown?

## **Security Transition in Afghanistan**

(Project No. 320856, Initiated September 26, 2011)

Key questions: (1) What are the key elements of the framework established to transition lead security responsibility to the Afghan National Security Force (ANSF)? (2) What progress has been made in achieving the transition of security responsibility to the ANSF?

## **State Contracting for Conflicted Countries**

(Project No. 120976, Initiated March 31, 2011)

Key questions: (1) What is the extent and nature of DoS's reliance on DoD for acquisition support for Iraq and Afghanistan? (2) What factors led to this reliance? (3) What efforts are under way to determine whether to continue this reliance?

## **U.S. Army Audit Agency**

This quarter, the USAAA has no ongoing audits related to reconstruction initiatives.

## **U.S. Agency for International Development Office of Inspector General**

### **Audit of USAID/Afghanistan's Kandahar Power Initiative**

(Project No. FF10112, Initiated May 1, 2012)

Is the Kandahar Power Initiative meeting its main goals to increase the supply and distribution of electrical power from Afghanistan's South East Power System, with particular emphasis given to the city of Kandahar, in support of the U.S. government's counterinsurgency strategy?

## **Audit of USAID/Afghanistan's Performance-Based Governor's Fund**

(Project No. FF100312, Initiated May 1, 2012)

Objective: Did the design and implementation of the Performance Based Governors' Fund provide for capacity improvements so that governors and their teams are better able to (1) meet operational and community outreach needs, (2) enhance relationships with citizens, and (3) improve overall management capacity?

Note: USAID OIG has decided to scope back this audit, and plans in July to issue a memorandum report that identifies the issues identified during their preliminary field work.

## **Review of USAID/Afghanistan's Monitoring and Evaluation System**

(Project No. FF101812, Initiated December 1, 2011)

Objective: to determine whether USAID/Afghanistan has a monitoring and evaluation system to effectively manage selected program activities.

## **Review of USAID/Afghanistan's Use of the Commander's Emergency Response Program Funds for Selected Projects**

(Project No. FF101712, Initiated October 25, 2011)

Objective: To determine whether the Commander's Emergency Response Program (CERP) funds distributed by U.S. Forces - Afghanistan to USAID for specific projects were used for their intended purposes, were in compliance with applicable laws and regulations, and whether the costs charged to CERP-funded projects were reasonable, allowable, and allocable.

## **U.S. Department of Defense Office of Inspector General (DCIS)**

The DCIS continues to conduct significant fraud and corruption investigations in Afghanistan and Southwest Asia. Currently, there are six DCIS agents assigned to the International Contract Corruption Task Force in three Afghanistan locations: Kabul, Bagram, and Kandahar airfields. The DCIS continues to assign one special agent to Task Force 2010. The DCIS and SIGAR are partnering with seven other agencies to conduct major fraud and corruption investigations that affect DoD and Afghanistan reconstruction programs. In addition to these forward-deployed special agents, 110 DCIS agents based in the United States and Europe are currently conducting investigations related to fraud and corruption in Southwest Asia.

As of June 30, 2012, DCIS has 118 open OCO investigations involving Afghanistan. Of these open investigations, 26 are joint with SIGAR.

As of June 30, 2012, DCIS has closed 130 OCO investigations involving Afghanistan.



**The Official Seal of SIGAR**

The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal's center is in Dari and means "SIGAR." The phrase along the bottom side of the seal's center is in Pashtu and has the same meaning.

# APPENDICES AND ENDNOTES



# APPENDICES

## APPENDIX A

### CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR’s enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, P.L. No. 110-181, § 1229 (Table A.1).

TABLE A.1

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
<b>Purpose</b>			
Section 1229(a)(3)	To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress on corrective action.	Ongoing; quarterly report	Full report
<b>Supervision</b>			
Section 1229(e)(1)	The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense	Report to the Secretary of State and the Secretary of Defense	Full report
<b>Duties</b>			
Section 1229(f)(1)	<b>OVERSIGHT OF AFGHANISTAN RECONSTRUCTION –</b> It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.	Review appropriated/ available funds  Review programs, operations, contracts using appropriated/ available funds	Full report
Section 1229(f)(1)(A)	The oversight and accounting of the obligation and expenditure of such funds	Review obligations and expenditures of appropriated/ available funds	SIGAR Oversight Funding
Section 1229(f)(1)(B)	The monitoring and review of reconstruction activities funded by such funds	Review reconstruction activities funded by appropriations and donations	SIGAR Oversight
Section 1229(f)(1)(C)	The monitoring and review of contracts funded by such funds	Review contracts using appropriated and available funds	Note 1
Section 1229(f)(1)(D)	The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities	Review internal and external transfers of appropriated/ available funds	Appendix B
Section 1229(f)(1)(E)	The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]	Maintain audit records	SIGAR Oversight Appendix C Appendix D

