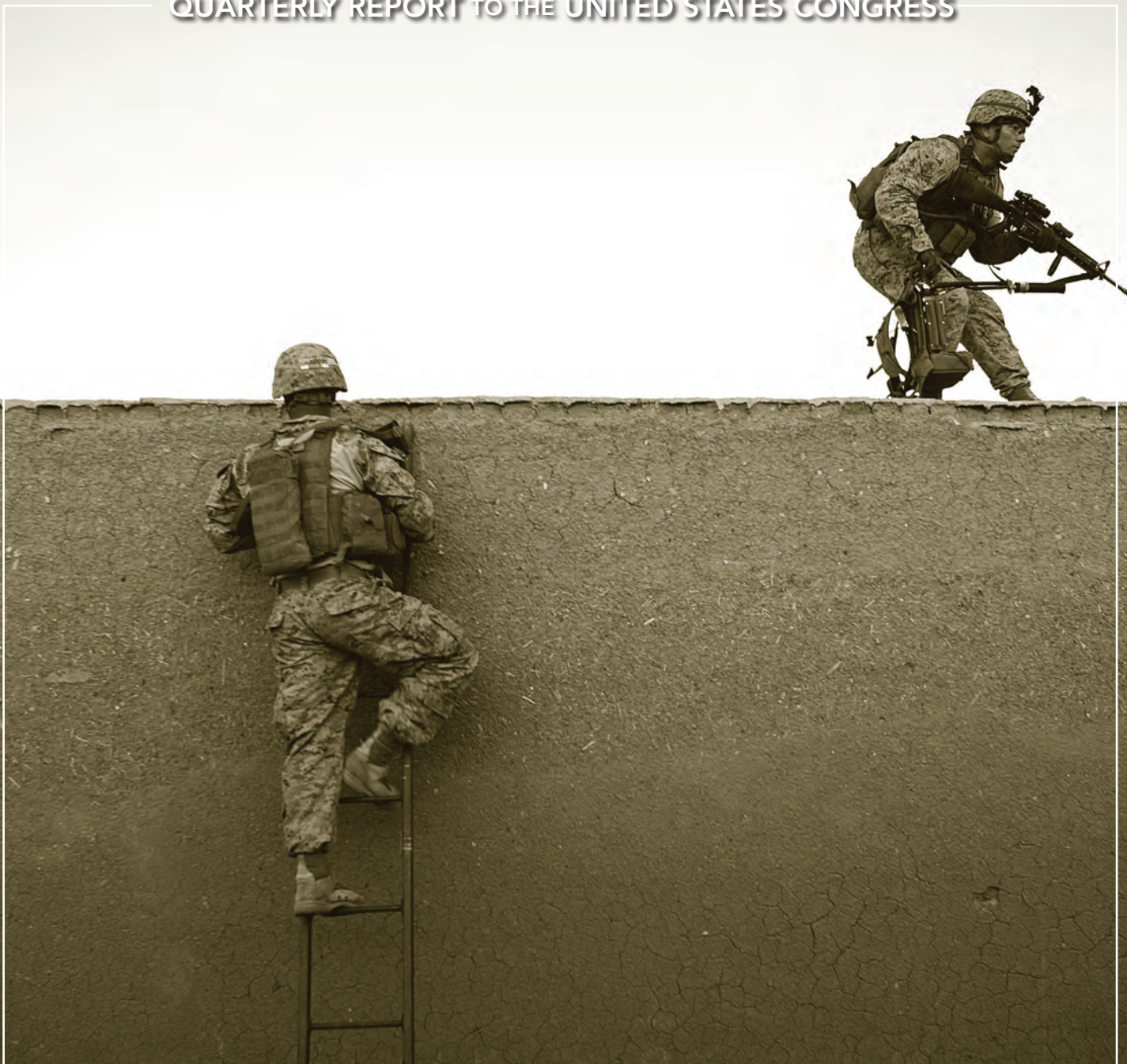


SIGAR

Special Inspector General for
Afghanistan Reconstruction

APR 30
2013

QUARTERLY REPORT TO THE UNITED STATES CONGRESS



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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 U.S. Marine Corps squad leader and a rifleman, both from 3rd Battalion, 4th Marine Regiment, scale a wall during counter-improvised explosive device training at Camp Leatherneck in Helmand province. (U.S. Marine Corps photo)



SPECIAL INSPECTOR GENERAL FOR AFGHANISTAN RECONSTRUCTION

I am pleased to submit SIGAR's quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

Now in its 11th year, that effort has entered its most critical phase, with U.S. combat troops departing and the Afghan government assuming greater responsibility for the country's future. The U.S. reconstruction program is intensely focused on the 2014 transition now under way in four key areas: security, governance, economic development, and the way the United States delivers foreign assistance.

To date, Congress has provided nearly \$93 billion to build Afghan security forces, improve governance, and foster economic development in Afghanistan. The success of this historic endeavor—the most costly rebuilding of a single country in U.S. history—depends on the degree to which U.S. assistance can:

- build Afghan security forces capable of preventing extremists from re-establishing strongholds in Afghanistan
- strengthen the capacity of the Afghan government to hold credible presidential elections in 2014, peacefully transfer political power, and provide essential services through the rule of law
- develop the foundation for a viable economy despite anticipated reductions in foreign aid
- improve Afghan institutions' ability to manage and account for U.S. and other donor funds delivered directly through the Afghan national budget

Success also depends on independent and effective oversight. Section 2 of this report describes SIGAR's ongoing work in the vital reconstruction areas of security, governance, and economic development. We have coordinated this work with the Government Accountability Office (GAO) and the Inspectors General for Defense, State, and the U.S. Agency for International Development (USAID). Through our audits, inspections, and investigations, we all intend to identify issues in these areas in time for implementing agencies and Congress to take action to protect funds and improve key reconstruction programs before it is too late.

As the transition unfolds, SIGAR has two major oversight concerns. One relates to the decision to provide more reconstruction dollars through the Afghan national budget as "direct assistance" and the other relates to security.

Direct Assistance

The United States has committed to providing more of its aid to Afghanistan in the form of direct assistance, meaning government-to-government funding through multilateral trust funds and bilateral agreements. SIGAR does not oppose increasing direct assistance. There are many good reasons for using such aid. Direct assistance can build Afghan capacity and increase the effectiveness of foreign aid by ensuring that Afghans want and are interested

in sustaining investments. However, SIGAR believes Congress and the implementing agencies must be mindful of three issues that could undermine direct assistance as a means of pursuing reconstruction objectives:

- limited Afghan government capacity to manage and account for donor funds
- the effect of pervasive corruption
- the need to ensure adequate, long-term oversight

It is imperative for the United States to ensure that the Afghan government has the capacity to execute and account for U.S. funding. SIGAR is encouraged that USAID has completed assessments of the capability of 13 Afghan ministries to manage direct assistance. This is an important and necessary first step. Decisions to provide direct assistance to these ministries must adequately take into account the results of these assessments. Moreover, the United States must establish mechanisms to protect taxpayer-provided dollars from corruption and make certain there is rigorous oversight of these funds. Implementing agencies—the first line of defense against waste, fraud, and abuse—must have clear agreements with strong provisions for oversight. Afghan ministries must provide unfettered and timely access to their books and records as well as to sites, offices, and staff of U.S.-funded projects.

Because of the importance of this issue, SIGAR began a series of audits and special projects related to direct assistance this quarter. These include reviewing U.S. government plans to transfer reconstruction projects to the Afghan government, USAID-funded assessments of Afghan ministries, the Afghan Ministry of Public Health's use of direct assistance to fund one of its flagship programs, the Defense Department's assessment of the Afghan Defense and Interior Ministries, and USAID's direct assistance for the Kajaki Dam project.

Security

Poor security threatens both the implementation and oversight of reconstruction programs, whether by U.S. agencies or the Afghan government. Contractors and nonprofit organizations must have security to execute projects. Afghan law requires them to hire the government-run Afghan Public Protection Force (APPF), rather than private security companies, to provide this essential service. SIGAR has an ongoing audit to identify the cost of the APPF for selected USAID projects and to determine the financial and operational impact of the APPF transition on reconstruction projects.

I am particularly concerned about the potential effect of the U.S. troop withdrawal on oversight by the implementing and oversight agencies. The current military drawdown and transition to Afghan security forces has already made it more difficult for implementing agencies to effectively manage projects and for oversight agencies such as SIGAR to visit and inspect projects. The U.S. military will only provide security in areas within an hour by air travel of a medical facility. This quarter, SIGAR was unable to visit \$72 million in infrastructure projects in northern Afghanistan because they are located outside this security "bubble." This constraint on oversight will only get worse as more bases close.

Effective oversight cannot rely solely on desk work and document reviews. We need to put people in the field to visit projects, "kick the tires," and conduct investigations. SIGAR is exploring ways it can provide aggressive oversight in a security environment that restricts travel by U.S. personnel. We will also examine how the implementing agencies will handle this challenge. Options may include expanding the use of satellite imagery and hiring Afghans or other third-country nationals to conduct site visits.

In any case, the Executive Branch and Congress must work together to ensure that the U.S. Embassy in Kabul has the resources to provide security for diplomats, project managers, and oversight agencies. That is essential for the decade ahead. Like Afghanistan's political development and economic growth, the conduct of effective oversight can only take place behind a stout shield.

Whatever security arrangements are devised, and whether reconstruction work relies on on-budget or off-budget aid, I can assure you that SIGAR auditors and investigators will continue to protect American taxpayers' interests by providing relevant, timely, and actionable information to Congress, thereby supporting our nation's critical mission and objectives in this area of the world.

Respectfully,

A handwritten signature in black ink, appearing to read 'JF Sopko', with a long, sweeping horizontal line extending to the right.

John F. Sopko
Special Inspector General for Afghanistan Reconstruction

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“Afghanistan is managing three very significant transitions: a security transition, a political transition, and an economic transition. And America will continue to support the Afghan people through all three of these transitions.”

—*U.S. Secretary of State John Kerry*

1 AID AND THE TRANSITION



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Secretary of State John Kerry and Afghan President Hamid Karzai address a meeting during the new Secretary's visit to Kabul in March 2013. (State Department photo)

SIGAR OVERVIEW: AID AND THE AFGHAN TRANSITION

The U.S.-funded reconstruction effort in Afghanistan, now in its 11th year, is committed to supporting Afghanistan as it takes responsibility in 2014 for four critical functions: security, governance, economic development, and progress toward directly managing at least half of the foreign assistance the country receives. The success of this historic endeavor hinges on:

- the ability of the Afghan National Security Forces (ANSF) to protect the population and prevent extremists from re-establishing strongholds in Afghanistan
- the capacity and the political will of the Afghan government to hold credible presidential elections in 2014, peacefully transfer political power, provide essential services, and institute rule of law
- the degree to which the Afghan economy can survive future reductions in foreign aid
- the extent to which the Afghan government can manage and account for international funds delivered directly through the Afghan national budget

Reconstruction success also depends on systematic, diligent, and aggressive oversight. SIGAR is conducting audit, inspection, and investigative work in each of these four transition areas to identify issues before it is too late for implementing agencies and Congress to address them. This quarter, SIGAR initiated an audit of U.S. government plans to transfer completed projects to the Afghan government. The audit is assessing the project-transfer process and evaluating the Afghan government's ability to maintain these assets. It will also determine the extent to which implementing agencies have compiled and documented a comprehensive inventory of all U.S.-funded projects and assets. At the same time, through its Office of Special Projects, SIGAR has requested implementing agencies to provide a complete list of all their reconstruction projects and programs since 2002. As part of this inquiry, SIGAR has also asked the implementing agencies to identify how remaining or planned-for funds for Afghanistan's reconstruction will be used.

Since 2002, Congress has provided nearly \$93 billion to rebuild Afghanistan, making it the most costly effort to reconstruct a single country

in U.S. history.¹ This number does not yet include all Afghanistan reconstruction funding for FY 2013 because final appropriation amounts have not been determined for many accounts, including State and USAID accounts.

THE SECURITY TRANSITION

A stable security environment is vital for the survival and growth of a democratic, non-extremist Afghanistan. Thus, more than half of all reconstruction dollars—more than \$54 billion—have gone to build the Afghan National Army (ANA) and the Afghan National Police (ANP). The Combined Security Transition Command-Afghanistan (CSTC-A) has used these funds to provide training, purchase equipment, build army and police facilities, and pay for salaries as well as operation and maintenance costs. (See Section 3, pages 81–107, for a full description of U.S. programs to build the security forces.)

Since 2009, SIGAR has issued 23 audits that looked at aspects of ANSF development. These audits have identified numerous problems related to infrastructure projects, logistics support, and accountability for equipment, personnel systems, and operation-and-maintenance (O&M) contracts. As a result of SIGAR's work, CSTC-A has taken a number of steps to protect taxpayer dollars and make programs more effective. For example, SIGAR has repeatedly highlighted lack of planning for the sustainability of ANSF infrastructure. As a result, CSTC-A awarded a contract that not only provided O&M, but also included training for Afghans so that they could take over O&M after the transition.

Earlier this year, SIGAR found accountability weaknesses in CSTC-A's process for ordering, delivering, and paying for fuel for the Afghan army. SIGAR made six recommendations to address the problems and CSTC-A generally concurred with all of them. CSTC-A particularly noted that it would initiate new procedures with the Afghan Ministry of Defense (MOD)—including incremental funding and monthly auditing—to minimize corruption and provide more oversight as it shifts responsibility for fuel purchases to the MOD.

SIGAR has seven ongoing audits, inspections, and special projects that address the ANSF's ability to provide vital security for the Afghan government and people. This quarter, SIGAR began an audit to assess the overall capability of the ANSF and the reliability of its personnel data. The Afghan government and the international community have agreed the ANSF should achieve an end strength of 352,000 by December 2014 and that it will be necessary to sustain this force for several years to prevent al-Qaeda and other extremists from re-establishing a stronghold in Afghanistan. The World Bank estimates it will cost about \$5 billion a year to sustain this force.² However, SIGAR and others have reported that determining ANSF strength is fraught with challenges. SIGAR's audit will determine the reliability and



Wilbur, a U.S. Marine Corps special-ops dog, keeps watch in a field in Helmand Province as Marines and Afghan soldiers and police work on a checkpoint nearby. (DOD photo)

usefulness of ANA and ANP force strength data as well as the methodology used to assess the capability ratings for a unit's effectiveness. Other topics under review include:

- **Air-mobility Support for the ANSF's Counternarcotics Program:** 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 opium crop has become a key source of funds for the Taliban and other insurgents. The U.S. counternarcotics strategy seeks to stop the flow of funds through interdiction operations that depend on U.S.-funded air-mobility support to U.S. and Afghan law enforcement officials. SIGAR is evaluating, among other things, the extent to which U.S. assistance has helped develop a sustainable capability to provide air-mobility support for counternarcotics efforts.
- **Missing Repair Parts:** In September 2012, an International Security Assistance Force (ISAF) advisory team reported that CSTC-A could not account for \$230 million worth of repair parts for ANSF equipment and recommended that SIGAR assess CSTC-A's process for ordering and managing these repair parts. SIGAR is examining how CSTC-A determines requirements and procures, stores, and distributes repair parts. The audit will also evaluate CSTC-A's internal controls over the process.
- **Petroleum, Oil, and Lubricants for the ANP:** This audit will examine two issues identified in an earlier audit of the ANA's ability to manage and account for its fuel supply: accuracy in determining fuel requirements and accountability for fuel purchases.
- **Literacy in the ANSF:** High rates of illiteracy undercut the quality and effectiveness of many Afghan military and police functions. SIGAR

is evaluating the implementation and oversight of three U.S.-funded literacy training contracts, valued at \$200 million.

- **MOD/MOI Management of Direct Assistance:** The United States has provided more than \$3 billion in direct assistance to the Afghan Ministries of Defense and Interior for army and police support. With this amount expected to increase substantially in the coming years, SIGAR's Office of Special Projects is examining DOD's procedures for evaluating the management of and accountability for direct-assistance funds.
- **Construction Requirements for the ANSF:** The United States has hundreds of ongoing and planned construction projects for the ANSF. SIGAR will examine the justifications and requirements for these projects, valued at several billion dollars, to determine whether they are necessary, achievable, and sustainable.
- **ANSF Facility Inspections:** SIGAR is continuing its on-site examinations of site preparation, construction, outfitting, and staffing of Afghan army and police facilities.

THE POLITICAL AND ECONOMIC TRANSITION

The United States has provided nearly \$23 billion to improve governance and foster economic development in Afghanistan. Most of the assistance for governance and rule of law programs comes through USAID's Economic Support Fund (ESF) and the State Department's International Narcotics Control and Law Enforcement (INCLE) account. The total figure does not include either the FY 2013 appropriations (final breakdowns by country were not available at the time this report went to press) or FY 2014 budget requests. In FY 2013, the President requested \$1.85 billion for ESF and \$600 million for INCLE. The final appropriation for these funds is still being negotiated. The President has asked for less in his FY 2014 budget proposal—\$1.69 billion for ESF and \$475 million for INCLE.³

In its budget justification, the Department of State (State) emphasized that “continued, sustained support” through the transition was “essential to solidifying the progress made over the last decade and helping establish Afghanistan as a stable, prosperous, and secure nation in a stable, prosperous, and secure region.”⁴ State also said that it was shifting its programming during the transition period from stability operations to longer-term efforts in “key areas in economic growth, agriculture, health, education, rule of law, and good governance.”⁵

Governance

Helping Afghans build a stable, representative government capable of providing basic services, including rule of law, remains an important goal of the U.S. reconstruction effort. The United States is funding a number of programs to build judicial capacity and improve the administration

of the Afghan Parliament, ministries, and provincial offices. The United States is also supporting programs to encourage peace and reconciliation as well as to help the Afghans conduct elections and combat corruption. (See Section 3, pages 109–135 for a full description of programs to improve governance.)

The biggest landmarks in Afghanistan's political transition are the presidential election set for 2014 and the parliamentary elections of 2015. If these elections go badly, their impacts could damage the government's perceived legitimacy, erode popular support, incite ethnic and tribal rivalries, decrease administrative effectiveness, and significantly harm the outlook for a political settlement of the war.

Afghanistan faces many obstacles to becoming a more high-performing state, including a huge fiscal gap between revenues and the cost of operations, difficulty in attracting and retaining qualified ministerial staff, flight of human and financial capital, low rates of budget execution, targeted assassinations of judges and other officials, inadequate procedures and internal controls, high levels of patronage and corruption, and official reluctance to prosecute or punish highly placed or well-connected criminals. Such problems are not unique to Afghanistan, but their aggregate effect in a poor, isolated, aid-dependent country afflicted by decades of fighting amounts to a huge burden on aspirations for more efficient and effective governance.