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
Section 1229(f)(1)(F)	The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy	Monitoring and review as described	Audits
Section 1229(f)(1)(G)	The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.	Conduct and reporting of investigations as described	Investigations
Section 1229(f)(2)	OTHER DUTIES RELATED TO OVERSIGHT – The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)	Establish, maintain, and oversee systems, procedures, and controls	Full report
Section 1229(f)(3)	DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 – In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978	Duties as specified in Inspector General Act	Full report
Section 1229(f)(4)	COORDINATION OF EFFORTS – The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development	Coordination with the inspectors general of DoD, DoS, and USAID	Other Agency Oversight
<b>Federal Support and Other Resources</b>			
Section 1229(h)(5)(A)	ASSISTANCE FROM FEDERAL AGENCIES – Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee	Expect support as requested	Full report
Section 1229(h)(5)(B)	REPORTING OF REFUSED ASSISTANCE – Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.	None reported	N/A
<b>Reports</b>			

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
Section 1229(i)(1)	<p>QUARTERLY REPORTS –</p> <p>Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</p>	<p>Report – 30 days after the end of each calendar quarter</p> <p>Summarize activities of the Inspector General</p> <p>Detailed statement of all obligations, expenditures, and revenues</p>	<p>Full report</p> <p>Appendix B</p>
Section 1229(i)(1)(A)	Obligations and expenditures of appropriated/donated funds	Obligations and expenditures of appropriated/donated funds	Appendix B
Section 1229(i)(1)(B)	A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program	Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program	Funding Note 1
Section 1229(i)(1)(C)	Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of donor funds	Funding
Section 1229(i)(1)(D)	Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of funds from seized or frozen assets	Funding
Section 1229(i)(1)(E)	Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan	Operating expenses of agencies or any organization receiving appropriated funds	Funding Appendix B
Section 1229(i)(1)(F)	<p>In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* –</p> <p>(i) The amount of the contract or other funding mechanism;</p> <p>(ii) A brief discussion of the scope of the contract or other funding mechanism;</p> <p>(iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and</p> <p>(iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition</p>	Describe contract details	Note 1

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
Section 1229(i)(3)	<b>PUBLIC AVAILABILITY –</b> The Inspector General shall publish on a publically-available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan	Publish report as directed at <a href="http://www.sigar.mil">www.sigar.mil</a>  Dari and Pashtu translation in process	Full report
Section 1229(i)(4)	<b>FORM –</b> Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary	Publish report as directed	Full report
Section 1229(j)(1)	Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.	Submit quarterly report	Full report

Note 1: Although this data is normally made available on SIGAR's website ([www.sigar.mil](http://www.sigar.mil)), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for all future SIGAR purposes.

\* Covered "contracts, grants, agreements, and funding mechanisms" are defined in paragraph (2) of Section 1229(i) of P.L. No. 110-181 as being—

"any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes: To build or rebuild physical infrastructure of Afghanistan.

To establish or reestablish a political or societal institution of Afghanistan.

To provide products or services to the people of Afghanistan."

# APPENDICES

## APPENDIX B

### U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION (\$ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of June 30, 2012.

TABLE B.1

U.S. FUNDING SOURCES	AGENCY	TOTAL
<b>SECURITY</b>		
Afghanistan Security Forces Fund (ASFF)	DoD	50,625.70
Train & Equip (DoD)	DoD	440.00
Foreign Military Financing (FMF)	DoS	1,059.14
International Military Education and Training (IMET)	DoS	12.68
NDA Section 1207 Transfer	Other	9.90
<b>Total - Security</b>		<b>52,147.42</b>
<b>GOVERNANCE &amp; DEVELOPMENT</b>		
Commander's Emergency Response Program (CERP)	DoD	3,439.00
Afghanistan Infrastructure Fund (AIF)	DoD	800.00
Task Force for Business and Stability Operations (TFBSO)	DoD	571.12
Economic Support Fund (ESF)	USAID	14,953.44
Development Assistance (DA)	USAID	883.65
Afghanistan Freedom Support Act (AFSA)	DoD	550.00
Child Survival & Health (CSH + GHAI)	USAID	554.28
Commodity Credit Corp (CCC)	USAID	31.65
USAID (other)	USAID	45.75
Non-Proliferation, Antiterrorism, Demining & Related (NADR)	DoS	505.51
Provincial Reconstruction Team Advisors	USDA	5.70
Treasury Technical Assistance	Treasury	4.45
<b>Total - Governance &amp; Development</b>		<b>22,344.54</b>
<b>COUNTER-NARCOTICS</b>		
International Narcotics Control & Law Enforcement (INCLE)	DoS	3,561.56
Drug Interdiction & Counter-Drug Activities (DoD CN)	DoD	2,312.02
Drug Enforcement Administration (DEA)	DoJ	127.37
<b>Total - Counter-Narcotics</b>		<b>6,000.95</b>
<b>HUMANITARIAN</b>		
P.L. 480 Title I	USDA	5.00
P.L. 480 Title II	USAID	716.71
Disaster Assistance (IDA)	USAID	487.83
Transition Initiatives (TI)	USAID	36.02
Migration & Refugee Assistance (MRA)	DoS	754.05
Voluntary Peacekeeping (PKO)	DoS	69.33
Emergency Refugee & Migration Assistance (ERMA)	DoS	25.20
Food for Progress	USDA	109.49
416(b) Food Aid	USDA	95.18
Food for Education	USDA	50.49
Emerson Trust	USDA	22.40
<b>Total - Humanitarian</b>		<b>2,371.70</b>
<b>INTERNATIONAL AFFAIRS OPERATIONS</b>		
Oversight		172.60
Other		6,442.40
<b>Total - International Affairs Operations</b>		<b>6,615.00</b>
<b>TOTAL FUNDING</b>		<b>89,479.61</b>

Note: Numbers affected by rounding. Updated data from responding agencies resulted in changes to amounts previously reported for FY 2006 and the prior quarter.

Sources: DoD, responses to SIGAR data call, 7/20/2012, 7/18/2012, 7/16/2012, 7/2/2012, 6/26/2012, 10/14/2009, and 10/1/2009; DoS, responses to SIGAR data call, 7/13/2012, 7/6/2012, and 6/27/2012; Treasury, response to SIGAR data call, 7/20/2012; OMB, response to SIGAR data call, 4/17/2012; USAID, responses to SIGAR data call, 6/28/2012, 10/15/2010, 1/15/2010, and 10/9/2009; DoJ, response to SIGAR data call, 7/7/2009; USDA, response to SIGAR data call, 4/2009; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