Afghanistan will not be able to achieve security and stability if its people generally distrust and dismiss the government as ineffectual and corrupt. SIGAR has published 13 audits that looked at critical U.S. programs related to rule of law, civil service development, provincial capacity, election support, and corruption. This work revealed serious problems, including the lack of an integrated U.S. anticorruption strategy. It has led SIGAR to conduct a new audit of the State Department's primary program to train justice sector personnel and build the overall capacity of the Afghan judicial system. SIGAR's Office of Special Projects is also now reviewing the current U.S. anticorruption strategy.

Economic Development

Although Afghanistan's economy has improved markedly since 2002, the country remains very poor. At the equivalent of about \$543 annually, the country's GDP per capita has more than tripled, but remains one of the world's lowest.⁶ These modest gains are threatened by the twin impact of foreign forces withdrawing, along with much of their related spending, and expected declines in donor assistance.

During the transition, State and USAID have said they will concentrate their resources on improving the regulatory environment for private investment, fostering links to regional economies, supporting agriculture, finalizing investments in the energy sector, and sustaining gains in health and education.⁷ State said it also intends to expand assistance for women



An Afghan farmer gives his tractor a tough workout in Helmand Province. Improved roads and farm productivity are key goals for promoting economic growth. (U.S. Marine Corps photo)

and girls through 2014 and beyond. (See Section 3, pages 137–171 for a full description of programs to promote economic and social development.)

SIGAR has published 21 audit and inspection reports related to economic development projects. These reports highlighted numerous problems—inadequate planning, poor quality assurance, lack of Afghan capacity, and questionable sustainability—with U.S.-funded reconstruction programs in the energy, banking, and agriculture sectors. For example, during this reporting period, SIGAR issued an audit assessing the U.S. effort to help the Afghan national power utility to increase revenues and reduce losses from power generation. The audit found that, despite some successes, the Afghan utility still is not able to pay its bills without subsidy.

SIGAR has two ongoing audits assessing major economic development programs as well as several inspections of U.S.-funded infrastructure projects. This quarter, SIGAR began a comprehensive audit of the U.S. effort to improve Afghanistan's water sector, which is a key goal of the U.S. reconstruction strategy. The United States plans to accelerate water sector development during the transition. This audit will determine if U.S.-funded projects are aligned with the inter-agency water strategy for Afghanistan, and whether they have incorporated plans for sustainability. Other audits and inspections include:

- **Agricultural development:** A USAID-funded project in southern Afghanistan aims to reduce regional instability by increasing agricultural employment and income. SIGAR is assessing allegations that USAID's implementing partner has failed to sufficiently coordinate

with local government officials and has purchased and distributed equipment without proper justification.

- **Hydroelectric supply:** Tapping the full hydroelectric potential of the Kajaki Dam would greatly expand Afghanistan's supply of economic, reliable, and sustainable energy. But a large, modern turbine hauled up to the mountainous site in 2008 remains uninstalled. SIGAR is conducting an inspection of the Kajaki Dam to determine the quality of the work that has been done to date on this project that is seen as vital to providing electricity for the southern region.

Social Development

USAID points to improvements in health as one of the great success stories of the Afghan reconstruction, with life spans increasing by as much as 20 years on average since 2002. SIGAR's inspection this quarter of a \$160,000 clinic in Kabul Province reinforced this message. It found that the facility was being used as intended and sustained appropriately by the Afghan government. However, an audit found that USAID approved plans for two new hospitals—worth \$18.5 million—before coordinating with the Afghan Ministry of Public Health to ensure the facilities could be operated and maintained. The hospitals' operation-and-maintenance costs will be significantly higher than the facilities they are replacing, but neither USAID nor the Afghan government has committed to fund the new operating costs. SIGAR also identified serious staffing shortages. The audit underscores SIGAR's continuing concern that the United States is building unsustainable infrastructure projects.

THE TRANSITION TO INCREASED DIRECT ASSISTANCE

Before 2010, the United States provided most of its assistance to Afghanistan through contracts, grants, and cooperative agreements that were executed outside the Afghan budget and beyond the reach of Afghan officials. Since 2010, the United States and other donors have agreed in principle to provide more government-to-government funding—or direct assistance—to help Afghan government institutions build capacity to manage funds and deliver services. However, the international donor community has also made this aid conditional on the Afghan government tackling endemic corruption, demonstrating that it has the capacity to manage these funds in a transparent manner, and providing detailed action plans showing how it intends to use development assistance.⁸ For more information, see the Quarterly Highlight on the following page.

In July 2012, at the donor conference in Tokyo, the Afghan government and the international community created the Tokyo Mutual Accountability Framework that set development priorities. The international community pledged to provide more than \$16 billion in development assistance

DIRECT ASSISTANCE

Direct assistance, strictly defined, is aid provided through a host nation's national budget, either by multinational trust funds or by individual governments through bilateral agreements. The United States provides aid in both ways.

Multinational Trust Funds

The United States is currently providing most of its direct assistance to Afghanistan through two major multinational trust funds: the Afghanistan Reconstruction Trust Fund (ARTF), which is managed by the World Bank, and the Law and Order Trust Fund for Afghanistan (LOTFA), which is managed by the United Nations Development Programme (UNDP). SIGAR audits of the ARTF and LOTFA raised questions about the Afghan government's ability to account for funds and monitor projects.

Afghanistan Reconstruction Trust Fund

The ARTF is the primary funding mechanism for direct international assistance to the Afghan operational and development budgets. The Afghan government uses these funds to pay recurrent costs such as salaries and operation and maintenance, as well as for national development programs. From 2002 through March 20, 2013, the World Bank reported 33 donors had pledged more than \$6.94 billion, of which nearly \$6.18 billion had been paid

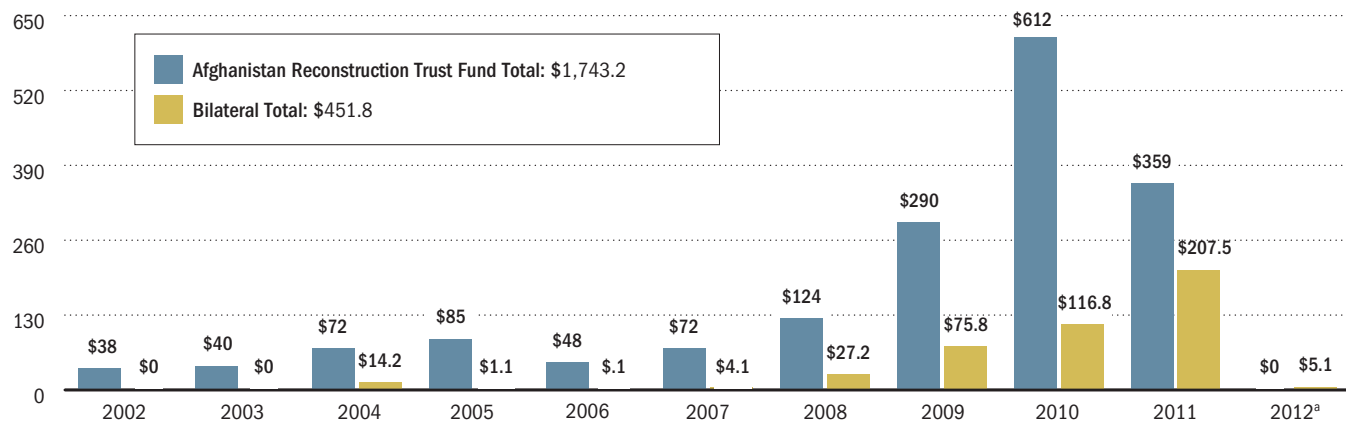
in to the ARTF. The United States, the single largest donor to the ARTF, has provided more than \$1.74 billion—or 28%—of the total that has been paid into the trust fund.⁹ USAID draws from the Economic Support Fund (ESF) to contribute to the ARTF. In its July 2011 assessment of the ARTF, SIGAR found that although Afghan ministries had increased their capacity to manage government finances, the Afghan government continued to face challenges in training and retaining civil servants able to administer and account for ARTF funds.¹⁰

Law and Order Trust Fund

LOTFA supports the Afghan National Police, primarily by funding salaries. Since 2002, donors have pledged more than \$2.65 billion to the LOTFA of which nearly \$2.57 billion has been paid in. The United States has contributed nearly \$970 million—or 38%—of the total funding for LOTFA since the Fund's inception. Over the next two years, DOD expects to contribute an additional \$567 million which will bring the total U.S. LOTFA contributions to \$1.25 billion in 2014.¹¹ DOD supports the LOTFA from the Afghan Security Forces Fund (ASFF), which Congress established in 2005 to pay for programs to train, equip, and sustain the Afghan army and police forces. SIGAR's audit of the Ministry of Interior's (MOI) personnel systems concluded that the MOI's payroll system provided little assurance that only those ANP

FIGURE 1.1

USAID ON-BUDGET ASSISTANCE, 2002-2011 (\$ MILLIONS)



Notes: Numbers have been rounded.

^a Most FY 2012 USAID funding for On-Budget Assistance had not been obligated as of March 31, 2013.

Sources: USAID, responses to SIGAR data call, 4/18/2013 and 4/11/2013.

QUARTERLY HIGHLIGHT

personnel who are actually working are paid and that LOTFA funds are used to reimburse only eligible ANP costs. Furthermore, SIGAR's auditors found that the UNDP could not confirm that LOTFA funds were used to reimburse only eligible ANP costs.¹²

Bilateral Assistance

USAID and DOD also provide direct government-to-government assistance to specific ministries. From 2004–2012, USAID obligated more than \$452 million from the ESF to 13 Afghan ministries and government agencies.

Figure 1.1 shows USAID contributions to the ARTF compared to USAID bilateral assistance. From 2009 through 2012, DOD has provided \$3.38 billion, including LOTFA contributions, from the ASFF in direct assistance to the Afghan government. Figure 1.2 shows the increase in DOD-provided direct assistance.

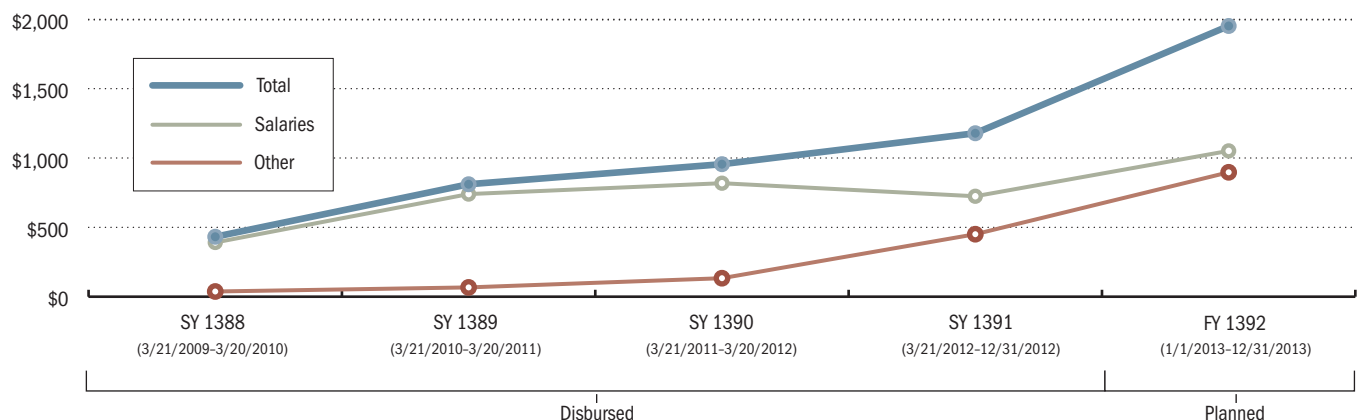
Between 2011 and 2013, USAID contracted with two accounting firms to assess the capacity of Afghan ministries to manage and account for direct assistance. The firms have completed assessments of 13 Afghan ministries. Because of SIGAR's concerns about the Afghan government's capacity to administer and account for U.S. funding, a SIGAR audit is examining USAID's contracts with the accounting firms, summarizing the firm's findings, and evaluating how USAID plans to use the assessments in provid-

ing direct assistance. SIGAR is also evaluating the Afghan Ministry of Public Health's U.S.-funded program to deliver basic health care and USAID's plans to fund the Kajaki Dam energy project in partnership with Da Afghanistan Breshna Sherkat (DABS) using direct assistance.

DOD provides direct assistance to Afghanistan's Ministry of Defense (MOD) and MOI from the ASFF. The Combined Security Transition Command-Afghanistan (CSTC-A), which is responsible for developing the Afghan security forces, oversees the direct contributions to the MOD and MOI. DOD guidance stipulates that direct assistance may be used to pay salaries; procure food, goods, and services; and fund minor construction in support of the Afghan army and police. In 2009, DOD began providing substantial direct assistance to the budgets of the defense ministries. Since 2009, DOD contributed more than \$2.32 billion to the MOD and nearly \$1.05 billion to the MOI.¹³ An additional, \$1.95 billion in ASFF direct assistance to the MOD and MOI is planned for 2013. Earlier this year, CSTC-A revised plans to provide direct contributions to MOD and MOI for fuel purchases as a result of a SIGAR audit. This quarter, SIGAR launched a special project to examine the MOD's and MOI's ability to manage and account for funds provided through direct assistance.

FIGURE 1.2

DOD DIRECT CONTRIBUTIONS TO THE AFGHAN GOVERNMENT (\$ MILLIONS)



Note: Numbers have been rounded; SY = Afghan Solar Year; FY = Afghan Fiscal Year; increases in the "other" category reflect an ongoing shift from off-budget to on-budget assistance. Source: CSTC-A, responses to SIGAR data call, 4/16/2013.

AID AND THE TRANSITION



An exemplar of Afghanistan, the Panjshir Valley is rugged, rural, and heavily agricultural. (UN photo)

through 2015. The donors also committed to improve aid effectiveness by providing more assistance directly to the Afghan government. Under the Tokyo Framework, the Afghan government agreed to develop action plans in five development areas and establish benchmarks for meeting goals in five major governance and development areas. During this reporting period, a SIGAR inquiry into the status of the Tokyo Mutual Accountability Framework found that the Afghan government and the international community have made some progress on developing action plans but have not come to agreement on specific benchmarks. (See the Quarterly Highlight on page 143 for an update on the implementation of the Framework.)

The United States has signaled to the Afghan government and to its Coalition allies that it intends to continue to request substantial reconstruction assistance for Afghanistan through what the Afghan government is calling the “Transformation Decade” ending in 2025. The international community as a whole recognizes that the Afghan government will remain aid-dependent throughout that period. The World Bank, for example, estimates that Afghanistan will need more than \$7 billion of direct, on-budget assistance in every year of the Transformation Decade to sustain reconstruction projects, fund Afghan security forces, and cover the large financial gap between its domestic revenues and the costs of its routine operations.¹⁴ Congress and the Administration will determine how much the United States contributes to fill the gap. Whatever the amount, the U.S.

government plans to provide more on-budget assistance for a number of reasons, including:

- making aid more effective by reducing contractor costs and increasing coordination with the Afghan government
- enhancing Afghanistan's ability to pursue its own priorities, build public confidence in the government, and improve government agencies' capacity to carry out their functions

In its FY 2014 budget justification, State wrote, "We are aggressively working to drive down costs of programs by moving from commercial contractor implements to international organizations and grantees, and by increasing reliance on Afghan professionals."¹⁵ Afghanistan's internationally staffed Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) reported that "Statistics from the [Afghan government] reveal that at least 80% of international aid [since 2002] has been spent by donor agencies and their implementing partners with little consultation with the Afghan government."¹⁶ According to the MEC, the result is that the Afghan government has little incentive to sustain these donor-funded projects. The MEC was created by Presidential Decree in March 2010 to develop anticorruption recommendations and benchmarks and to monitor and evaluate efforts to fight corruption.

SIGAR recognizes the advantages of direct assistance. But this quarter, in two testimonies before Congress, the Special Inspector General outlined three serious concerns about direct assistance. These are:

- a lack of Afghan government capacity to manage and account for donor funds
- the effect of pervasive corruption
- a need to ensure adequate, long-term oversight

Lack of Afghan Capacity

The World Bank has urged international donors to increase on-budget aid to improve aid effectiveness, but it has also cautioned that the Afghan government "will need to overcome serious absorptive capacity constraints to be able to receive and effectively use additional donor money on budget."¹⁷ The MEC reported in March 2013 that "Afghanistan's government institutions, particularly those involved in infrastructure projects such as MOPW [Ministry of Public Works], lack technical and managerial capacity to monitor projects, resulting in deficient work."¹⁸

Budget execution also remains a problem. According to the World Bank, Afghanistan has only been able to execute around \$1 billion of its core development budget annually since 2007–2008. The Bank attributes the execution rate to structural and capacity issues. "Over the next few years," the Bank says, "a concerted push by donors and government alike is needed to improve government capacity to spend its development budget."¹⁹

SIGAR audits of the Afghanistan Reconstruction Trust Fund (ARTF) and Law and Order Trust Fund for Afghanistan (LOTFA) have also raised questions about the Afghan government's ability to account for funds. In its July 2011 assessment of the ARTF, SIGAR found that although Afghan ministries had improved their capacity to manage government finances, the Afghan government continued to have difficulty training and retaining civil servants able to administer and account for ARTF funds. SIGAR's audit of MOI personnel systems found its payroll system provided little assurance that only ANP personnel who are actually working are paid, and that LOTFA funds are reimbursing only eligible ANP costs.

As the United States increases its direct assistance to Afghanistan, the Afghan government's capacity to execute and account for this money becomes a critical issue.

Corruption

Although the Afghan government has said it is committed to tackling endemic corruption, Afghan officials remain reluctant to take serious action to prosecute corrupt officials, especially if they are well-connected. In its latest report, the MEC said that some government ministries—such as the Ministry of Mines and Petroleum and the Ministry of Finance—had made progress in implementing the Committee's recommendations and meeting benchmarks to deter corruption. However, the MEC said the justice sector has not made similar strides and noted that the Attorney General's Office has not taken the steps needed to combat corruption.²⁰

Oversight

The United States and other international donors must establish mechanisms to protect direct assistance from corruption and ensure that there is vigorous oversight of these funds. Implementing agencies are the first line of defense against waste, fraud, and abuse. They must have clear bilateral agreements with strong provisions for oversight. Accordingly, direct assistance should be conditioned on the Afghan ministries not only meeting measurable outcomes, but also providing unfettered and timely access to their books and records as well as to sites, offices, and staff of projects funded by U.S. assistance. Federal agencies already have some policies calling for pre-award risk assessments, recipient monitoring and reporting, and U.S. access to records, but the GAO has noted that such precautions are not always taken or, if they are taken, are not consistently followed up.²¹

SIGAR has several ongoing audits and special projects examining aspects of direct assistance to the Afghan government. SIGAR initiated three audits this quarter:

- **Transition planning:** SIGAR is examining U.S. government plans to transfer completed projects to the Afghan government. This audit will evaluate the project-transfer process and assess the Afghan

government's ability to maintain these assets. It will also determine the extent to which implementing agencies have compiled and documented a comprehensive inventory of all U.S.-funded projects and assets.

- **Ministerial assessments:** In 2011, USAID contracted with accounting firms to assess the capacity of Afghan government ministries to manage and account for direct assistance. USAID's own requirements stipulate that it cannot provide government-to-government assistance without reasonable assurance that the recipient ministries can adequately account for U.S. funds. SIGAR views these assessments as a good first step to protecting taxpayer dollars. SIGAR is conducting an audit to assess USAID's contract with the accounting firms, summarize the firms' findings, and evaluate how USAID intends to use the assessments.
- **Ministry of Public Health:** This quarter, SIGAR published a first report on USAID-funded health services in Afghanistan. It will issue a second report later this year that addresses direct assistance for one of the Afghan Ministry of Public Health's flagship programs.

SIGAR's Office of Special Projects is conducting two reviews related to direct assistance. The first will examine the ability of the Afghan Ministries of Defense and Interior to account for funds they have already received in direct assistance for ANSF salaries, uniforms, and fuel. The second will evaluate USAID plans to provide \$60–\$80 million in direct assistance to the Afghan national utility to install a turbine at Kajaki Dam.

THE MOST CRITICAL PHASE

In its FY 2014 budget justification, State described the coming year as “perhaps the most critical phase of our engagement in Afghanistan.”²² During his trip to Afghanistan in March, Secretary of State John Kerry highlighted this point, saying, “This next year could well be one of the most important in the modern history of Afghanistan.”²³ Secretary Kerry reiterated the U.S. commitment to support the Afghan government through the security, political, and economic transitions that are under way.

The success of the entire reconstruction effort depends in large measure on how this transition unfolds. SIGAR intends to make sure that Congress and the implementing agencies are fully informed about the progress of the reconstruction effort and have the information they need to safeguard U.S. funds and ensure that taxpayer dollars are spent wisely.

“U.S. government officials must address the systemic problems inherent in every aspect of the reconstruction effort—inadequate planning, poor quality assurance, poor security, questionable sustainability, and pervasive corruption.”

—*Special Inspector General John F. Sopko*

2 SIGAR OVERSIGHT ACTIVITIES



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Communications towers sprout atop “TV Mountain” outside Kabul. (UN photo)

SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 10 written products to help the United States strengthen program management, increase efficiency, and avoid waste, fraud, and abuse in four key areas of the U.S. reconstruction effort: security, governance, economic development, and the delivery of foreign assistance. Special Inspector General John F. Sopko presented testimony before two Congressional hearings on the risks of direct assistance to Afghanistan. Sopko also gave a statement for the record to the Senate Committee on Appropriations on how to reduce waste, improve efficiency, and achieve savings.

During this reporting period, SIGAR audits and inspections identified a number of issues, including poor planning, poor contractor performance, and a lack of sustainability. One audit report concluded that a lack of planning and poor contract management had marred U.S. Forces-Afghanistan (USFOR-A) and U.S. Agency for International Development (USAID) efforts to assist in the commercialization of Afghanistan's national power utility, resulting in wasted U.S. money. A second audit report found that two new USAID-funded hospitals are probably not sustainable and that existing hospitals are facing shortages in some crucial medical positions. Another audit report found weaknesses in the Department of Defense's (DOD) process for ensuring that contractors with links to enemy groups are identified and their contracts terminated. Three inspection reports identified issues with contractor performance and power facilities at an ANP facility in Kunduz; uncovered \$5 million spent for unused incinerators; and found a success story at the Qala-I-Muslim medical clinic. The local community was making effective use of the \$160,000 clinic and the Afghan government was maintaining it appropriately.

SIGAR investigations resulted in the arrest of two Afghan citizens for the failure to install culvert-denial systems that could have saved the lives of two American soldiers. SIGAR investigations also led to nine other arrests, seven criminal charges, and three sentences in Afghanistan as well as one arrest, one guilty plea, and four sentences in the United States. For the first time, a SIGAR Special Agent testified in an Afghan court, leading to an increased sentence for an influential Afghan contractor. Monetary savings brought by SIGAR this quarter include \$1.3 million in criminal fines and

TESTIMONY GIVEN

- Testimony 13-5T: Risks of Direct Assistance to the Afghan Government
- Testimony 13-10T: Challenges Affecting U.S. Foreign Assistance to Afghanistan
- Testimony 13-11T: Reducing Waste, Improving Efficiencies, and Achieving Savings in Afghan Reconstruction

COMPLETED AUDITS

- Audit 13-6: Contracting with the Enemy
- Audit 13-7: Afghanistan's National Power Utility
- Audit 13-9: Health Services in Afghanistan

COMPLETED INSPECTIONS

- Inspection 13-6: Kunduz ANP Road Security Company
- Inspection 13-7: Qala-I-Muslim Medical Clinic
- Inspection 13-8: FOB Salerno Incinerators

COMPLETED SPECIAL PROJECT REPORTS

- Letter SP-13-3: K-Span Structure Risks

restitution, \$1.1 million in savings, and a \$4.2 million civil settlement payment to the U.S. government. SIGAR opened 52 new cases out of a total of 298 open investigations. The agency referred 18 individuals and nine companies for suspension and debarment.

Finally, SIGAR's Office of Special Projects warned about the safety of structures the U.S. military has built for the Afghan National Army (ANA) after reporting that U.S. Army Corps of Engineers (USACE) officials have decided to continue using flammable materials linked to three fires.

SIGAR TESTIFIES TO SUBCOMMITTEE ABOUT DIRECT ASSISTANCE TO AFGHANISTAN

On February 13, 2013, Sopko testified before the House Committee on Oversight and Government Reform's Subcommittee on National Security, Homeland Defense, and Foreign Operations on the challenges of providing direct or on-budget assistance to Afghanistan.

At the hearing, Sopko said that the next two years and beyond would be the most critical period for reconstruction in Afghanistan. He brought the committee up to date on SIGAR's Afghan fuel audit, which he had previously testified about in 2012. The audit had found weaknesses in the U.S. Army's process for providing petroleum, oil, and lubricants to the Afghan army. Sopko said the audit also exemplified the risks inherent to direct assistance.

For one thing, the Afghan government does not appear to have the capacity to manage the money pledged by the international community in direct assistance. And funds provided through direct assistance are typically subject to less oversight than funds provided through projects implemented by U.S. and other donor government agencies. This lower level of oversight is especially problematic because of the pervasiveness of corruption in Afghanistan.

SIGAR has a number of ongoing and planned audits of direct assistance programs. But SIGAR's ability, like the ability of every implementing agency, to conduct on-site inspections, audits, and investigations may be hindered in the very near future by security restrictions. Recently in northern Afghanistan, SIGAR was prevented from visiting a site because it was too dangerous. As a result, 38 projects and over \$72 million in U.S. taxpayer money are beyond the agency's inspection.

SIGAR TESTIFIES TO FULL COMMITTEE ABOUT FOREIGN ASSISTANCE TO AFGHANISTAN

On April 10, 2013, Special Inspector General Sopko testified again about direct assistance to Afghanistan, this time before the full House Committee on Oversight and Government Reform. He was joined by witnesses from

TESTIMONY GIVEN

- Testimony 13-5T: Direct Assistance to the Afghan Government Presents Risks
- Testimony 13-10T: Challenges Affecting U.S. Foreign Assistance to Afghanistan
- Testimony 13-11T: Reducing Waste, Improving Efficiencies, and Achieving Savings in U.S. Reconstruction of Afghanistan

SIGAR OVERSIGHT ACTIVITIES

DOD, USAID, the State Department, and the Special Inspector General for Iraq Reconstruction.

Sopko pointed out that the impending end of the U.S. combat mission does not mean that aid to Afghanistan for reconstruction is also waning. On the contrary, given the \$70 billion that the international community estimates the country will need through 2024 just to fill its budget gap, Afghanistan could remain the largest recipient of American foreign assistance for years to come. In 2012 alone, the United States provided more than \$16 billion for Afghan reconstruction. That was twice the amount made available to the next four top foreign assistance beneficiaries—Israel, Iraq, Egypt and Pakistan—combined. Additionally, roughly \$20 billion of the more than \$90 billion already appropriated by Congress for Afghanistan has yet to be obligated or disbursed.

On Sopko's last trip to Afghanistan, USAID and DOD officials told him the U.S. government will distribute a significant portion of the unspent funds through direct assistance and has committed to provide over 50% of all funds in the future through direct assistance. Direct assistance has potential benefits, but SIGAR's concerns about it had increased since it reviewed USAID's capability assessments of 13 Afghan ministries scheduled to receive direct assistance. After some difficulty in obtaining access to the assessments, SIGAR's preliminary review of them raised red flags about the ability of all 13 ministries to handle direct assistance. For example, one of the assessed ministries had questionable costs that exceeded the ministry's total budget. Its staff lacked minimal procurement training. Nor did it have any specific mechanism to check for ties to terrorists. In another ministry, the assessments found that computers were vulnerable, that salaries were paid in cash, exposing the ministry to risk of theft, and that it had no way to verify the background of outside employees.

SIGAR will continue its audit of these assessments to determine whether the Afghan government has the capability to handle direct assistance, and what, if anything, USAID is doing as a result of these shortcomings.

Corruption is another serious risk that must be considered when providing direct assistance. SIGAR has found that Afghan officials are still reluctant to prosecute corrupt officials, especially if they are high-ranking or well-connected. Corruption also erodes the hopes of honest Afghans and their loyalty to the central government. At a meeting that Secretary of State John Kerry recently had with Afghan businesswomen, the businesswomen told Kerry they fear they will be marginalized by corruption. One of them told *The New York Times* that contracts will go to "only a few people who are really connected with the government."

Sopko said direct assistance must be accompanied by mechanisms—established by the United States and other donors—to protect funds and provide vigorous oversight in order to ensure monies given to Afghan ministries go to the most qualified contractors and not to the corrupt cronies of



Special IG John F. Sopko, testifying before the House Committee on Oversight and Government Reform, April 2013. (House Committee on Oversight and Government Reform photo)

Afghan politicians. Funding should be conditioned not just on meeting measurable outcomes, but also on providing the United States and international donors unfettered and timely access to books, employees, and records and, most importantly, to the projects and programs financed by U.S. assistance.

Without adequate security for U.S. officials to manage and oversee Afghanistan reconstruction assistance, the United States runs the risk of wasting billions of taxpayer dollars.

SIGAR PROVIDES WRITTEN TESTIMONY ON SAVING U.S. FUNDS IN AFGHANISTAN

On April 18, 2013, at the request of the Senate Committee on Appropriation's Subcommittee on the Department of State, Foreign Operations, and Related Programs, Special Inspector General Sopko submitted a statement for the record on reducing waste, improving efficiencies, and achieving savings in the U.S. reconstruction of Afghanistan. Since the end of 2008, when Congress created SIGAR, its auditors and inspectors have completed 75 audit and inspection reports and made 245 recommendations that identify \$1.8 billion in questioned costs, funds that can be put to better use, and funds identified for potential recovery. But while recommendations in individual audit and inspection reports are useful for strengthening reconstruction programs and recovering funds for the U.S. taxpayer, they are primarily retrospective. In other words, once SIGAR has conducted an audit or inspection, found one or more problems, and recommended steps to address them, those problems have already occurred. That is why, in its January 2013 Quarterly Report to Congress, SIGAR laid out seven questions that decision makers, including Congress, should ask as they consider whether and how best to use remaining reconstruction funds:

- Does the project or program make a clear and identifiable contribution to our national interests or strategic objectives?
- Do the Afghans want it or need it?
- Has it been coordinated with other U.S. implementing agencies, with the Afghan government, and with other international donors?
- Do security conditions permit effective implementation and oversight?
- Does it have adequate safeguards to detect, deter, and mitigate corruption?
- Do the Afghans have the financial resources, technical capacity, and political will to sustain it?
- Have implementing partners established meaningful, measurable metrics for determining successful project outcomes?

Sopko suggested that congressional appropriators, including the appropriators on the Senate subcommittee, require State and USAID to answer, in writing, these seven questions before obligating appropriated funds

to new programs. If State or USAID cannot answer the questions in the affirmative, SIGAR proposes that they be required to provide a written justification explaining the purpose for proceeding with the obligation of appropriated funds.

AUDITS

Since its last report to Congress, SIGAR has issued three audit reports. This quarter, SIGAR also began six new audits, bringing the total number of ongoing audits to 15. The published reports, among other things, raised concern about contracting with the enemy, the commercialization of Afghanistan's national power utility, and Afghan health services. The audits made a total of 11 recommendations to ensure that contractors with links to enemy groups are identified and their contracts terminated; that the national power utility is able to go forward with commercialization; and that USAID develop a plan for making optimum use of the Gardez and Khair Khot hospitals currently being constructed.

Audit Reports Published

Audit 13-6: Contracting with the Enemy

DOD Has Limited Assurance that Contractors with Links to Enemy Groups Are Identified and Their Contracts Terminated

To reduce the risk of inadvertently contracting with individuals or entities that provide funds to groups opposing U.S. and Coalition forces, Congress included Section 841 in the FY 2012 National Defense Authorization Act (NDAA). Section 841 permits DOD to authorize a Head of a Contracting Activity (HCA) to restrict, terminate, or void a DOD contract, grant, or cooperative agreement with an entity or individual determined to be actively supporting an insurgency or otherwise opposing U.S. or Coalition forces in the U.S. Central Command (CENTCOM) theater of operations, including Afghanistan. As of January 18, 2013, CENTCOM has issued four notification letters identifying five companies and their associates as Section 841 designees. This audit describes the processes DOD has established to implement Section 841, assesses the extent to which DOD's process for implementing Section 841 has aided in identifying and preventing U.S. contracting funds from being provided to individuals and entities identified as actively supporting an insurgency or opposing U.S. or Coalition forces in Afghanistan, and lists some areas of the Section 841 legislation that could be strengthened to prevent contracting with the enemy.

FINDINGS

DOD has established a two-phase process to comply with Section 841. The first phase involves the targeting, reviewing, designating, and,

COMPLETED AUDITS

- Audit 13-6: Contracting with the Enemy: DOD Has Limited Assurance that Contractors with Links to Enemy Groups Are Identified and Their Contracts Terminated
- Audit 13-7: Afghanistan's National Power Utility: Commercialization Efforts Challenged by Expiring Subsidy and Poor USFOR-A and USAID Project Management
- Audit 13-9: Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not Be Sustainable and Existing Hospitals Are Facing Shortages in Some Key Medical Positions

ultimately, notifying the HCA of a Section 841 person or entity. U.S. Forces-Afghanistan's Task Force 2010 (TF 2010) currently administers the intelligence portion established by Section 841. Once a target has been identified, TF 2010 assembles an information package on the target and conducts preliminary intelligence and legal analyses. The Section 841 information package is routed through a series of coordinating agencies of International Security Force Assistance Force Joint Command for review and concurrence before it goes to CENTCOM for a final decision. Upon approval, the CENTCOM Commander prepares a Section 841 notification listing the entities identified, along with a request that the HCAs exercise the authority provided in Section 841 to restrict, terminate, or void contracts with those listed. CENTCOM then distributes the notification to the HCAs. In the second phase, the HCAs determine if they have any contracts with the person or entity listed in the CENTCOM notification. The process concludes when the HCA responds to CENTCOM with the actions taken on the contracts.

SIGAR has identified several weaknesses in DOD's process for implementing Section 841 that prevent the department from having reasonable assurance that U.S. government contracting funds are not being provided to persons or entities supporting the insurgency and opposing U.S. and Coalition forces. As a result, millions of contracting dollars could be diverted to forces seeking to harm U.S. military and civilian personnel in Afghanistan and impede the multi-billion reconstruction effort.

Specifically, SIGAR found:

- Some contracts did not (1) contain the required clause prohibiting contractors from entering into subcontracts with Section 841 designees or (2) notify contractors of HCAs' authorities. The agency's failure to include the clause in contracts may prevent contractors from knowing their legal requirement to avoid contracting with Section 841 designees and understanding the HCAs' authorities to restrict, terminate, or void their contracts if they fail to meet their legal obligations.
- Some HCAs did not receive CENTCOM's notification identifying supporters of enemy groups, which may make it difficult for HCAs to take necessary actions on any contracts issued to Section 841 designees.
- HCAs have not consistently informed their prime contractors of Section 841 designations, even though the most recent Section 841 notification requests that they do so. Furthermore, DOD has not developed a formal policy for all HCAs to disseminate or notify prime contractors of Section 841 designations, leaving it to the individual HCAs to develop their own. In the absence of a formal policy, HCAs and prime contractors may continue to contract with and award future contracts to Section 841 designees in violation of the law.
- CENTCOM began posting Section 841 designations on its public website in January 2013; however, contracting officers and prime contractors are not required to regularly review the information.

SIGAR OVERSIGHT ACTIVITIES

- Because HCAs do not have full visibility over most subcontracts, they must rely on their prime contractors to identify subcontracts with Section 841 designees and take necessary steps to terminate, restrict, or void them. Currently, prime contractors are not required to formally certify that they do not hold any subcontracts with Section 841 designees. As a result, HCAs have little assurance that they are identifying all contracts with Section 841 designees.
- HCAs and prime contractors are at risk of legal challenges from Section 841 designees because DOD has not provided guidance addressing the consequences of and actions to take after exercising Section 841 authorities. Contracting officials also lack guidance for absorbing the financial costs—such as seeking a new contractor—associated with restricting, terminating, or voiding a contract with a Section 841 designee. Without such guidance, HCAs and prime contractors may not be able to formulate an appropriate response to current and future legal challenges.
- DOD does not centrally track actions taken pursuant to Section 841 authorities. Section 841 requires the Secretary of Defense to report annually to Congress in 2013, 2014, and 2015 on the use of authorities during the preceding year. Currently, both the Office of Defense Procurement and Acquisition Policy and CENTCOM are collecting this data, resulting in a duplication of effort.

Finally, SIGAR found areas where Section 841 could be strengthened. For instance, Section 841 only applies to contracts valued in excess of \$100,000, although a large number of contracts awarded in Afghanistan fall below that threshold. In addition, Section 841 will expire on December 31, 2014, putting in question the status of designations made under the section and relevant clauses included in contracts issued prior to this date.

SIGAR is addressing Department of State and USAID efforts to prevent contracting with the enemy in a separate review.

RECOMMENDATIONS

SIGAR is making seven recommendations to the Director of the Office of Defense Procurement and Acquisition Policy: five recommendations to improve visibility over active contracts in Afghanistan; one to formally determine, in coordination with the Commander of CENTCOM, which entity will be responsible for centrally tracking data on Section 841 actions, thus preventing duplication of effort; and one to ensure that HCAs have the information needed to respond to legal challenges and address any financial liabilities that may result from exercising their Section 841 authorities.