# APPENDICES

FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
0.00	0.00	0.00	968.18	1,908.13	7,406.40	2,750.00	5,606.94	9,166.77	11,619.28	11,200.00
0.00	0.00	150.00	290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
57.26	191.00	414.08	396.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.18	0.39	0.67	0.95	0.98	1.19	1.66	1.40	1.76	1.56	1.95
0.00	0.00	0.00	0.00	0.00	0.00	9.90	0.00	0.00	0.00	0.00
<b>57.44</b>	<b>191.39</b>	<b>564.75</b>	<b>1,655.93</b>	<b>1,909.11</b>	<b>7,407.59</b>	<b>2,761.56</b>	<b>5,608.34</b>	<b>9,168.53</b>	<b>11,620.84</b>	<b>11,201.95</b>
0.00	0.00	40.00	136.00	215.00	209.00	488.33	550.67	1,000.00	400.00	400.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	400.00	400.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.00	59.26	239.24	257.62
117.51	239.29	893.87	1,280.56	473.39	1,210.71	1,399.51	2,088.32	3,346.00	2,067.51	1,836.76
18.30	42.54	153.14	169.56	183.96	166.81	148.65	0.40	0.30	0.00	0.00
0.00	165.00	135.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7.52	49.68	33.40	38.00	41.45	100.77	63.02	58.23	92.30	69.91	0.00
7.48	1.33	0.00	0.00	0.00	0.00	10.77	4.22	4.22	3.09	0.55
0.00	0.50	5.00	0.00	0.00	0.00	20.37	3.55	2.90	6.25	7.18
44.00	34.70	66.90	38.20	18.20	36.60	26.60	48.60	57.66	69.30	64.75
0.00	0.00	0.00	0.00	0.00	0.00	0.00	5.70	0.00	0.00	0.00
0.90	1.00	0.06	0.95	0.19	0.13	0.75	0.47	0.00	0.00	0.00
<b>195.71</b>	<b>534.04</b>	<b>1,327.37</b>	<b>1,913.27</b>	<b>932.19</b>	<b>1,724.02</b>	<b>2,158.00</b>	<b>2,775.16</b>	<b>4,562.63</b>	<b>3,255.29</b>	<b>2,966.86</b>
60.00	0.00	220.00	709.28	215.97	251.74	307.57	484.00	589.00	400.00	324.00
0.00	0.00	71.80	224.54	108.05	290.97	192.81	230.06	392.27	376.53	424.99
0.58	2.87	3.72	16.77	23.66	20.38	40.59	18.80	0.00	0.00	0.00
<b>60.58</b>	<b>2.87</b>	<b>295.52</b>	<b>950.59</b>	<b>347.68</b>	<b>563.09</b>	<b>540.97</b>	<b>732.86</b>	<b>981.27</b>	<b>776.53</b>	<b>748.99</b>
0.00	5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
159.50	46.10	49.20	56.60	60.00	60.00	177.00	65.41	27.40	15.50	0.00
197.09	85.52	11.16	4.22	0.04	0.03	16.90	27.16	29.84	66.74	49.12
8.07	11.69	11.22	1.60	0.00	0.00	0.00	0.75	0.89	1.13	0.67
135.47	61.50	63.30	47.10	41.80	53.80	44.25	76.79	81.48	65.00	83.56
23.93	9.90	20.00	15.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00
25.00	0.00	0.00	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00
0.00	4.96	9.08	30.10	23.24	9.47	20.55	12.09	0.00	0.00	0.00
46.46	14.14	34.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.00	9.27	6.12	10.02	25.08	0.00	0.00	0.00	0.00	0.00	0.00
0.00	0.00	0.00	0.00	0.00	0.00	22.40	0.00	0.00	0.00	0.00
<b>595.52</b>	<b>248.08</b>	<b>204.66</b>	<b>165.14</b>	<b>150.16</b>	<b>123.30</b>	<b>281.10</b>	<b>182.40</b>	<b>139.61</b>	<b>148.37</b>	<b>133.35</b>
0.00	0.00	0.00	0.00	0.00	2.50	14.30	25.20	34.40	37.20	59.00
155.60	35.30	207.60	136.10	131.90	207.80	434.40	1,060.70	1,761.70	905.10	1,406.20
<b>155.60</b>	<b>35.30</b>	<b>207.60</b>	<b>136.10</b>	<b>131.90</b>	<b>210.30</b>	<b>448.70</b>	<b>1,085.90</b>	<b>1,796.10</b>	<b>942.30</b>	<b>1,465.20</b>
<b>1,064.85</b>	<b>1,011.68</b>	<b>2,599.90</b>	<b>4,821.03</b>	<b>3,471.04</b>	<b>10,028.31</b>	<b>6,190.33</b>	<b>10,384.66</b>	<b>16,648.14</b>	<b>16,743.32</b>	<b>16,516.35</b>

# APPENDICES

## APPENDIX C

### SIGAR AUDITS

#### Completed Audits

SIGAR completed four audits during this reporting period, as listed in Table C.1.

TABLE C.1

<b>COMPLETED SIGAR AUDITS AS OF JULY 30, 2012</b>		
<b>Report Identifier</b>	<b>Report Title</b>	<b>Date Issued</b>
SIGAR Audit 12-13	Selected Public-Diplomacy Awards Mostly Achieved Objectives, but Embassy Can Take Steps to Enhance Grant Management and Oversight	7/2012
SIGAR Audit 12-12	Delays in Project Implementation and Insufficient Sustainment Planning Put Afghanistan Infrastructure Fund at Risk for Waste	7/2012
SIGAR Audit 12-11	Progress Made Toward Increased Stability under USAID's Afghanistan Stabilization Initiative-East Program, but Transition to Long-Term Development Efforts Not Yet Achieved	6/2012
SIGAR Audit 12-10	Increases in Security Costs Are Likely under the Afghan Public Protection Force; USAID Needs to Monitor Costs and Ensure Unlicensed Security Providers Are Not Used	6/2012

#### New Audits

SIGAR initiated five audits during this reporting period, as listed in Table C.2.

TABLE C.2

<b>NEW SIGAR AUDITS AS OF JULY 30, 2012</b>		
<b>Audit Identifier</b>	<b>Project Title</b>	<b>Date Initiated</b>
SIGAR 063A	U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility—Da Afghanistan Breshna Sherkat (DABS)	7/2012
SIGAR 064A	Air-Mobility Support for Afghan Drug Interdiction Operations	7/2012
SIGAR 060A	Tariffs, Taxes, or other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan	6/2012
SIGAR 057A	USAID Procedures for Controlling Non-expendable Property in Afghanistan	5/2012
SIGAR 056A	USAID Planning for Sustainability of its Development Programs in Afghanistan	5/2012

## Ongoing Audits

SIGAR had five audits in progress during this reporting period, as listed in Table C.3.

TABLE C.3

<b>ONGOING SIGAR AUDITS AS OF JULY 30, 2012</b>		
<b>Audit Identifier</b>	<b>Project Title</b>	<b>Date Initiated</b>
SIGAR 058A	USAID's Southern Region Agricultural Development Project's Partnership with International Relief and Development, Inc.	4/2012
SIGAR 055A	Construction of the 3rd Brigade, 207th Afghan Army Corps Garrison in Badghis Province	3/2012
SIGAR 054A	Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants	2/2012
SIGAR 052A	Oversight and Costs Associated with the Afghan-Technical Equipment Maintenance Program (A-TEMP) for the ANP	1/2012
SIGAR 049A	USACE Operations and Maintenance Contracts with ITT Systems Corporation for ANSF Facilities	7/2011

## Forensic Audits

SIGAR continued work on three forensic audits during this reporting period, as listed in Table C.4.

TABLE C.4

<b>SIGAR FORENSIC AUDITS AS OF JULY 30, 2012</b>		
<b>Audit Identifier</b>	<b>Project Title</b>	<b>Date Initiated</b>
SIGAR-027A	Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction	6/2010
SIGAR-026A	Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction	6/2010
SIGAR-022A	Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction	2/2010

# APPENDICES

## SIGAR INSPECTIONS

### Completed Inspections

SIGAR completed one inspection during this reporting period, as listed in Table C.5.

TABLE C.5

COMPLETED SIGAR INSPECTIONS AS OF JULY 30, 2012		
Report Identifier	Report Title	Date Issued
SIGAR Inspection 12-01	Construction Deficiencies at Afghan Border Police Bases Put \$19 Million Investment at Risk	7/2012

### Ongoing Inspections

SIGAR continued work on three inspections during this reporting period, as listed in Table C.6.

TABLE C.6

ONGOING SIGAR INSPECTIONS AS OF JULY 30, 2012		
Inspection Identifier	Project Title	Date Initiated
SIGAR 1004	Wardak ANP Training Center (USACE)	1/2012
SIGAR 1002	Jalalabad ANA Garrison (USACE)	1/2012
SIGAR 1001	Kunduz ANA Facility--2/209th Headquarters (USACE)	1/2012

## APPENDIX D

### SIGAR INVESTIGATIONS AND HOTLINE

#### SIGAR Investigations

This quarter, SIGAR opened 25 new investigations and closed 1, bringing the total number of open investigations to 188. Of the new investigations, most involved procurement fraud, public corruption, and bribery, as shown in Figure D.1. The case that was closed was merged with an existing investigation.