MATTERS FOR CONSIDERATION

SIGAR has also included matters for congressional consideration. To ensure all contracts in Afghanistan are subject to Section 841, Congress may wish

to consider eliminating the \$100,000 threshold value for contracts. To provide DOD with greater clarity on the future of designations and efforts made under Section 841, Congress may wish to provide guidance on the status of the designations once the legislation expires on December 31, 2014. Lastly, if the intent is for Section 841 designations to expire with the legislation, Congress may wish to consider requiring contracting agencies to preserve information and intelligence gathered through the Section 841 process.

AGENCY COMMENTS

CENTCOM, USACE, and the Air Force Civil Engineer Center (AFCEC) provided technical comments, which SIGAR incorporated into its final report, as appropriate. DOD's Office of Defense Procurement and Acquisition Policy officials provided informal comments that generally supported SIGAR's recommendations for improving the process for notifying the DOD acquisition community and contractors of Section 841 designees, and stated that they will provide formal comments after the release of the final report.

Audit 13-7: Afghanistan's National Power Utility

Commercialization Efforts Challenged By Expiring Subsidy and Poor USFOR-A and USAID Project Management

Since 2008, the Afghan government has identified making improvements to its energy sector as a top priority, including increasing revenues and reducing power losses from generation through distribution. Collectively, these initiatives are referred to as commercialization. Since 2009, the U.S. government has obligated almost \$88 million to help the Afghan government commercialize Da Afghanistan Breshna Sherkat (DABS), its national power utility. DABS operates and manages electric power generation, import, transmission, and distribution services throughout Afghanistan.

U.S. government projects funded by USFOR-A and USAID focus on helping DABS increase cost recovery, reduce losses, and build its capacity to manage, operate, and maintain a national power system. To date, USFOR-A and USAID have focused their efforts in Kabul, Kandahar, and Helmand Provinces. The first objective focuses on the self-sufficiency of DABS-Kabul because there is a lack of reliable, available data for other directorates—such as data on revenues and losses. This report is the second of two reports on U.S. efforts to assist in the commercialization of DABS. SIGAR evaluated (1) the extent to which U.S. assistance contributed to DABS-Kabul's goal of becoming self-sufficient and (2) USFOR-A and USAID management of commercialization projects.

FINDINGS

Although USAID investments resulted in some commercialization successes for DABS-Kabul in recent years, it is not able to pay its bills without an Afghan government subsidy set to expire in 2014. For example, with the

SIGAR OVERSIGHT ACTIVITIES

assistance of a \$53 million project funded by USAID to assist in the commercialization of DABS-Kabul, cash collections increased by nearly 60%. However, DABS-Kabul—one of the best-performing electricity directorates in all of Afghanistan—is still operating at a financial loss.

Further, USFOR-A and USAID have provided nearly \$88 million to assist in commercializing DABS in Kabul, Kandahar, and Helmand, but poor management of commercialization projects by the U.S. agencies hindered U.S. efforts. For example, USFOR-A approved eight Commander's Emergency Response Program (CERP) projects intended to help DABS decrease losses and increase revenues from electricity sold; these projects were designed to procure urgently needed electricity distribution equipment for Kandahar and Helmand. As identified in a SIGAR interim report in December 2012, almost \$12.8 million of the equipment purchased by the U.S. Army Corps of Engineers-Afghanistan Engineer District South (USACE-TAS) on behalf of USFOR-A as part of Kandahar commercialization efforts was sitting unused in U.S. government-controlled storage.

SIGAR also found no clear plans for the equipment's installation. Although this equipment, which was approved and funded by USFOR-A, arrived without an installation plan and was placed in storage, USFOR-A continued to approve projects for similar equipment without an installation plan. As a result, \$10.2 million of additional equipment for Helmand remains in storage without an approved plan for installation. Moreover, USAID's decision to approve an expanded scope of work on a sole-source basis may have inappropriately limited competition because there may have been other technically capable bidders.

Finally, although USAID required its contractor to implement a billing system in Kandahar that was consistent and coordinated with systems in Kabul, USAID did not enforce these contractual requirements, allowing a different system to be installed in Kandahar that was later deemed a failure by USAID and DABS. As a result, USAID wasted nearly \$700,000 to implement the Kandahar system, which will ultimately be replaced by the same system originally installed in Kabul.

RECOMMENDATIONS

SIGAR recommends that the Commanding General for USFOR-A Regional Command-Southwest work with DABS to finalize the installation schedule for the equipment. SIGAR also recommends that the USAID Mission Director for Afghanistan require that USAID-funded systems are coordinated with DABS Corporate and consistent nationwide.

AGENCY COMMENTS

USFOR-A concurred with SIGAR's recommendation that it should work with DABS to finalize the installation schedule for the Helmand equipment within the warranty period. USFOR-A outlined a series of actions it is taking



Unused electrical distribution equipment sitting in a Shoredam storage facility. (SIGAR photo)

or plans to take to address the recommendation and “rectify the situation.” SIGAR will follow-up with USFOR-A after 90 days to ensure it has taken appropriate action.

In commenting on the draft of this report, USAID disagreed with several of SIGAR’s statements. Most notably, USAID disagreed with SIGAR’s statement that DABS-Kabul’s self-sufficiency is uncertain because of expiring subsidies. USAID stated that phasing out the subsidies was part of the agreement with the Ministry of Finance and DABS from inception, and removing the subsidies in favor of commercial viability is the goal of its partnership with DABS. To fill the revenue gap left by the planned reduction in subsidies, USAID also stated that increasing customer rates for energy consumption as well as further decreasing losses will eventually bring revenue in line with operational costs. While such efforts may result in revenue/costs alignment, SIGAR questions whether those positive results can occur before the subsidies expire in 2014 and, therefore, believes that the agency’s finding that the self-sufficiency of DABS is questionable remains valid.

USAID concurred with SIGAR’s recommendation that it should require any system funded by the Power Transmission Expansion and Connectivity program to be coordinated with DABS Corporate and consistent nationwide. USAID provided a copy of the “Request for Proposal” for DABS commercialization, which stated that mPower will be the billing system used as USAID expands commercialization efforts into Herat, Kandahar, Nangarhar, and Balkh. With appropriate contract management and USAID’s assurance that any additional expansion includes similar requirements, USAID’s actions will meet the intent of SIGAR’s recommendation.

Audit 13-9: Health Services in Afghanistan

Two New USAID-Funded Hospitals May Not Be Sustainable and Existing Hospitals Are Facing Shortages in Some Key Medical Positions

USAID is a primary provider of health sector assistance to the Afghan government, along with the World Bank and European Union.



Gardez hospital under construction. (SIGAR photo)

Through its assistance, USAID has sought to expand access to the Afghan public health system by increasing the number of medical facilities and health professionals available to provide health-care services. This includes the Construction of Health and Educational Facilities (CHEF) program to build two new hospitals—in Gardez and Khair Khot—and the Partnership Contracts for Health (PCH) program to provide health services in 13 Afghan provinces, including the delivery of the Essential Package of Hospital Services (EPHS) in five provinces. Much of the funding for the PCH program is provided as direct assistance to the Afghan Ministry of Public Health (MOPH).

This report assesses whether (1) USAID has ensured that the Afghan government can sustain two hospitals currently being built with USAID funds, and (2) medical staffing required for the five provincial hospitals operated with USAID funds was being provided.

FINDINGS

The Afghan government may not be able to sustain two hospitals—Gardez in Paktiya province and Khair Khot in Paktika province—currently being built with USAID funds. USAID’s \$18.5 million investment in these new hospitals may not be the most economical and practical use of these funds. First, USAID did not assess MOPH’s ability to operate and maintain these new facilities once completed. Second, construction began on the new hospitals about one year before USAID coordinated the design plans with MOPH. USAID’s late coordination resulted in the construction of facilities that are larger—Gardez hospital is 12 times larger than the facility being replaced—than can be sustained, and increased estimated operating costs for the new facilities that are disproportionate to current costs.

SIGAR reviewed the two hospitals under construction as part of the CHEF program and found that their estimated annual operation and maintenance costs could be over five times the annual operating costs for the hospitals they are replacing. For example, the existing Gardez hospital has annual operating costs, including fuel, of about \$611,000, and USAID estimates that annual fuel costs alone for the new hospital could be as much as \$3.2 million. Similarly, the existing Khair Khot hospital has annual operating costs of about \$98,000 and USAID estimates that annual operation and maintenance costs alone for the new hospital will be about \$587,000. Neither USAID nor MOPH has committed to provide funding to cover the additional operating costs of the new hospitals.

SIGAR also found that some provincial hospitals are experiencing staffing shortages for certain key medical positions. Specifically, four of the five provincial hospitals that SIGAR reviewed to determine whether they met medical staffing standards reported persistent vacancies, some lasting several years, according to non-governmental organization (NGO) officials. The EPHS program specifies the minimum number of doctors required to

provide the basic level of health-care services and the higher, “advised” number of doctors needed to provide the full range of health-care services for provincial hospitals. SIGAR found that only one of the five hospitals met the minimum staffing standards for all five key positions reviewed. In addition, none of the five hospitals met the “advised” staffing standards, except for the general practitioner and pediatrician positions; and three of the five hospitals had no anesthesiologist, one had no pediatrician, and two had no obstetrician/gynecologist.

MOPH contracts require NGOs to implement the full range of health-care services—including staffing—at hospitals during the life of the contract. However, NGO officials stated that the limited availability of doctors in Afghanistan, combined with the low pay for doctors, make it difficult for them to staff key positions at provincial hospitals. Although MOPH submits semi-annual and annual performance reports to USAID, these reports do not include an evaluation of the program’s success in meeting the EPHS guidelines on required staffing levels.

RECOMMENDATIONS

SIGAR recommends that the USAID Mission Director, in coordination with the Afghan Ministry of Public Health, (1) develop a plan for making optimum use of the Gardez and Khair Khot hospitals currently being constructed, and (2) establish and monitor milestones for achieving the minimum and advised staffing levels at provincial hospitals and include information on meeting these milestones in annual program reviews.

AGENCY COMMENTS

At the time this report went to press, the agency was still preparing formal comments on a draft of the report. The final report contains the agency comments and response to the findings and recommendations (www.sigar.mil).

NEW AUDITS

- Effect of the Transition from Private Security Contractors (PSCs) to the Afghan Public Protection Force (APPF) on USAID Reconstruction Projects
- Afghan Government’s Implementation of the Verified Payroll Program
- USAID Assistance to Afghanistan’s Water Sector
- Reliability of Afghan National Security Forces Personnel Data
- U.S. Government Reconstruction Transition Plan
- Assessments of Afghan Ministerial Capacity

New Audits Announced This Quarter

During this quarter, SIGAR initiated six audits. The audits will assess:

- the effect of USAID’s transfer of security functions from private security contractors to the Afghan Public Protection Force (APPF)
- the Afghan government’s Verified Payroll Program
- USAID’s water sector projects since FY 2010
- the reliability of Afghan National Security Forces (ANSF) personnel data
- the U.S. government’s plan for transitioning reconstruction activities
- USAID’s efforts to assess the ability of the Afghan government to manage and account for funds provided through direct or “on-budget” assistance

Transfer of Security Functions to APPF

SIGAR has initiated a follow-on audit to its June 2012 report that assessed the potential effects of USAID's transfer of security functions for its reconstruction projects in Afghanistan from private security contractors (PSC) to the APPF. In March 2011, President Hamid Karzai called for the dissolution of all PSCs and stated that security responsibility for development projects would transfer to the state-run APPF by March 2012. SIGAR's 2012 report highlighted concerns regarding USAID's transition to the APPF. USAID committed to closely monitor this transition and assess outcomes. This audit will identify (1) the cost of security services for selected USAID projects and any effect the transition to the APPF had on overall security costs for reconstruction projects, (2) USAID mechanisms to review security costs and oversee security services, and (3) the impact of the APPF transition on reconstruction projects. The audit will also determine whether USAID's implementing partners for selected projects were appropriately using companies licensed by the Afghan government.

Afghan Payroll Execution Capacity

SIGAR has initiated an audit of the Afghan government's Verified Payroll Program. The audit will focus on the government's implementation of the Verified Payroll Program and will determine the extent to which the government demonstrated the capability to make salary payments to its civil service employees for only authorized personnel, in accordance with approved salary structures, through direct deposit, and within established time frames according to program requirements and national law.

USAID's Water Sector Projects

The development of Afghanistan's water resources is an important goal of the U.S. reconstruction effort. Decades of conflict and persistent drought have resulted in damaged irrigation systems and other water infrastructure, insufficient water monitoring and storage, lack of access to safe and adequate drinking water, lack of reliable water-related data, and lack of skilled human resources in water management. Other issues include the need for strengthened water governance and regulation, and environmental stewardship.

The U.S. Government Accountability Office (GAO) reported on U.S. efforts to support the Afghan water sector in November 2010. GAO recommended that USAID, in coordination with DOD and relevant agencies, develop an implementation plan for the U.S. Inter-Agency Water Strategy for Afghanistan; designate a centralized database, and improve performance management. GAO also noted that the U.S. government planned to accelerate water-sector development, with estimates of \$2.1 billion needed to fund these efforts from FY 2010 through FY 2014.

The objectives of this audit are to (1) determine the extent to which completed, ongoing, and planned projects meet USAID's project goals and

objectives and align with the 2010 U.S. Inter-Agency Water Strategy for Afghanistan and (2) identify and assess USAID plans for water-sector projects post-2014.

ANSF Personnel Data

As of December 31, 2012, Congress had appropriated more than \$51 billion to build, equip, train, and sustain the Afghan National Security Forces (ANSF) as it approaches its target strength of 352,000 by December 2014. However, SIGAR and others have reported that determining ANSF strength is fraught with challenges. U.S. and Coalition forces rely on the Afghan forces to report their own personnel strength numbers, which are often derived from hand-prepared personnel records in decentralized, unlinked, and inconsistent systems. Moreover SIGAR has reported that there is no viable method of validating personnel numbers. Accurate and reliable accounting for ANSF personnel is necessary to help ensure that U.S. funds that support the ANSF are used for legitimate and eligible costs. This audit will assess the reliability and usefulness of data for the number of ANSF authorized, assigned, and trained. It will also review the methodology for gathering data on ANSF personnel, including the extent to which DOD reviews and validates the information collected.

Transitioning Reconstruction Activities

In June 2011, President Obama announced that U.S. combat troops would be withdrawn from Afghanistan in 2014, and that the United States would remain committed to supporting the development of a sovereign Afghanistan. Given U.S. strategic goals and the resources already invested and expected to support Afghanistan in the future, it is critical that reconstruction assets and projects completed by the United States are maintained and used to meet their intended purposes. This audit will determine whether U.S. government agencies have a comprehensive, inter-agency plan in place and whether those plans address the asset-transfer process, the Afghan government's ability to maintain those assets, and the extent to which a comprehensive inventory of all U.S.-funded projects and assets has been developed and documented.

Ministerial Capacity to Accept Direct Assistance

From 2007 to 2010, USAID-Afghanistan completed pre-award assessments of the Afghan Ministries of Finance; Communications and Information Technology; Public Health; Agriculture, Irrigation, and Land; Education; and Rural Rehabilitation and Development. USAID's Office of Inspector General (OIG) assessed the reliability of these pre-award assessments in 2010 and found that they were not reliable. USAID OIG made a number of recommendations to USAID to strengthen its pre-award assessment process. In 2011, USAID contracted with accounting firms Ernst & Young and KPMG to assess

the capacity of Afghan government ministries to accept and manage direct or “on-budget” assistance. This audit will assess the USAID-funded assessments, summarize the firms’ findings, and evaluate how USAID is using and plans to use the ministerial capacity assessments in proceeding with direct assistance.

Ongoing Audits

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 examination to assess the basis for the acquisition and distribution of the solar panels and farm tractors, and to determine whether IRD’s expenditures complied with the terms of its strategic partnership agreement and the intended goals of the program.

Business Taxes Imposed by the Government of the Islamic Republic of Afghanistan on Contractors Supporting the U.S. Government in Afghanistan

The United States relies heavily on contractors and their subcontractors to implement U.S. reconstruction programs in Afghanistan. The Afghan government is charging business taxes and penalties on contractors supporting U.S. government activities. The objectives of this audit are to determine (1) the amount and types of inappropriate business taxes and associated penalties the Afghan government assessed and the amount paid and reported by contractors supporting U.S. government contracts in Afghanistan, and (2) the extent to which U.S. government agencies have taken steps to minimize the tax burden imposed by the Afghan government on these contractors.

U.S. Support for the Afghan Special Missions Wing

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 trade also supports the insurgency. The U.S. counternarcotics 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 (SMW)—formerly known as the Air Interdiction Unit—are

ONGOING AUDITS

- USAID’s Southern Region Agricultural Development Project’s Partnership with International Relief and Development Inc.
- 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
- State’s Financial Audit Coverage of Costs in Afghanistan
- Ongoing Construction Projects for the ANSF
- Afghan National Police Petroleum, Oils, and Lubricants
- \$230 Million in Missing Repair Parts
- Afghan National Security Literacy Training
- Training of Afghan Justice Sector Personnel

critical to sustaining counternarcotics operations. This audit will identify (1) the extent to which U.S. assistance has helped to develop a sustainable SMW that can independently perform its mission; and (2) the effectiveness of U.S. government oversight of contracts/task orders to provide support to the SMW.

State's Financial Audit Coverage of Grants and Cooperative Agreements in Afghanistan

Since 2002, the State Department has awarded \$315 million of Afghanistan reconstruction funds through 140 grants and cooperative agreements, each valued at \$1 million or above. Financial audits of funds expended under such awards provide State with independent assessments of how those funds were used. In 2012, SIGAR completed an audit of USAID's audit coverage for reconstruction efforts (SIGAR Audit 12-9). Now it is conducting a similar audit of financial audit coverage of costs incurred under State's reconstruction-related cooperative agreements and grants in Afghanistan.

Construction Requirements for the ANSF

As of June 30, 2012, the United States had 311 ongoing construction projects for the ANSF valued at about \$3.73 billion and an additional 244 planned projects valued at about \$2.4 billion. SIGAR will examine the Combined Security Transition Command-Afghanistan's (CSTC-A) justification and support for the project requirements. The audit will also assess: (1) the extent to which U.S. and Coalition basing plans for the ANSF reflect ANSF force strength projections; (2) whether CSTC-A fully considered alternatives to new construction; (3) whether CSTC-A developed and used appropriate criteria to ensure that current and proposed construction projects for the ANSF are necessary, achievable, and sustainable by the Afghan government.

Afghan National Police Petroleum, Oil, and Lubricants

In 2012, SIGAR published an audit of ANA logistics capacity for petroleum, oil, and lubricants (POL). SIGAR Audit 13-4 identified the need for controls over ANA POL to prevent fraud, waste, and abuse of more than \$1.1 billion in U.S. funds. Afghan National Police (ANP) POL is subject to the same short transition timelines and challenges as ANA POL, and SIGAR anticipates that similar issues will surface in the audit of ANP logistics capacity. The new audit will focus on the two main issues identified in regard to ANA POL: accuracy of fuel requirements, and accountability for fuel purchases.

\$230 Million in Missing Repair Parts

In September 2012, the Commander of the International Security Assistance Force's Advisory and Assistance Team—a military assessment team—reported that CSTC-A could not account for 474 out of 500 shipping

containers with \$230 million worth of repair parts for ANSF equipment. CSTC-A purchased the repair parts for the Afghan forces between 2007 and 2011. The team said their disappearance may have triggered a requirement that CSTC-A reorder additional repair parts at a cost of nearly \$137 million. The team issued a report recommending that SIGAR investigate CSTC-A's process for ordering and managing these repair parts. The report identified accountability issues throughout the entire logistics life cycle of the repair parts, including the shipment of parts into Afghanistan, acceptance of the parts by the U.S. government in Kabul, storage of the parts by ANSF contractors and subcontractors, and conveyance of the parts to the ANSF. The SIGAR audit will (1) assess the process CSTC-A uses to determine requirements and to acquire, manage, store, and distribute Class IX repair parts for the ANSF; and (2) evaluate the internal controls in place to determine if they are sufficient to account for Class IX repair parts and to prevent fraud, waste, and abuse.

ANSF Literacy Training

Illiteracy in the ANSF remains a major obstacle to effectively developing a capable and self-sustaining force that can operate independently and defend the Afghan people. The United States has funded three contracts, valued at \$200 million through 2015, to provide ANSF literacy training with the goal of significantly reducing its illiteracy levels. SIGAR will evaluate the implementation and oversight of the ANSF literacy training program under the three contracts. It will assess whether the contractors provide qualified instructors and services; the extent to which CSTC-A monitored the contractors' performance and training outcomes; and the extent to which the contracts are meeting the goal of providing basic, sustainable levels of literacy for the ANSF.

Training of Afghan Justice Sector Personnel

The United States has made it a strategic reconstruction priority to establish rule of law in Afghanistan and is providing assistance programs and funds to support justice-sector development. This audit will focus primarily on the Department of State's Judicial Sector Support Program. This program aims to train justice-sector personnel and build the overall capacity of the Afghan judicial system. SIGAR also plans to review DOD's Rule of Law Field Force-Afghanistan and USAID's Rule of Law Stabilization Program, both of which also seek to train justice personnel.

Financial Audits

SIGAR's financial audit program uses a risk-based approach to identify and carry out audits of costs incurred under U.S.-funded contracts, grants, and cooperative agreements for Afghanistan reconstruction. The program was established after Congress and the oversight community expressed concerns

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about the growing backlog of financial audits for Overseas Contingency Operations contracts and grants. Through this initiative, SIGAR will:

- confirm that costs incurred by the recipients of U.S. contracts and grants for Afghanistan reconstruction are reasonable, allocable, and supportable;
- evaluate the internal control environment related to the contract or grant;
- in instances of noncompliance or weak internal controls, identify potential fraud or abuse; and
- follow up on findings and recommendations from prior audits.

SIGAR's first round of financial audits is nearing completion—11 of the 12 financial audits will be issued over the upcoming quarter. During this reporting period, SIGAR expanded its financial audit program by announcing 11 new financial audits, increasing the program to 23 audits with a combined estimated total of nearly \$1.8 billion in auditable costs. SIGAR will award the new audits to competitively selected independent audit firms in May 2013. A list of the new and ongoing financial audits can be found in Appendix C on pages 205–206.

INSPECTIONS

This quarter, SIGAR completed three inspections. The completed inspections identified issues with contractor performance and power facilities at an ANP facility in Kunduz; found a success story at the Qala-I-Muslim clinic; and uncovered \$5 million spent for unused incinerators.

Inspections Reports Published

COMPLETED INSPECTIONS

- Inspection 13-6: Afghan National Police Main Road Security Complex, Kunduz Province Is behind Schedule and May Not Be Sustainable
- Inspection 13-7: Qala-I-Muslim Medical Clinic Serving the Community Well, But Construction Quality Could Not Be Fully Assessed
- Inspection 13-8: Forward Operating Base Salerno: Inadequate Planning Resulted in \$5 Million Spent for Unused Incinerators and the Continued Use of Potentially Hazardous Open-Air Burn Pit Operations

Inspection 13-6: Afghan National Police Main Road Security Company, Kunduz Province Is behind Schedule and May Not Be Sustainable

In February 2012, the U.S. Army Corps of Engineers-Afghanistan Engineer District-North (USACE-TAN) awarded a \$1.7 million firm fixed-price contract to Bamic Global Construction Company to design and build facilities at the ANP Main Road Security Company compound in Kunduz province. SIGAR's inspection assessed whether construction was being completed in accordance with contract requirements and applicable construction standards, and whether any construction or design issues placed the facility's long-term sustainability at risk.

FINDINGS

SIGAR observed a soil-compaction process that puts the ANP Main Road Security Company compound at risk of future soil settlement and structural failure. Specifically, the contractor used a smooth steel-wheeled roller,

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A U.S. soldier provides security at the construction site of the ANP Main Road Security Company compound. (SIGAR photo)

rather than a properly loaded dump truck or pneumatic-tired roller for soil compaction. USACE officials stated that the contractor's excavation work to address collapsible-soil issues at the site met contract specifications. However, the process used by the contractor does not follow U.S. Army guidance and is a major concern due to collapsible-soil conditions at the site and surrounding Kunduz area.

The project is behind schedule and probably will not meet the May 18, 2013, completion date. Although 54% of the performance period had passed at the time of SIGAR's visit, only 15% of the work had been completed. The contractor vowed to take steps, such as doubling the work shifts, to improve the construction schedule. USACE officials noted that the contractor is operating for the first time as a prime contractor and that it has been somewhat overwhelmed by government procedures. The officials believe that the contractor's performance has improved.

SIGAR found that the facilities will be powered by one generator with no provision for a back-up generator or connection to the local power grid. Further, at the time of the inspection, no plans existed on who would be responsible for operation and maintenance of the facilities when the site is transferred to the Afghan government. Failure to address the soil-compaction, back-up power source, and operation-and-maintenance issues could place the \$1.7 million U.S. investment in this facility at risk.

RECOMMENDATIONS

SIGAR is making two recommendations to the USACE Commanding General and the NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A) Commanding General

that address the need for a backup power source at the compound, and operation-and-maintenance costs.

AGENCY COMMENTS

SIGAR received formal comments from USACE and NTM-A/CSTC-A. As a result of their comments to a draft of this report, SIGAR revised the recommendations and made other revisions to the report as appropriate.



Post-natal room at the Qala-I-Muslim medical clinic. (SIGAR photo)

Inspection 13-7: Qala-I-Muslim Medical Clinic Serving the Community Well, But Construction Quality Could Not Be Fully Assessed

In September 2010, Joint Task Force Kabul, within U.S. Forces-Afghanistan, awarded a \$160,000 CERP contract to Zwakman Nabizai Construction Company. The contract involved building a medical clinic in the village of Qala-I-Muslim, Kabul Province. As part of its inspection program, SIGAR conducted a site inspection at the facility to determine whether construction was completed in accordance with contract requirements and applicable construction standards, and whether facilities were being used as intended and sustained.

FINDINGS

The CERP-funded construction of the Qala-I-Muslim medical clinic appears to be a success story. The community of 4,000 people supported the clinic's construction, a villager donated the land, and the facilities are being used daily. The clinic consists of three structures—a single-story, multiple-room medical clinic, a pharmacy, and a latrine—and primarily provides basic medical care for women and children, including immunizations. At the time of SIGAR's inspection, available records showed 1,565 outpatient consultations, 63 prenatal patients, and 63 newborn deliveries since the clinic opened in September 2011.

SIGAR's inspection also showed that the facilities are being well sustained. The MOPH signed an agreement as part of the project approval process to sustain the clinic upon completion and it has fulfilled its commitment to do so. The inspection showed that the heating system worked, floors were clean, bedding was plentiful and well kept, and the pharmacy was well stocked.

Although SIGAR did not observe any major construction deficiencies during its inspection, inspectors were not able to fully assess whether the clinic's construction met contract requirements and construction standards. The assessment was unattainable because more than half of the required project documents, such as blueprints and quality assurance reports, were missing from DOD's Combined Information Data Network Exchange (CIDNE) database. SIGAR has previously reported on the problem of

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missing CERP project documentation, and the missing documents for this project indicate that it is still a problem.

RECOMMENDATIONS

SIGAR recommends that the Commanding General, USFOR-A, direct the appropriate force elements to (1) ensure that project documentation related to CERP projects complies with CERP guidelines and (2) periodically review the CIDNE database to ensure that all required project files are uploaded.

AGENCY COMMENTS

USFOR-A command concurred with SIGAR's recommendations and noted actions it has taken to implement them. For example, consistent with SIGAR's recommendations, the Commanding General, USFOR-A, has directed that personnel ensure that documentation complies with CERP guidance and periodically review the CIDNE database.

Inspection 13-8: Forward Operating Base Salerno: Inadequate Planning Resulted in \$5 Million Spent for Unused Incinerators and the Continued Use of Potentially Hazardous Open-Air Burn Pit Operations

USACE awarded a \$5.4 million contract to construct solid-waste management facilities at Forward Operating Base (FOB) Salerno. The contract required installing two 8-ton capacity incinerators and supporting facilities such as an ash landfill and a management office. At the time of the award, the base was primarily using open-air burn pit operations to dispose of its solid waste. FOB Salerno stated it was moving to incineration for several reasons, including the possible health hazards to personnel from emissions



Solid waste incinerators constructed at FOB Salerno. (SIGAR photo)

generated by open-air burn pit operations of solid waste. This report assesses (1) whether construction was completed in accordance with contract requirements and applicable construction standards, (2) whether the incinerators and supporting facilities were being used as intended and maintained, and (3) the status of open-air burn pit operations.

FINDINGS

FOB Salerno spent \$5 million constructing incinerators and supporting facilities that it will never use. The two 8-ton capacity incinerators generally met technical specifications and were properly sized for the base's daily solid waste, assuming they could operate 24 hours a day. SIGAR found that the base's threat conditions would limit the incinerators' use to no more than 12 hours per day, allowing them to process only 50–57% of the daily solid waste. Therefore, if the incinerators were used, the base would still have to rely on other means—such as open-air burn pit operations—for its solid-waste disposal. However, there are health concerns with breathing the smoke emissions from open-air burning.

Although construction was never fully completed due to open “punch list” items, FOB Salerno officials accepted the facilities and USACE closed the contract. Also, due to lack of maintenance, the facilities have fallen into disrepair. In one case, stagnant water has formed in an area beneath the incinerators, thereby creating a potential health hazard from malaria-infected mosquitoes. All of these factors considered, plus the estimated \$1 million annually to operate and maintain the facilities, led FOB Salerno officials to decide not to use the incinerators and supporting facilities.

Absent the incinerators, FOB Salerno continues potentially hazardous open-air burn pit operations which violate DOD guidelines and a CENTCOM regulation. As part of closure, FOB Salerno officials are exploring options for disposing of the incinerators, but have not conducted a cost-benefit analysis to determine the best option for the U.S. government.

RECOMMENDATIONS

SIGAR recommends that the Commander, USFOR-A, (1) take appropriate measures to prevent the reoccurrence of stagnant water at the FOB Salerno incinerator facility; (2) expedite the contract for the base's trash removal; and (3) develop a list of disposition options for the FOB Salerno incinerators, determine the most cost-effective option for the U.S. government, and provide SIGAR the results within 60 days.

AGENCY COMMENTS

At the time this report went to press, the agency was still preparing formal comments on a draft of the report. The final report contains the agency comments and response to the findings and recommendations (www.sigar.mil).

STATUS OF SIGAR RECOMMENDATIONS

The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed 21 recommendations contained in 5 audit and inspections reports. From 2009 through March 2013, SIGAR published 73 audit and inspection reports and made 245 recommendations that identify \$1.8 billion in questioned costs, funds that can be put to better use, and funds identified for potential recovery. To date, SIGAR has closed about 70% of these recommendations. Closing a recommendation generally indicates SIGAR's assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue. In some cases, a closed recommendation will be the subject of follow-up audit work.

Corrective actions taken for the closed audit recommendations this period include:

- revisions to the Afghanistan Energy Master Plan and the development of common technical standards on rural energy projects (Audit 10-4)
- recovery of over \$2.8 million in National Solidarity Program funds retained by a hawalla dealer (Audit 11-8)
- integration and coordination of U.S. capacity-building efforts, and improvements with measuring civilian-military progress made in building Afghan capacity (Audit 12-1)
- repair of noted construction and maintenance deficiencies with a vehicle-maintenance building and with the storm-drain system (Inspection 13-2)

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. This quarter, SIGAR continued to monitor agency actions on recommendations in 13 audit and 4 inspection reports. Three of the reports, which are over 12 months old, contain 17 significant recommendations that are pending resolution.

The three reports addressed either control weaknesses in systems used to track and disburse about \$45 million in salary supplements to Afghan government employees and technical advisors, the need to strengthen oversight over the flow of U.S. funds through the Afghan economy, or the ability to monitor the effect of \$654 million in Afghan First Initiative reconstruction contracts awards. Specifically,

- Audit 11-5, *Actions Needed to Mitigate Inconsistencies in and Lack of Safeguards over U.S. Salary Support to Afghan Government Employees and Technical Advisors*, was published on October 29, 2010. The 10 recommendations were directed to the U.S. Ambassador to improve accountability and consistency over U.S. salary support. SIGAR closed one recommendation when the U.S. Ambassador designated a representative to serve as a focal point for requests for salary support

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and to monitor salary support provided by U.S. agencies. The other nine recommendations remain open.

- Audit 11-13, *Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts to Develop the Afghan Financial Sector and Safeguard U.S. Cash*, was published on July 20, 2011. There were four recommendations. One was directed to the U.S. Ambassador to improve interagency coordination on financial-sector development programs. The other three were directed at the Secretaries of State and Defense to strengthen oversight over the flow of U.S. funds through the Afghan economy. All four recommendations remain open.
- Audit Report 12-6, *Afghan First Initiative Has Placed Work with Afghan Companies, but Is Affected by Inconsistent Contract Solicitation and Vetting, and Employment Data Is Limited*, was published on January 31, 2012. The four recommendations were directed at the Commander of USFOR-A and the U.S. Ambassador, in coordination with C-JTSCC, USACE and the USAID Mission Director to develop more systematic approaches for soliciting and vetting contracts, and collecting employment data. These recommendations also remain open.

While some recommendations for other audit and inspection reports remain open, there were some notable achievements in their resolution. In one example (Audit 11-15), SIGAR found that USACE contracting officers were unaware of refunds due the U.S. government where contractors had overestimated their labor costs. Pursuant to SIGAR's recommendations, USACE took immediate steps to have insurance refunds sent directly to the U.S. government. Thus far, the refund checks amount to \$11 million. Additionally, USACE implemented SIGAR's recommendation to establish a collection process to recover as much as \$58.5 million identified in the audit report as potential refunds due the government. In another example (Audit 11-10), the U.S. Ambassador resolved one of the recommendations by urging UNDP to reduce its management service fee to donors. The action represented a savings of \$5.5 million.



SIGAR Hotline public service announcement.

INVESTIGATIONS

This quarter, SIGAR investigations resulted in one arrest of a military member, one guilty plea, and four sentences in the United States. In Afghanistan, SIGAR's work led to the arrest of two Afghan citizens for failing to install culvert-denial systems that could have saved the lives of two American soldiers. It also resulted in nine other arrests, seven criminal charges, and three sentences under Afghan law for a range of crimes, including soliciting kickbacks, taking bribes, and stealing fuel. One notable

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feature of the quarter came when a SIGAR investigator testified for the first time in an Afghan court. His testimony resulted in an increased sentence for an influential Afghan contractor. SIGAR also broadened its efforts this quarter to raise public awareness of its Hotline, launching public service announcements broadcast on television and radio on Armed Forces Network, and revising and updating display ads that run in the Middle East edition of *Stars and Stripes*.

Monetary results for the quarter include \$1.3 million in criminal fines and restitution, \$1.1 million in savings to the U.S. government, and a \$4.2 million civil settlement payment made to the U.S. government.

During this reporting period, SIGAR initiated 52 new cases and closed 22, bringing the current number of active investigations to 298, as shown in Figure 2.1. SIGAR is the lead agency on 247 of these cases.

SIGAR Special Agent Testifies in Afghan Court for the First Time

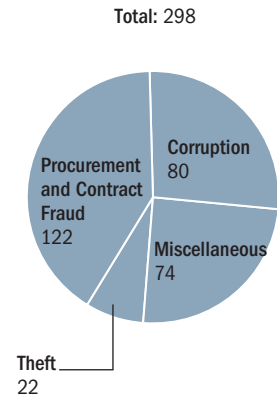
In March 2013, an Afghan court found an influential Afghan official guilty of bribery and sentenced him to three years in prison as a result of testimony by a SIGAR Special Agent. SIGAR's Special Agent testified that Ibrihim Ashna had paid him and a SIGAR informant bribe money. The trial marked the first time a SIGAR Special Agent has testified in an Afghan courtroom. The SIGAR testimony led to Ashna's sentence being increased from two to three years, a mark of the agency's success in establishing good working relations with Afghan law enforcement.

Ashna, who provided and brokered fuel deliveries to U.S. military installations at Camp Jordania and Camp Marmal in Balkh province, was arrested and charged with bribery and theft on October 21, 2012. SIGAR agents working out of SIGAR's new base in Mazar-e-Sharif assisted the Afghan Attorney General's Office (AGO) in making the arrest. SIGAR had uncovered Ashna's large-scale fuel-theft scheme targeting U.S. military installations. Ashna had been submitting forged or altered "Transportation Movement Requests" (TMR) that falsely reported the delivery of fuel to a local fuel depot. Ashna then charged the U.S. government for fuel that was never delivered. During the course of the investigation, Ashna paid bribes to a U.S. service member, a SIGAR confidential informant, and an undercover SIGAR Special Agent to falsely show that fuel had been delivered, thereby avoiding the \$75,000 penalty charged by the U.S. government for "no show" fuel missions. He also drove four trucks with stolen fuel in their tanks off the base.

On January 8, 2013, a SIGAR investigator, along with an Afghan national interpreter and representatives of the NATO/U.S. Rule of Law team, attended the final day of Ashna's trial in Balkh Province, Afghanistan. During the trial, the judge questioned SIGAR's Special Agent about the evidence gathered against Ashna during SIGAR's investigation. The court acknowledged the \$42,000 in bribe payments Ashna made to the

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF MARCH 31, 2013



Source: SIGAR Investigations Directorate, 4/8/2013.



For first time, Afghan appeals court hears testimony from a SIGAR Special Agent. (SIGAR photo)

investigator in exchange for his “correcting” failed fuel delivery TMRs. However, the court did not recognize Ashna’s part in orchestrating the fuel theft on the day he was arrested by SIGAR agents. At the conclusion of the trial, Ashna was pronounced guilty of bribery in accordance with the Afghan Penal Code of 1976 and was sentenced to serve two years in Balkh Prison located in Mazar-e-Sharif. The theft charges were removed.