#### SIGAR Hotline

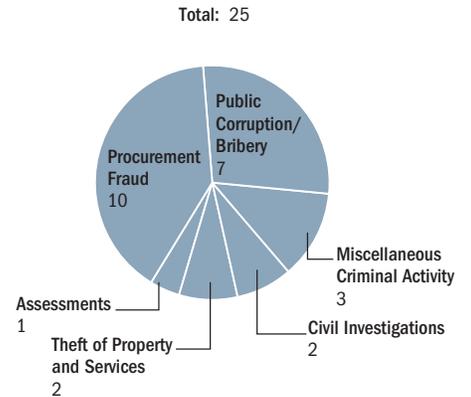
Of the 35 Hotline complaints received this quarter, most were received by email, web, or fax, as shown in Figure D.2. Of these complaints, most were closed, as shown in Figure D.3.

#### SIGAR Suspensions and Debarments

As of June 30, 2012, SIGAR’s referrals for suspension and debarment had resulted in 35 suspensions and 38 debarments, as shown in Table D.1 on the following page.

FIGURE D.1

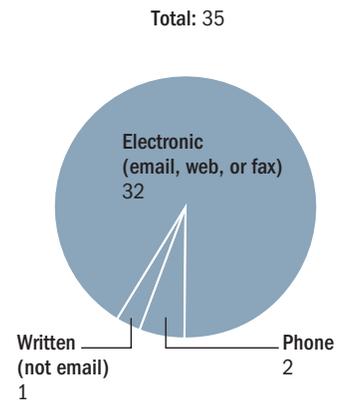
SIGAR INVESTIGATIONS: NEW INVESTIGATIONS, APRIL 1-JUNE 30, 2012



Source: SIGAR Investigations Directorate, 7/10/2012.

FIGURE D.2

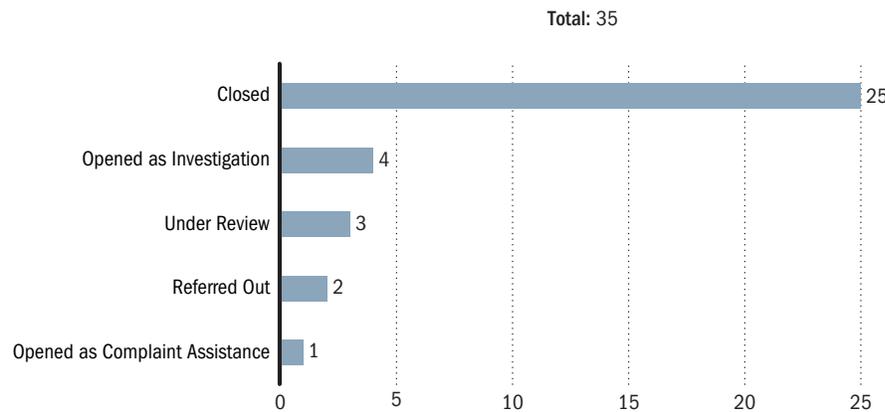
SOURCE OF SIGAR HOTLINE COMPLAINTS, APRIL 1-JUNE 30, 2012



Source: SIGAR Investigations Directorate, 7/10/2012.

FIGURE D.3

STATUS OF SIGAR HOTLINE COMPLAINTS, APRIL 1-JUNE 30, 2012



Source: SIGAR Investigations Directorate, 7/5/2012.

# APPENDICES

TABLE D.1

<b>SUSPENSIONS AND DEBARMENTS AS OF JUNE 30, 2012</b>	
<b>Suspensions</b>	<b>Debarments</b>
Al-Watan Construction Company	Farooqi, Hashmatullah
Basirat Construction Firm	Hamid Lais Construction Company
Brophy, Kenneth	Hamid Lais Group
Naqibullah, Nadeem	Lodin, Rohullah Farooqi
Rahman, Obaidur	Bennett & Fouch Associates, LLC
Campbell, Neil Patrick	Brandon, Gary
Borcata, Raul A.	K5 Global
Close, Jarred Lee	Ahmad, Noor
Logistical Operations Worldwide	Noor Ahmad Yousufzai Construction Company
Robinson, Franz Martin	Ayeni, Sheryl Adenike
Taylor, Zachery Dustin	Cannon, Justin
Aaria Group Construction Company	Constantino, April Anne
Aaria Group	Constantino, Dee
Aaria Herai General Trading	Constantino, Ramil Palmes
Aaria M.E. General Trading LLC	Crilly, Braam
Aaria Middle East	Drotleff, Christopher
Aaria Middle East Company LLC	Fil-Tech Engineering and Construction Company
Aaria Middle East Company Ltd. – Heart	Handa, Sidharth
Aaria Supplies Company LTD	Jabak, Imad
Aaria Supply Services and Consultancy	Jamally, Rohullah
Aftech International	Khalid, Mohammad
Aftech International Pvt., Ltd.	Khan, Daro
Alam, Ahmed Farzad	Mariano, April Anne Perez
Albahar Logistics	McCabe, Elton Maurice
American Aaria Company LLC	Mihalczco, John
American Aaria LLC	Qasimi, Mohammed Indress
Barakzai, Nangialai	Radhi, Mohammad Khalid
Formid Supply and Services	Safi, Fazal Ahmed
Greenlight General Trading	Shin Gul Shaheen, a.k.a. "Sheen Gul Shaheen"
Kabul Hackle Logistics Company	Espinoza-Loor, Pedro Alfredo
Sharpway Logistics	Campbell, Neil Patrick
United States California Logistics Company	Hazrati, Arash
Yousef, Najeebullah	Midfield International
Rahimi, Mohammad Edris	Moore, Robert G.
Wooten, Philip Steven	Noori, Noor Alam, a.k.a. "Noor Alam"
	Northern Reconstruction Organization
	Shamal Pamir Building and Road Construction Company
	Wade, Desi D.