Ashna was tried again on March 16, 2013, at an appeal hearing in Balkh Province Afghanistan Appellate Court. This time SIGAR’s Special Agent took the stand. The Special Agent testified that Ashna had paid him and the SIGAR informant bribe money, in exchange for the alteration of TMRs and for assistance with the theft of U.S. government-owned fuel. At the conclusion of the hearing, the chief appellate judge issued a new verdict which reinstated the theft charges removed during the criminal trial. The sentence increased Ashna’s prison time from a maximum of two years to three years. The judge also imposed a \$42,000 fine to be paid in addition to the \$42,000 Ashna previously forfeited to the court upon his arrest, for a total fine of \$84,000.

Over the course of the complex investigation, SIGAR agents uncovered the various methods employed by Ashna to defraud the U.S. government. The investigation led to over \$1 million in contract cost savings and stolen government-property seizures. This case also underscores the importance of SIGAR’s recent decision to create a new base at Mazar-e-Sharif to address potential fraud at the military facilities in that region.

Two Contractors Arrested for Failure to Install Culvert Denial Systems

This quarter, two Afghan citizens were arrested after an investigation determined that they had failed to install culvert-denial systems that could have saved the lives of two American soldiers. U.S. military personnel concluded that failure to adhere to contract specifications led to the creation of an “IED engagement zone” along a critical stretch of the highway in Ghazni province.

Abdul Anas Sultani, the president of Afghan Mercury Construction Company (AMCC), was arrested on fraud and negligent death charges by the AGO in Kabul on January 27, 2013, after AMCC failed to install grates aimed at preventing insurgents from planting IEDs. Hamidullah, a subcontractor to AMCC, also was arrested on fraud charges by the AGO prosecutor in February 2013.

The two soldiers were killed on July 2012 in Ghazni province when their vehicle passed over a culvert, triggering an embedded IED. A subsequent investigation revealed that AMCC had submitted falsified claims and taken misleading photos indicating that a denial system had been built at the location where the incident occurred. Instead, AMCC and its subcontractor had improperly installed 122 culvert-denial systems along Highway 1. Rather than using concrete to anchor the grates as specified in its contract, AMCC and its subcontractor used spot welding, making it possible for insurgents



SIGAR agents and U.S. Army forces conduct culvert-denial systems survey in eastern Afghanistan. (SIGAR photo)

IOWA NATIONAL GUARDSMEN HELP SIGAR THWART FUEL THIEVES

SIGAR's oversight of U.S. spending in Afghanistan could not be as effective as it is without the cooperation and initiative of many others, among them an officer and a non-com of the 1034th Combat Sustainment Support Battalion (1034th) of the Iowa Army National Guard.

Lieutenant Colonel Wesley Golden and Sergeant First Class George Toubekis took on responsibility for fuel distribution at Camp Marmal in Regional Command-North (RC-North) near Mazar-e-Sharif, Afghanistan, in October 2012. Their duties included oversight and quality assurance for the Fuel Systems Supply Point at the camp, overseeing all fuel operations in RC-North, and supporting seven major bases and various smaller sites. Their work entailed managing deliveries and shipments, fuel levels, fuel forecasting, resupply, and daily and monthly reports and audits.

The Guardsmen quickly learned that large and costly thefts of fuel from the supply point were a threat to accountability and operations throughout the command region. About 340,000 gallons of fuel were found to be missing from Camp Marmal just for the month of October 2012. Given the Army's cost of \$15 a gallon to procure, move, store, and distribute fuel in Afghanistan, that was a \$5 million issue.

LTC Golden and SFC Toubekis began collaborating with SIGAR Special Agents to attack problem areas identified in the fuel-distribution process. They assigned soldiers to accompany all fuel trucks and observe fuels downloads and uploads to limit opportunities for theft. Input from several quarters led to operator training on fuel-accountability systems, proper gauging techniques, and correct reporting. LTC Golden and SFC Toubekis streamlined the reporting process so each fuel site reported directly



Fuel-theft fighters: Iowa Army National Guard soldiers Golden (l) and Toubekis (r) accompany Special IG John Sopko at their post in northern Afghanistan. (SIGAR photo)

to the 1034th while copying their own headquarters. Now established as a single point of contact and data consolidator, the 1034th enforced standards for gauging and reporting, spot-checking trucks, and applying security seals to trucks carrying loads of fuel.

The result of LTC Golden's and SFC Toubekis's work is that fuel thefts in RC-North have plummeted to minimal levels, saving taxpayers millions of dollars. Meanwhile, SIGAR cooperated with the Army and Afghan authorities to bring about the identification, arrest, and punishment of fuel thieves. (For more information, see Section 2.)

After learning of the Guardsmen's efforts during a trip to Afghanistan, Special Inspector General John Sopko sent letters commending LTC Golden and SFC Toubekis to Brigadier General Scottie Carpenter, commander of the Army's 311th Expeditionary Sustainment Command based at Kandahar Airfield. Sopko praised the men for "commendable initiative and remarkable leadership qualities," adding that their actions "have made a great contribution to the fulfillment of our mission to combat waste, fraud, and abuse in Afghanistan."

to tamper with them. The workers also left gaps around the edges of the rebar grills used to prevent the emplacement of IEDs.

This investigation is ongoing and additional arrests are anticipated.

Four Arrested and \$1.1 Million in Fuel Saved

This quarter an investigation by SIGAR and the U.S. military saved U.S. Army FOB Salerno \$1.1 million in fuel theft and led to the arrest of one Afghan interpreter and three Afghan fuel truck drivers who were observed stealing fuel from the base.

The investigation began in November 2012, when the commander at FOB Salerno asked for SIGAR's help in disrupting an ongoing fuel-theft scheme that was causing a loss of about 53,000 gallons a month. In coordination with base personnel, SIGAR investigators quickly determined that a large number of Afghan fuel delivery trucks arriving at the FOB Salerno fuel depot had actual fuel loads that were short 600 to 2,400 gallons from the amounts listed on their manifests. Investigators noted that fuel truck security seals and delivery paperwork revealed no apparent alteration or forgery. The investigators found no involvement by U.S. government personnel.

Together with the U.S. military's counterterrorism task force, Task Force (TF) Rakassan, the Afghan Threat Finance Center (ATFC), U.S. Rule of Law (ROL) attorneys, and local Afghan prosecutors and police, SIGAR developed an investigative plan. The plan included: authorized video surveillance of the fuel depot where the deliveries took place, more than 40 rapid investigative interviews by SIGAR investigators, analytical support by TF Rakassan and the ATFC, and coordination between the ROL attorneys and Afghan prosecutors to develop a strategy for prosecuting of numerous Afghan subjects identified during the investigation.

The U.S. Army calculates fuel costs at the rate of \$15 per gallon, including transportation and security costs associated with deliveries to military installations. In the months after the investigation by SIGAR and the U.S. military began, fuel losses at FOB Salerno steadily decreased, saving the U.S. government more than \$1.1 million since December 2012. Fuel losses declined from 31,114 gallons in November 2012 to 23,364 gallons in December 2012, representing a cost savings of \$116,250 (or 7,750 gallons of fuel). Fuel losses decreased to 11,125 gallons in January 2013, representing a cost savings of \$298,335 (or 19,889 gallons of fuel). In February 2013, fuel losses declined to 8,998 gallons, resulting in a cost savings of \$331,740 (or 22,116 gallons of fuel). There have been no fuel losses at FOB Salerno since February 22, 2013. See Figure 2.2.

Cost savings from March 1, 2013, to March 31, 2013, were \$497,265 (or 33,151 gallons of fuel based on average daily losses of 1,037 gallons of fuel in November 2012). The total cost savings involving fuel at the close of the first fiscal quarter were \$116,250. The total cost savings for fuel theft during the second fiscal quarter were \$1.1 million.

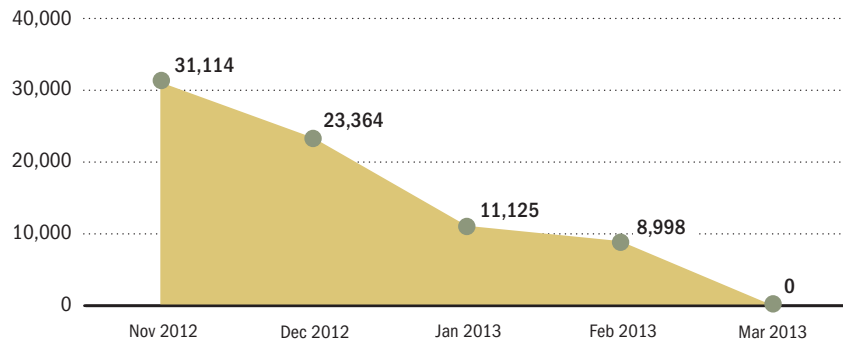


Special IG Sopko examines fuel pumping at FOB Salerno. (SIGAR photo)

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

GALLONS OF FUEL STOLEN PER MONTH AT FOB SALERNO



Source: SIGAR, Investigations Directorate, 4/8/2013.

In addition to the drastic reduction in fuel loss at FOB Salerno since November 2012, an additional 27 Afghan fuel truck drivers, for a total of 87, have been barred from access to FOB Salerno or other U.S./NATO installations in Afghanistan. One Afghan interpreter working with ROL at FOB Salerno was arrested in January 2013 and remains in custody awaiting prosecution. Three Afghan fuel truck drivers observed stealing fuel were arrested, detained, and turned over to the local Afghan prosecutors in February 2013.

U.S. Army Staff Sergeant Sentenced to Five Years for Smuggling \$1 Million

Former U.S. Army Staff Sergeant Tonya Long was sentenced on March 4, 2013, to 60 months imprisonment and three years of supervised release for bulk cash smuggling and aiding and abetting the same. Additionally, Long was ordered to pay \$1 million in restitution.

During her deployment to Afghanistan from January 2008 until April 2009, Long worked as customs inspector under the Combined Joint Special Operations Task Force. Her duties included inspecting military service members' personal property prior to its being loaded into containers for shipment back to the United States.

Between January 2009 and February 2009, Long aided and abetted another military service member in concealing and shipping over \$1 million in cash from Afghanistan. The other military service member stripped the internal mechanisms of VCRs and concealed the money inside the gutted machines. Long then packed the VCRs in containers and cleared them through customs before they were shipped to the United States. Long acted with the intent to evade the law requiring individuals to report currency being brought into the United States.

The investigation was jointly conducted by SIGAR, the Federal Bureau of Investigation, and Defense Criminal Investigative Service (DCIS). Long was prosecuted in the Eastern District of North Carolina.

U.S. Army Sergeant Pleads Guilty to Bulk Cash Smuggling

After a SIGAR investigation, U.S. Army Sergeant First Class Renee Martinez was taken into custody and on January 29, 2013, pled guilty in U.S. District Court for the Eastern District of North Carolina to bulk cash smuggling.

The investigation was initiated by SIGAR in October 2011 after a routine screening in Dubai detected explosive residue on a package in transit from Afghanistan to the United States. No explosives were found during a manual search of the contents, but officials did discover a Dewalt compressor and assorted hand tools, as well as \$12,000 in U.S. currency, consisting of 120 one-hundred dollar bills rolled and concealed in the package. The package was addressed for delivery to Martinez's residence in Hope Mills, North Carolina. The investigation discovered that Martinez was assigned as an Army Field Ordering Officer for his unit, stationed at Camp Leatherneck, and that he had inflated a contract for a local vendor and ultimately received a sizeable kickback.

Martinez is scheduled to be sentenced in the spring of 2013.

Former U.S. Army Contractor Sentenced for Bribery

In January 2013, Diyana Montes was sentenced to nine months confinement, followed by 12 months of supervised release, after she pled guilty to charges of bribery for her role in a plot to fraudulently bill the U.S. Army for trucking services in Afghanistan.

Montes was an employee of Kellogg, Brown and Root, a firm hired to work at Bagram Airfield to assist the U.S. Army's Movement Control Branch in contracting with Afghan trucking companies to transport U.S. military equipment, fuel, and supplies throughout Afghanistan. Montes was responsible for reviewing TMRs to reconcile discrepancies between actual services rendered and the amount billed by the contractor, prior to approving the TMRs for payment. In this capacity, Montes entered into a scheme with the Afghan firm Afghanistan Trade Transportation (ATT) to approve fraudulent TMRs indicating extra leg missions that had not actually occurred. In return for approving payment for the TMRs, Montes received cash and wire transfers from ATT amounting to approximately \$50,000.

The U.S. District Court of the District of Columbia sentenced Montes on January 31, 2013. Upon release, she must pay \$50,000 in restitution to the U.S. Army, via a payment schedule.

On December 21, 2012, SIGAR referred Montes to the Department of the Army (DOA) Suspension and Debarment Official for proposed suspension and debarment from future contracting throughout the executive branch of the U.S. government. On January 29, 2013, DOA, Legal Services

Agency, proposed Montes for debarment, as a result of SIGAR's referral. On March 26, 2013, the DOA, Legal Services Agency, debarred Montes from contracting with the executive branch for a period of three years, or until October 31, 2016.

On March 13, 2013, Kellogg, Brown and Root made a provisional credit of \$22,480 (subject to audit) to the Defense Finance & Accounting Service in Columbus, Ohio. The credit was in response to the illegal activity in which Montes had engaged during the period of April 1, 2008, through December 31, 2008. Kellogg, Brown and Root stated that the credit related to the labor hours and associated dollar amounts which Montes had entered on her timesheet while engaged in fraudulent activity.

U.S. Contractor Sentenced for Bulk Cash Smuggling

This quarter, a U.S. contractor received a 30-month prison sentence, followed by one year of supervised release, after he pled guilty to smuggling \$150,000 into the United States. Donald Gene Garst was sentenced in the District of Kansas on February 12, 2013, and, in an upward variance, ordered to pay a fine of \$52,117.

Garst was employed by a private U.S. company under contract with the U.S. government at Bagram Airfield from January 2009 until May 2011. His duties included identifying, evaluating, and monitoring subcontracts awarded by his employer to Afghan companies. Garst used his position to garner kickback payments on a contract-by-contract basis from an Afghan construction company, Somo Logistics, in return for his preferential treatment of Somo Logistics in the contracting process.

In December 2010, Garst accepted a kickback of \$60,000 on a Somo Logistics contract for the lease of heavy equipment for construction projects on Bagram Airfield. He hand-carried approximately \$20,000 of undeclared cash into the United States. He received the rest of the kickback by way of structured wire transfers from Somo Logistics. In May 2011, Garst accepted a \$150,000 kickback for a second heavy equipment contract with Somo Logistics. He sewed the cash into a jacket and shipped it to the United States, where law enforcement discovered his failure to declare the value of the shipment. The timely discovery prevented Garst from collecting an additional \$400,000 that Somo Logistics had agreed to pay him for awarding a third contract to the firm.

U.S. Staff Sergeant Sentenced for Theft of Government Funds and Bulk Cash Smuggling

On January 10, 2013, U.S. Army Staff Sergeant Nancy Nicole Smith was sentenced to 20 months in prison followed by three years supervised probation for theft of government funds and bulk cash smuggling from Afghanistan to the United States. The Eastern District Court of North Carolina also ordered Smith to pay \$100,000 in restitution.

SIGAR joined this Army Criminal Investigation Command (CID) investigation in October 2010. The case had been initiated in May 2010 when an officer with the Joint Special Operations Task Force (JSOTF) at Bagram Airfield, Afghanistan, notified the Afghanistan CID office of a possible larceny of U.S. government funds. A JSOTF audit of the 230th Financial Management Company, stationed at Bagram Airfield, had revealed that the company's disbursing agent, Nancy Smith, had altered payment records. Smith then withdrew funds without proper authorization, using disbursement records previously submitted by other military members. The investigation found that Smith had stolen a total of \$100,000 as a result of altering disbursement records. The stolen funds were taken from a vault earmarked for reconstruction projects. Smith was the sole individual having full custody and control of the vault. She later smuggled the stolen money into the United States by concealing it in the backpack she wore on her flight from Afghanistan to Ft. Bragg, North Carolina.

Smith was also debarred from receiving federal contracts or assistance effective March 26, 2013, for a period of four years and eight months, due to expire on September 10, 2017.

Civil Settlement Results in \$4.2 Million Payment to U.S. Government

In April 2012, a joint SIGAR and International Contract Corruption Task Force (ICCTF) investigation was initiated at Camp Leatherneck, Afghanistan, after information surfaced regarding the theft of 38 shipping containers and their contents from Camp Leatherneck and FOB Shindand. The containers belonged to American President Lines, LTD (APL) and Maersk Lines Limited. The investigation revealed there were numerous false Proof of Delivery (POD) documents associated with each missing container, which allowed the contractors to be paid as if the containers reached their ultimate destination.

The investigation further disclosed numerous other missing containers belonging to APL and Maersk may have had falsified PODs submitted for various locations throughout Afghanistan, and that an ongoing civil investigation was being conducted by the United States Attorney's Office of the Southern District of Illinois. In August 2012, the SIGAR/ICCTF Camp Leatherneck investigation was combined with the joint civil investigation, which included CID, U.S. Air Force Office of Special Investigations, and DCIS, for the purpose of settlement negotiations with APL and Maersk.

In January 2013, a settlement agreement was entered into between the United States, acting through the U.S. Department of Justice and on behalf of the Department of Defense, the U.S. Transportation Command (USTRANSCOM), and APL. The U.S. contends it has certain civil claims against APL arising from APL's breach of its contract with USTRANSCOM. During the course of the contract, APL billed the United States and was

paid for various costs associated with the transport and shipment of Army and Air Force Exchange Service and Defense Logistics Agency (DLA) cargo containers from the U.S. to military outposts in Afghanistan, and that APL's invoices included numerous false PODs.

As a result of the U.S. and APL's civil settlement negotiations and to avoid the delay, inconvenience, and expense of protracted litigation, APL has agreed to pay the U.S. government \$4,250,000.

Afghanistan Attorney General Office Arrests Local National on Theft Charges

In February 2013, as a result of a SIGAR-led investigation, Afghan authorities arrested an Afghan translator and charged him with stealing three generators and selling them for \$45,000.

The joint investigation with the Naval Criminal Investigative Services (NCIS) and the Afghan AGO in Kabul began in August 2012. The U.S. government discovered that three of 19 generators it received from Blackwood Construction Company had been stolen a few weeks earlier from Camp Leatherneck. In an interview with SIGAR, the owner of Blackwood Construction Company said the company had purchased 46 generators from Noor Mustafa Company, paying \$34,000 per generator.

Subsequently, the owner of Noor Mustafa admitted that his company did not have an adequate number of generators to fulfill their contractual obligations to Blackwood and that his son had purchased three additional generators locally. The son stated that the generators had been purchased from Zikrullah, a translator at Camp Leatherneck. On February 7, 2013, Zikrullah admitted that he had stolen the three generators and then sold them to a scrap metal dealer in Helmand Province for \$45,000. The AGO in Garmsir arrested Zikrullah and transported him to a jail in Garmsir. He remains incarcerated there pending trial.

Two Afghan Contractors Sentenced by Afghan Criminal Court

This quarter, an Afghan court sentenced two Afghan contractors to three years confinement and fines of \$5,000 each after they made a bribe payment during a SIGAR investigation.

The investigation was initiated after the USACE contracting personnel reported receipt of an unsolicited e-mail from JACC, an Afghan construction company, offering a bribe to USACE personnel for assistance in securing road construction contracts in Afghanistan. Later contracting personnel from DOD and DLA reported that they had received similar solicitations from JACC. SIGAR established an undercover e-mail account to communicate with the subject to discuss and negotiate bribes for insider contract information.

On September 23, 2012, SIGAR arranged a meeting with Wahidullah Matun and Navidullah Matun of JACC at Camp Eggers, Kabul. Monitored by representatives from the AGO and ICCTF members, the two men

made a pre-negotiated bribe payment to the SIGAR Special Agent. Both men were subsequently arrested and charged with bribery under Afghan law. They were transported by the ANP from Camp Eggers to the Afghan Detention Facility.

SIGAR Takes Aggressive and Proactive Measures to Improve Exit Point Search Procedures at Military Installations

In November 2012, a SIGAR Special Agent met with the commanding officer of Task Force Belleau Wood (TFBW) at Camp Leatherneck to discuss the implementation of a more stringent exit-control-point search policy for Afghan fuel tankers departing from Camp Leatherneck and Camp Bastion. The SIGAR Special Agent provided the commander with background information regarding SIGAR's ongoing fuel-theft investigations at Camp Leatherneck. The commander acknowledged the shortcomings in current search procedures and agreed to consider better methods which would reduce, if not completely eliminate, the potential for fuel theft. SIGAR's Special Agent offered to help develop and implement new procedural requirements if the commander agreed.

The same SIGAR investigator met later with the U.S. Marine Corps Deputy Commander of TFBW Security Force at Camp Leatherneck to further discuss fuel theft and the vulnerabilities in the current exit-point inspection process at Camp Leatherneck. The Deputy Commander's personnel man the exit points and are responsible for inspecting inbound and outbound commercial Afghan vehicles making deliveries to Camp Leatherneck. The SIGAR Special Agent told the Deputy Commander about prior fuel-theft incidents and current exit-point practices, as related by personnel manning the exit points. The Deputy Commander indicated he would conduct a review of current exit-point practices with the intent of mitigating current vulnerabilities. The SIGAR investigator offered to help.

Following these discussions SIGAR's Special Agent, in coordination with Supreme Fuel, conducted vehicle search training for approximately 18 Marines staffing the exit points. As a result, Camp Leatherneck and Camp Bastion implemented a significantly more robust search procedure. SIGAR's success in getting previous deficiencies addressed and in improving procedural requirements promises to significantly reduce fuel theft.

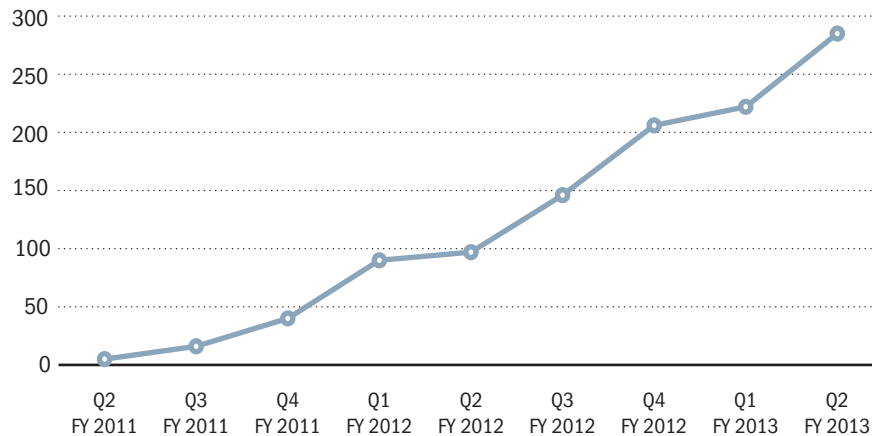
Suspensions and Debarments

This quarter, SIGAR referred 18 individuals and 9 companies for suspension and debarment because of misconduct. Of these 27 entities, nine individuals and nine companies were referred for debarment based on allegations that they engaged in fraud and non-performance as part of six contracts valued at a total of \$6,083,344. An additional nine individuals were referred for debarment based on criminal allegations of theft from Coalition forces or bulk cash smuggling into the United States. These 27 referrals bring the total

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.3

SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q2 FY 2013



Source: SIGAR Investigations Directorate, 4/10/2013.

number of such referrals made by SIGAR since 2008 to 285—160 individuals and 125 companies to date—as shown in Figure 2.3.

As of the end of March 2013, SIGAR's use of suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 59 suspensions and 56 finalized debarments of individuals and companies engaged in U.S.-funded reconstruction projects. Including the 27 referrals made during the most recent quarter, 90 individuals and companies referred by SIGAR are awaiting action by U.S. Army suspension and debarment officials.

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. SIGAR continues to look for ways to enhance the government's responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States. SIGAR makes referrals for U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct based on completed investigations that SIGAR participates in. In most cases, SIGAR's referrals occur when there is no chance of criminally prosecuting the individual or company or taking other action against them. In such cases, suspension and debarment is the primary remedy to address contractor misconduct. In making referrals to agencies, SIGAR provides the basis

for a suspension or debarment decision by the agency as well as all of the supporting documentation needed for an agency to support that decision should it be challenged by the contractor at issue.

SIGAR's increased focus on suspension and debarment is exemplified by the fact that of the 285 referrals for suspension and debarment that have been made by the agency to date, 249 have been made since the second quarter of 2011. Beginning in July 2012, SIGAR accelerated its suspension and debarment program, referring 103 individuals and companies for exclusion from contracting to agency Suspension and Debarment Officials. SIGAR's referrals over this nine-month period represent allegations of theft, fraud, poor performance, financial support to insurgents and mismanagement in reconstruction contracts having a value of \$159,981,282.

SIGAR Investigation Results in Debarment of Contractor

In March 2013, an Afghan contractor and his company were debarred after a SIGAR investigation revealed that the contractor had tried to bribe a U.S. contracting officer's representative (COR). The investigation was initiated on July 8, 2012, after Captain Eric Norgard, a COR, contacted SIGAR to report conversations he had with Mirzali Naseeb, President of Mirzali Naseeb Construction Logistic & Transportation Company (MNCC), beginning in February 2012. Norgard at the time was attempting to obtain quotes from contractors for delivering gravel to a FOB in Gardez, Afghanistan.

Naseeb sent Norgard several communications inquiring into the status of the gravel solicitation. In June 2012, Naseeb sent Norgard an e-mail with pictures of Non-Tactical Vehicles (NTV) attached. When Norgard inquired as to the purpose of sending the pictures, Naseeb stated he would provide Norgard with a free NTV. In late June 2012, Naseeb again contacted Norgard by text message saying: "Hi, buddy could you pls give me your wife's name, I want to gift for her From (Mirzali Naseeb Cons Co.)." Norgard provided the text to SIGAR via e-mail. On June 28, 2012, Norgard also provided SIGAR with the gravel contract packet sent to the Joint Acquisition Review Board.

In an e-mail dated August 21, 2012, Norgard informed a SIGAR Special Agent that the gravel contract sought by MNCC had been awarded to another company. MNCC contacted Norgard's interpreter to inform him of MNCC's intent to obtain a sub-contract from the prime contractor. Naseeb told the interpreter that if MNCC won the sub-contract, he would arrive at the entry control point to deliver 6,000 cubic meters instead of the required 8,000 cubic meters. In return for signing off on a document used to authorize payment for the full delivery of gravel, Norgard would receive a "gift." Naseeb said he had been successful before with this type of scheme but did not provide details. A SIGAR Special Agent conducted an interview of the interpreter to confirm the details of Norgard's e-mail.

On December 21, 2012, SIGAR referred Mirzali Naseeb and MNCC to the U.S. Army's Suspension and Debarment Official for proposed suspension

and debarment. As a result of SIGAR's referral, Naseeb and MNCC were debarred for three years or until March 26, 2016.

Contractor Debarred After Pretending to be a U.S. Contracting Officer

On February 8, 2013, the U.S. Army debarred an Afghan contractor and his company for three years or until February 8, 2016, after a SIGAR investigation. Helman Twinkle Construction Company (HTCC) and Helman Waziri had previously been awarded numerous contracts and paid by the U.S. government for services in the Afghanistan reconstruction effort.

HTCC and Waziri had been attempting to obtain additional contracts or subcontracts for future projects in Afghanistan when SIGAR launched its investigation in December 2011. The investigation revealed that Waziri established a fake Yahoo e-mail account from which he sent out e-mails pretending to be a U.S. contracting officer. He used the e-mail account to solicit bids for construction projects, in an attempt to glean information about his competitors' bidding methodology. Waziri admitted culpability when interviewed, and asked if impersonating an officer of the United States, in direct violation of 18 U.S.C. 912, would preclude him from future government contracting.

On October 25, 2012, SIGAR proposed HTCC and Waziri for debarment.

SPECIAL PROJECTS

SIGAR's Office of Special Projects is a response team created by the Special Inspector General to examine emerging issues in prompt, actionable reports and alert letters to federal agencies and the Congress. The Special Inspector General set up the office after senior U.S. officials complained that they needed to get information from SIGAR more quickly than is possible in an audit format.

This quarter the office, which is now fully staffed, produced an alert letter on a fire- and life-safety risk at ANA facilities. It conducted an analysis of the progress made by the donor community and the government of Afghanistan toward achieving the goals outlined at the July 2012 Tokyo Declaration meeting and the resulting Tokyo Mutual Accountability Framework. For more information, see Section 3, page 143. It also issued two data calls. The first sought to obtain comprehensive information about U.S.-funded reconstruction projects and programs in Afghanistan and identify how remaining or planned-for funds—appropriated or otherwise made available for the reconstruction of Afghanistan—will be used. The second asked USAID, DOD, and State to provide SIGAR with a list of the 10 Afghanistan reconstruction projects each agency deemed most successful as well as a list of the 10 projects it deemed least successful, and to explain in each case how they made that determination.

COMPLETED SPECIAL PROJECTS

- SIGAR SP-13-3: K-Span Structures Can Pose Fire and Life Safety Risk



Workers construct a K-span building at Bagram Airfield. (U.S. Army photo)

Alert Letter Published

SP-13-3: K-Span Structures Can Pose Fire and Life Safety Risk

SIGAR issued an alert letter this quarter warning about the safety of structures the U.S. military has built for the ANA. SIGAR reported that U.S. Army Corps of Engineers (USACE) officials have decided to continue using materials that have been linked to three fires when improperly installed. SIGAR said that USACE is using foam installation and thermal barrier systems in the construction of K-Span structures for the ANA despite knowledge that, if not properly installed, these materials pose a serious fire- and life-safety risk.

DOD defines a K-Span as a rust-resistant, weather-resistant, and fire-proof structure. According to USACE, K-Span structures replaced concrete/masonry structures for many ANA projects in about 2010. But last year, three K-Span structures built for the ANA caught fire during construction, resulting in property damage. USACE recently examined the matter and issued a decision paper, updated March 10, 2013, that found these fires were linked to the foam installation and thermal barrier system used by contractors in constructing K-Span structures. Allegedly, the contractors installed foam insulation and thermal barrier systems that were not compliant with International Building Code (IBC) standards. USACE determined that a potentially serious fire- and life-safety hazard exists with ANA K-Span facilities in which foam insulation systems were not properly installed in accordance with IBC standards.

USACE's risk assessment determined that "almost all of the completed facilities have insulation installed that currently cannot be shown to meet the requirements of the IBC code." USACE estimates that in southern Afghanistan alone, there are "approximately 1,002 K-Span structures in various stages of construction" for eventual use by the ANA. Alarming, "704 structures are in various stages of installation of the foam insulation and barrier system" that USACE has identified as non-compliant with IBC standards. To avoid further expense and delays in project completion dates, USACE guidance to contractors for any structures that do not have systems fully in place is to "proceed with the materials that have been previously approved and that are currently on site."

Given the number of K-Span facilities under construction, SIGAR wrote to USACE to alert it to SIGAR's concern about the safety risk to the ANA troops who occupy buildings in which non-compliant material are likely to have been used. SIGAR has opened an investigation into the matter.

In response to this safety alert letter, USACE provided an update to SIGAR on the actions being taken by USACE to resolve safety concerns associated with spray-foam insulation systems being used in the construction of K-Span buildings for the ANSF. USACE corrected previous USACE documentation regarding the three fires at ANA facilities, stating that two

of the three fires were caused by improper hot-work operations during construction and that the third building was not insulated with the spray foam and was a temporary building for the contractor's own use. However, the Deputy Commander for USACE stated that safety and application of appropriate building code requirements are USACE priorities for any facility it constructs. He stated that USACE is conducting a full review of all ANSF arch-span buildings being constructed by USACE to determine what corrective actions may be required to ensure facilities comply with international building code requirements. In addition, USACE plans to contract with a qualified architect-engineer firm to review contract documents for each building to ensure contract compliance with the code requirements and to review contractor material submittals for spray-foam insulation and thermal barrier materials to verify compliance or non-compliance with the international building code criteria. USACE is gathering the documents requested by SIGAR and will be providing them to SIGAR. SIGAR will continue to monitor the issue in support of its ongoing investigation.

New Special Projects

Direct Assistance to the Afghan Ministries of Defense and Interior

The Ministries of Defense (MOD) and Interior (MOI) have already received more than \$3 billion of direct assistance from the U.S. government for the Afghan National Security Forces' salaries, uniforms, and fuel. That amount is expected to increase over the coming years. As part of SIGAR's ongoing effort to monitor the use of direct assistance by U.S. agencies, this review will identify the procedures used by DOD to evaluate the capacity of MOD and MOI to properly manage and account for U.S. funds.

Direct Assistance for the Kajaki Dam Energy Project

USAID recently announced it will provide approximately \$60 million to \$80 million of U.S. direct assistance funding to the Afghan national utility, Da Afghanistan Breshna Sherkat (DABS), to install a turbine at the Kajaki Dam. As part of SIGAR's ongoing effort to monitor agencies' use of direct or "on-budget" assistance, SIGAR's new review will examine the safeguards USAID plans to put in place to ensure that U.S. direct assistance funds given to DABS are properly managed.

U.S. Government Anticorruption Goals

Fighting corruption and increasing accountability are important components of the U.S. reconstruction strategy in Afghanistan. Various U.S. and international reconstruction strategies have placed enormous importance on the fight against corruption and have tied future reconstruction funding to progress in the area. SIGAR is undertaking a limited-scope review to

NEW SPECIAL PROJECTS

- Direct Assistance to the Afghan Ministries of Defense and Interior
- Direct Assistance for the Kajaki Dam Energy Project
- U.S. Government Anticorruption Goals

evaluation the progress the United States has made in meeting its anticorruption goals in Afghanistan.

Ongoing Special Projects

ONGOING SPECIAL PROJECTS

• Evaluation of Culvert Denial Systems

Evaluation of Culvert Denial Systems

A SIGAR investigation of contractors fraudulently billing the U.S. Government for culvert-denial systems that were never installed or incorrectly installed has raised serious concerns. In addition to the potential for fraud, these improperly installed or absent culvert-denial systems have led to the deaths of Coalition soldiers and others by allowing insurgents to plant IEDs in culverts. SIGAR is conducting a targeted evaluation of the installation of culvert-denial systems in Afghanistan. This evaluation will follow up on the issues raised in the investigation and an October 10, 2012, SIGAR safety alert letter citing these concerns that was issued to the CENTCOM and USFOR-A commanders respectively. It will determine the universe of contracts awarded for culvert-denial systems and the extent to which management and oversight was conducted of the contractors installing the culvert-denial systems.

SIGAR BUDGET

This quarter, Congress appropriated \$49.9 million, as requested, for SIGAR's operating expenses through FY 2013. These funds are provided through the Full Year Continuing Appropriations Act 2013 (P.L. 113-6). However this amount is subject to the government-wide sequestration reduction on discretionary non-defense funds, approximately \$2.5 million for SIGAR based on current guidance. During a difficult appropriations process and continuing debate over the federal budget, Congress's provision of the requested amount clearly demonstrates the importance and value of SIGAR's work to Congress and the U.S. taxpayers.

SIGAR was established in 2008. In total, Congress has appropriated \$166 million to support SIGAR operations through 2013. The President's FY 2014 Budget, recently submitted to the Congress, requests an additional \$49.7 million for SIGAR to continue its critical oversight of reconstruction funds.

SIGAR STAFF

During this reporting period, SIGAR increased its staff from 177 to 182 federal employees. SIGAR extended offers of employment that will bring the number of full-time staff to 189 by the end of May 2013. SIGAR is on target to reach its goal of 200 full-time employees by the end of the third quarter FY 2013 and a workforce of 205 for FY 2014.

SIGAR OVERSIGHT ACTIVITIES

As a temporary agency, SIGAR faces challenges recruiting and retaining staff, but continues to rise to the challenge. SIGAR is authorized 57 billets in Afghanistan. This quarter, SIGAR had 32 authorized personnel at the U.S. Embassy Kabul and 14 authorized at locations outside the U.S. Embassy. SIGAR has staff members stationed at eight locations across the country, including Kandahar and Bagram airfields, Mazar-e-Sharif, Camp Stone, Camp Leatherneck, FOB Salerno, USFOR-A headquarters in Kabul, and the U.S. Consulate in Herat. SIGAR employs three 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 16 personnel on temporary duty in Afghanistan for a total of 316 days.

“I see a great opportunity today for stability and security in Afghanistan 10 years from now. But it is going to be a long-term process. ... What we are really trying to do by the end of 2014 is provide the Afghans with what I would describe as a ‘decade of opportunity.’ At that point, security and stability will be in their hands.”

—*General Joseph Dunford*

3 RECONSTRUCTION UPDATE



RECONSTRUCTION UPDATE CONTENTS

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Photo on previous page

A midwife at the Sar-e-Hause health clinic talks with a young mother as part of a program aimed at improving health and nutrition, as well as reducing Afghanistan's high childbirth and childhood mortality rates. (World Bank photo)

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 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, Transportation, 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

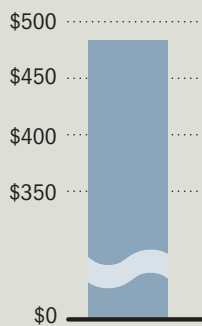
Open-source research draws on the most current, publicly available data from reputable sources. Sources used include the U.S. agencies represented in the data call, the International Security Assistance Force, the United Nations (and relevant branches), the International Monetary Fund, the World Bank,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

UNDERSTANDING THE GRAPHICS AND DATA TERMS

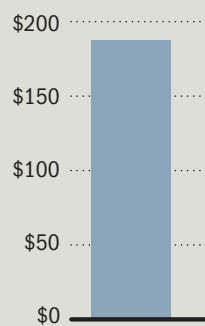
All figures and tables report data for this quarter, except where identified in titles or notes.