## APPENDIX E

## ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
AAF	Afghan Air Force
ABP	Afghan Border Police
ACSS	Afghanistan Civil Service Support
ADB	Asian Development Bank
AGO	Attorney General's Office
AIF	Afghanistan Infrastructure Fund
AIHRC	Afghanistan Independent Human Rights Commission
AIP	Afghanistan Infrastructure Program
ALP	Afghan Local Police
AMMOA	Association of Mobile Money Operators of Afghanistan
ANA	Afghan National Army
ANP	Afghan National Police
ANSF	Afghan National Security Forces
APAP	Afghanistan Parliamentary Assistance Program
APPF	Afghan Public Protection Force
APRP	Afghan Peace and Reintegration Plan
ARTF	Afghanistan Reconstruction Trust Fund
ASFF	Afghanistan Security Forces Fund
ASI	Afghanistan Stabilization Initiative
ASYCUDA	Automated System for Customs Data
A-TEMP	Afghanistan-Technical Equipment Maintenance Program
AWCC	Afghan Wireless Communications Co.
AWDP	Afghanistan Workforce Development Program
CAA	Civil Aviation Authority (Afghan)
CECOM	U.S. Army Communications – Electronics Command
CERP	Commander's Emergency Response Program
CFSOCC-A	Combined Forces Special Operations Component Command - Afghanistan
CIA	Central Intelligence Agency (U.S.)
CID	Criminal Investigative Command (formerly Division) (U.S. Army)
CITF	Criminal Investigation Task Force (U.S. Army)
CJIATF	Combined Joint Interagency Task Force
CM	Capability Milestone
CMS	Case Management System
CNG	compressed natural gas
CNPA	Counter-Narcotics Police - Afghanistan
COIN	counter-insurgency
CSIS	Center for Strategic and International Studies
CSO	Central Statistics Organization (Afghan)
CSSP	Correctional System Support Program

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ACRONYM OR ABBREVIATION	DEFINITION
CSTC-A	Combined Security Transition Command - Afghanistan
CUAT	Commander's Unit Assessment Tool
DAB	Da Afghanistan Bank
DABS	Afghan national utility company
DAI	Development Alternatives Inc.
DCHA	Bureau for Democracy, Conflict, and Humanitarian Assistance (U.S.)
DCMA	Defense Contract Management Agency
DCIS	Defense Criminal Investigative Service
DEA	Drug Enforcement Administration (U.S.)
DoD	Department of Defense (U.S.)
DoD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DoD OIG	Department of Defense Office of Inspector General
DoS	Department of State (U.S.)
DoS OIG	DoS Office of Inspector General
DoT	Department of Transportation (U.S.)
DSCA	Defense Security Cooperation Agency
DSF	District Stability Framework
DST	District Support Team
ECF	Extended Credit Facility
ESF	Economic Support Fund
EU	European Union
FBI	Federal Bureau of Investigation (U.S.)
FDRC	Financial Disputes Resolution Commission
FEWS Net	Famine Early Warning Systems Network
FOB	Forward Operating Base
G-8	Group of Eight
GAO	Government Accountability Office (U.S.)
GDP	gross domestic product
HOO	High Office of Oversight for Anti-Corruption (Afghan)
HREBGI	Human Rights, Ethnic Balancing, and Gender Integration (ANA Office)
IARCSC	Independent Administrative Reform and Civil Service Commission
ICAO	International Civil Aviation Organization
ICCTF	International Contract Corruption Task Force
ICT	information and communication technologies
IDEA-NEW	Incentives Driving Economic Alternatives for North, East, and West
IDLG	Independent Directorate of Local Governance (Afghan)
IEC	Independent Election Commission (Afghan)
IG	inspector general
IJC	International Security Assistance Force Joint Command
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement (U.S.)
INL	Bureau of International Narcotics and Law Enforcement Affairs (U.S.)
IRD	International Reconstruction and Development Inc.

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ACRONYM OR ABBREVIATION	DEFINITION
ISAF	International Security Assistance Force
ISMA	involuntary separate maintenance allowance
JSSP	Justice Sector Support Program
KESIP	Kabul Electricity Services Improvement Project
LARA	Land Reform in Afghanistan
LOTFA	Law and Order Trust Fund for Afghanistan
MCC	China Metallurgical Group Corporation
MCIT	Ministry of Communications and Information Technology (Afghan)
MCTF	Major Crimes Task Force (Afghan)
MIDAS	Mining Investment and Development for Afghan Sustainability
MNNA	Major Non-NATO Ally
MoD	Ministry of Defense (Afghan)
MoF	Ministry of Finance (Afghan)
Moi	Ministry of Interior (Afghan)
MoJ	Ministry of Justice (Afghan)
MoM	Ministry of Mines
MoRR	Ministry of Refugees and Repatriation
MoTCA	Ministry of Transportation and Civil Aviation (Afghan)
MOU	memorandum of understanding
MRRD	Ministry of Rural Rehabilitation and Development (Afghan)
NATO	North Atlantic Treaty Organization
NDS	National Directorate of Security
NGO	non-governmental organization
NKB	New Kabul Bank
NMAA	National Military Academy of Afghanistan
NSC	National Security Council
NTM-A	NATO Training Mission - Afghanistan
NVD	night-vision device
O&M	operations and maintenance
OCO	Overseas Contingency Operations
OSI	U.S. Air Force Office of Special Investigations
OTA	Office of Technical Assistance (U.S. Treasury)
OTI	Office of Transition Initiatives
OVERLORD	Operational Verification of Reliable Logistics Oversight Database
PL	Public Law
PAS	Public Affairs Section (U.S. Embassy Kabul)
PJST	Provincial Joint Secretariat Team (Afghan)
PM/WRA	Bureau of Political-Military Affairs - Office of Weapons Removal and Abatement (Afghan)
PPC	Provincial Peace Council
PRT	Provincial Reconstruction Team
PSC	private security contractor
PTEC	Power Transmission Expansion and Connectivity
RC	Regional Command (ISAF)

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<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
RC Window	Recurrent Cost Window
RICO	Racketeer Influenced and Corrupt Organizations Act
RMC	risk-management company
SIGAR	Special Inspector General for Afghanistan Reconstruction
SOAG	Strategic Objective Grant Agreement
USACE	U.S. Army Corps of Engineers
SCIP	Security Cooperation Information Portal
STEP	Support to the Elections Process
SY	solar year
TFBSO	Task Force for Business and Stability Operations in Afghanistan
UN	United Nations
UNHCR	UN High Commissioner for Refugees
UNODC	UN Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACE-TAN	U.S. Army Corps of Engineers-Transatlantic Afghanistan North
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of Inspector General
USDA	U.S. Department of Agriculture
USFOR-A	U.S. Forces - Afghanistan
UXO	unexploded ordnance
WFP	World Food Program
WSIS	World Summit on the Information Society
WTO	World Trade Organization

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**Afghan children watch** as U.S. Marines from Regimental Combat Team 6 survey the site of a future Afghan Local Police (ALP) station in Sangin, Helmand province, on May 31. The ALP, a community-watch initiative, provides security in areas where the Afghan National Security Forces and ISAF do not have a significant presence. (USMC Photo, Sgt. Logan Pierce)

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