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.



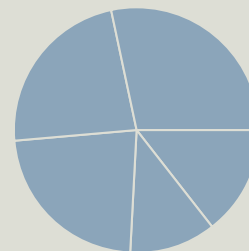
Bar chart with a break in scale



Bar chart without a break in scale

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.



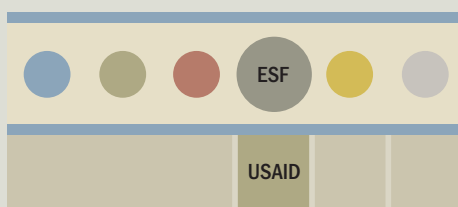
Pie chart in billions



Pie chart in millions

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.



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 1392. It began on March 21, 2013, and ends on March 20, 2014. The Afghan government's fiscal year runs from December 21, 2012, to December 20, 2013.

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DOD Drug Interdiction and Counter-Drug Activities	75
Economic Support Fund	76
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International Reconstruction Funding for Afghanistan	78

STATUS OF FUNDS

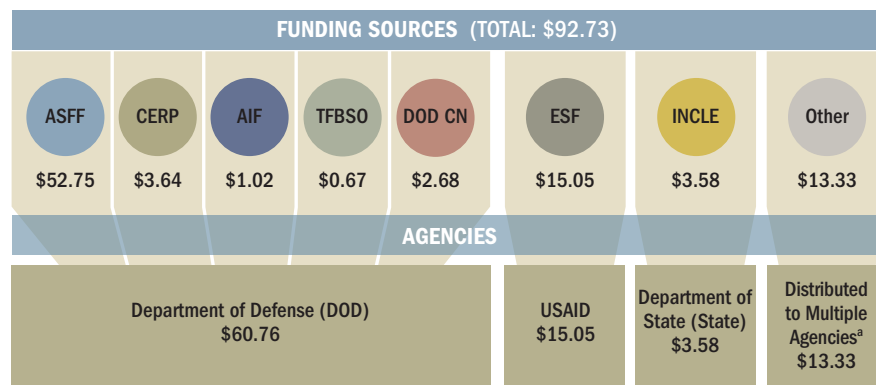
To fulfill SIGAR's legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of March 31, 2013, the United States had appropriated approximately \$92.73 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$54.27 billion for security
- \$22.97 billion for governance and development
- \$6.39 billion for counter-narcotics efforts
- \$2.43 billion for humanitarian aid
- \$6.66 billion for operations and oversight

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)



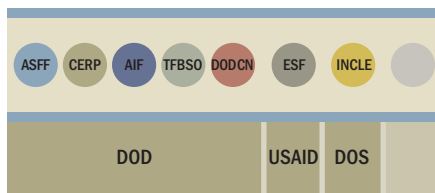
Note: Numbers have been rounded.

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

Sources: DOD, responses to SIGAR data call, 4/17/2013, 4/16/2013, 4/2/2013, 4/1/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2013, 4/10/2013, 4/5/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/5/2013; OMB, response to SIGAR data call, 1/3/2013; USAID, responses to SIGAR data call, 4/18/2013, 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. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

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



The amount provided to the seven major U.S. funds represents over 85.6% (more than \$79.40 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, over 83.6% (more than \$66.39 billion) has been obligated, and over 73.4% (more than \$58.29 billion) has been disbursed. The following pages provide additional details on these funds.

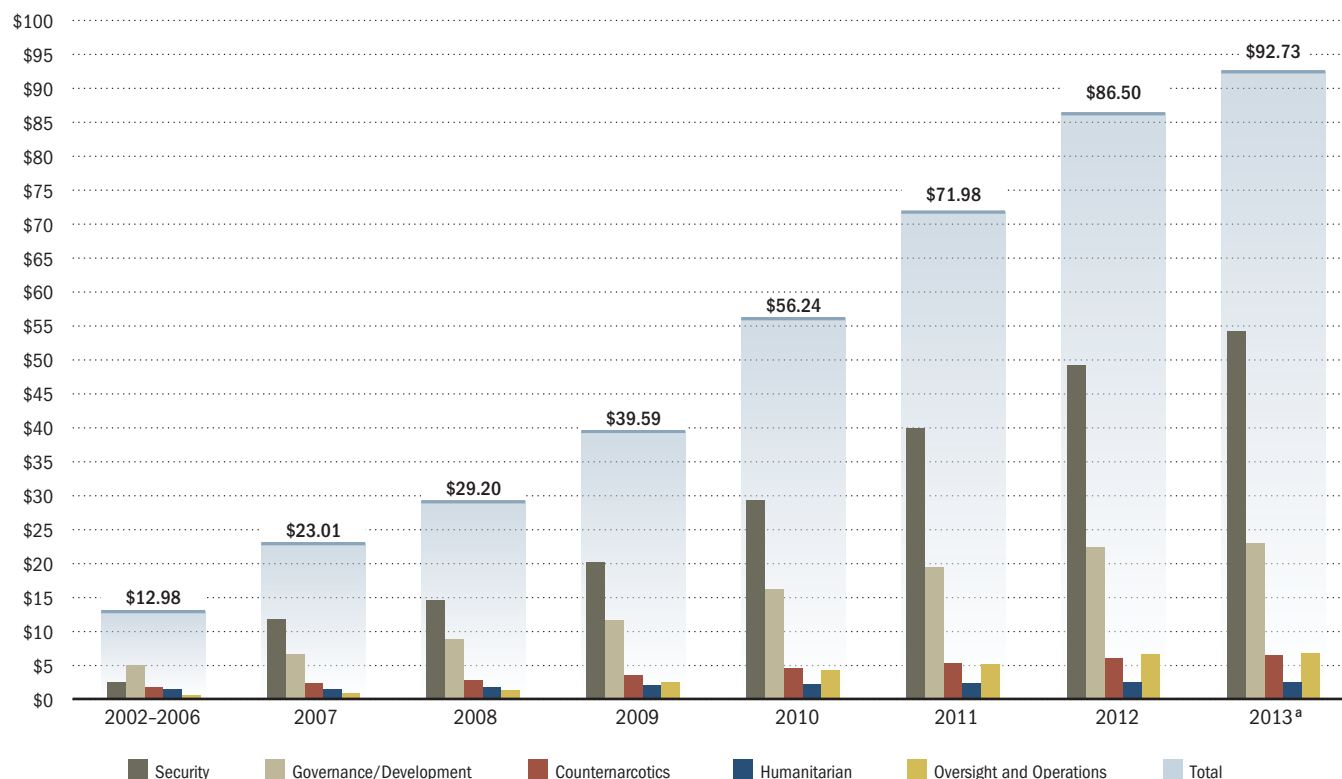
U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of March 31, 2013, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$92.73 billion. This total can be divided into five major categories of reconstruction funding: security, governance and development, counternarcotics, humanitarian, and oversight and operations. For complete information regarding U.S. appropriations, see Appendix B.

On March 26, 2013, President Obama signed the Consolidated and Further Continuing Appropriations Act, 2013, funding the U.S. government for the rest of the fiscal year and increasing cumulative funding for Afghanistan reconstruction to approximately \$92.73 billion, as shown in Figure 3.2. When this report went to press, final FY 2013 appropriation amounts for many Afghanistan relief and reconstruction accounts were still being determined, including State and USAID accounts. FY 2013 funding levels will increase when these amounts are known.²⁴

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF MARCH 31, 2013 (\$ BILLIONS)



Notes: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

^a Final appropriation figures for FY 2013 have not been determined for many accounts, including State and USAID accounts.

Sources: DOD, responses to SIGAR data call, 4/17/2013, 4/16/2013, 4/2/2013, 4/1/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2013, 4/10/2013, 4/5/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/5/2013; OMB, response to SIGAR data call, 1/3/2013; USAID, responses to SIGAR data call, 4/18/2013, 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. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

STATUS OF FUNDS

As of March 31, 2013, appropriations for FY 2013 amounted to more than \$6.22 billion as shown in Figure 3.3. Of this amount, more than \$5.12 billion was appropriated to the ASFF. The FY 2013 funding level for the ASFF is a decrease of more than \$6 billion from the \$11.2 billion initially appropriated in FY 2012. Since May 2012, cumulative appropriations for the ASFF have been reduced a total of \$3 billion. Reprogramming activity and rescissions reduced the FY 2012 appropriation amount from \$11.2 billion to \$9.2 billion, and reprogramming activity reduced the FY 2011 appropriation from \$11.6 billion to \$10.6 billion.²⁵

As reported last quarter, a significant amount of FY 2012 funding remains to be obligated. Nearly \$5.21 billion of the more than \$11.76 billion appropriated to four of the largest U.S. reconstruction funds for FY 2012 remained available for obligation, as shown in Table 3.1.²⁶

TABLE 3.1

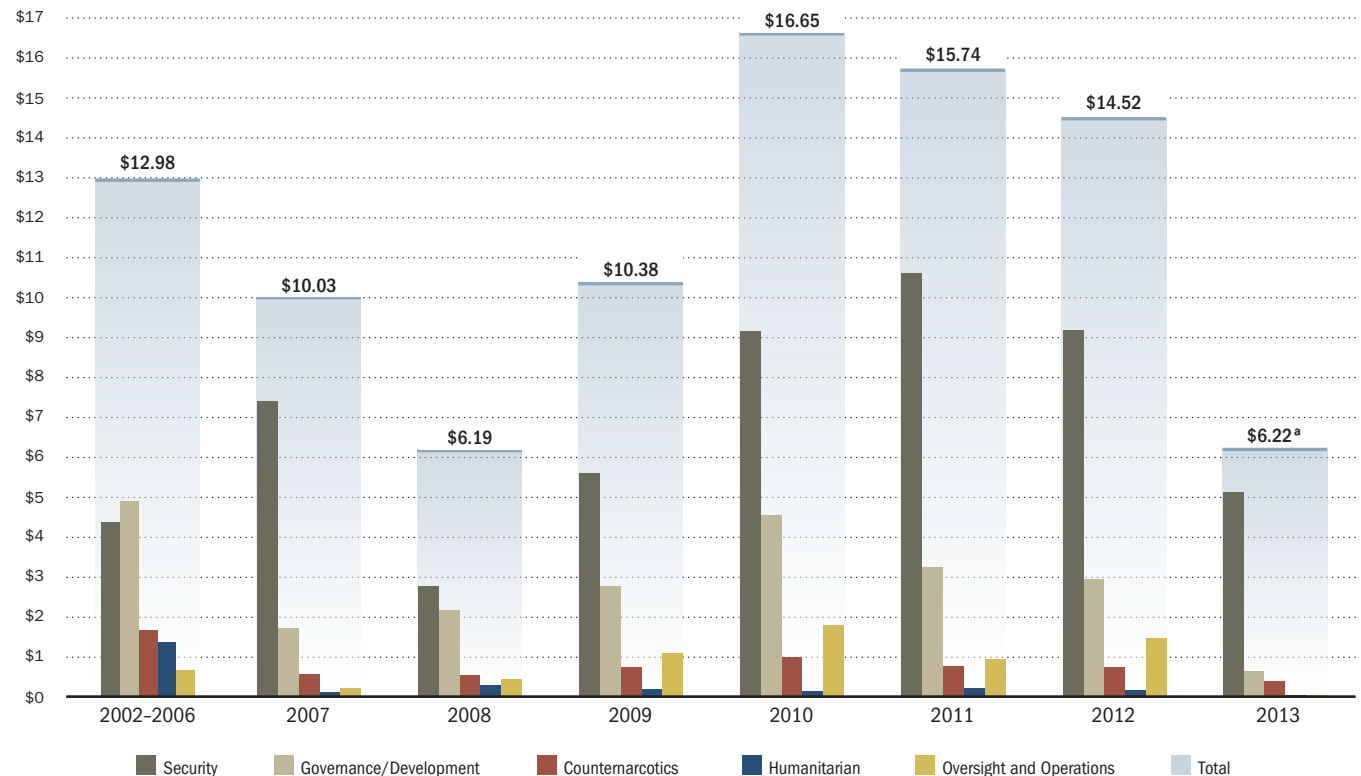
FY 2012 APPROPRIATIONS AND OBLIGATIONS, AS OF MARCH 31, 2013 (\$ MILLIONS)		
	Appropriated	Obligated
ASFF	\$9,200	\$5,936
AIF	\$400	\$321
ESF	\$1,837	\$0
INCLE	\$324	\$293
TOTAL	\$11,761	\$6,550
To Be Obligated \$5,211		

Notes: Numbers have been rounded. DOD reprogrammed \$1 billion out of FY 2012 ASFF, and P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF, reducing the funding level from \$11.2 billion to \$9.2 billion.

Sources: DOD, responses to SIGAR data call, 4/17/2013 and 4/16/2013; USAID, response to SIGAR data call, 4/18/2013; State, response to SIGAR data call, 4/15/2013; P.L. 112-74, 12/23/2011.

FIGURE 3.3

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

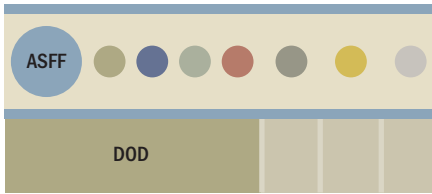


Notes: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

^a Final appropriation figures for FY 2013 have not been determined for many accounts, including State and USAID accounts.

Sources: DOD, responses to SIGAR data call, 4/17/2013, 4/16/2013, 4/2/2013, 4/1/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2013, 4/10/2013, 4/5/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/5/2013; OMB, response to SIGAR data call, 1/3/2013; USAID, responses to SIGAR data call, 4/18/2013, 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. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

STATUS OF FUNDS



ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

AFGHANISTAN SECURITY FORCES FUND

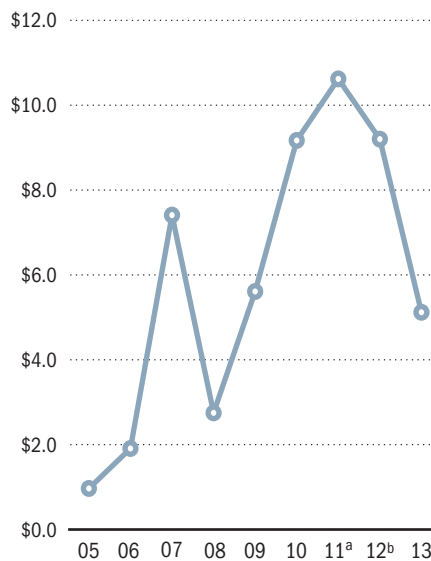
The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction.²⁷ The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization (NATO) Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan.²⁸

The Consolidated and Further Continuing Appropriations Act, 2013, appropriated more than \$5.12 billion for the ASFF for FY 2013, increasing total cumulative funding to nearly \$52.75 billion.²⁹ As of March 31, 2013, nearly \$44.13 billion of total ASFF funding had been obligated, of which nearly \$39.99 billion had been disbursed.³⁰ Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations as of March 31, 2013, increased by nearly \$1.04 billion over cumulative obligations as of December 31, 2012. Cumulative disbursements as of March 31, 2013, increased by more than \$1.85 billion over cumulative disbursements as of December 31, 2012.³¹ Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.4

ASFF APPROPRIATED FUNDS BY FISCAL YEAR
(\$ BILLIONS)



Notes: Numbers have been rounded.

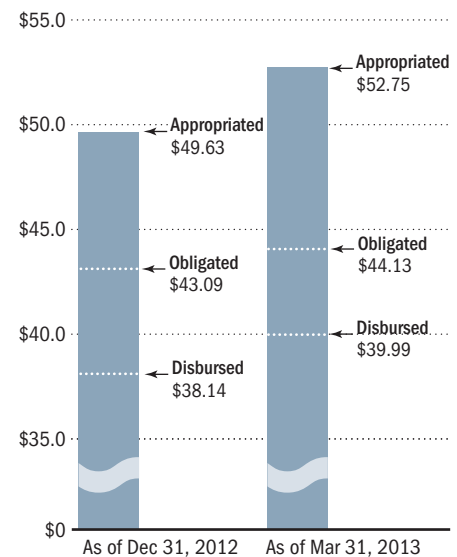
^a DOD reprogrammed \$1 billion of FY 2011 ASFF.

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

Sources: DOD, response to SIGAR data call, 4/16/2013; P.L. 113-6, 3/26/2013.

FIGURE 3.5

ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded.

Sources: DOD, responses to SIGAR data call, 4/16/2013 and 1/17/2013; P.L. 113-6, 3/26/2013.

STATUS OF FUNDS

ASFF BUDGET ACTIVITIES

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

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

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.³²

As of March 31, 2013, DOD had disbursed nearly \$39.99 billion for ANSF initiatives. Of this amount, nearly \$26.25 billion was disbursed for the ANA, and nearly \$13.47 billion was disbursed for the ANP; the remaining more than \$0.27 billion was directed to related activities.³³

As shown in Figure 3.6, the largest portion of the funds disbursed for the ANA—nearly \$10.38 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—more than \$4.67 billion—supported Sustainment, as shown in Figure 3.7.³⁴

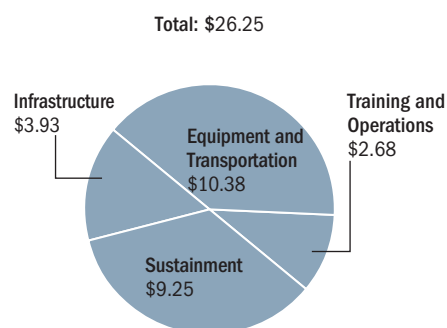
Budget Activity Groups: categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

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–March 31, 2013 (\$ BILLIONS)

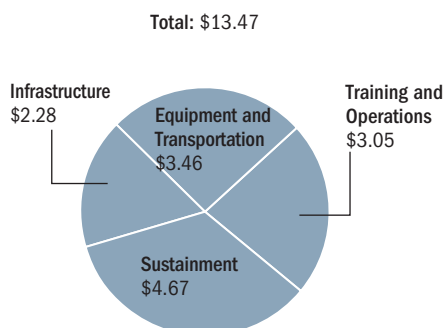


Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/16/2013.

FIGURE 3.7

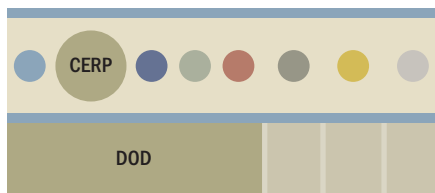
ASFF DISBURSEMENTS FOR THE ANP
By Sub-Activity Group
FY 2005–March 31, 2013 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/16/2013.

STATUS OF FUNDS



CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

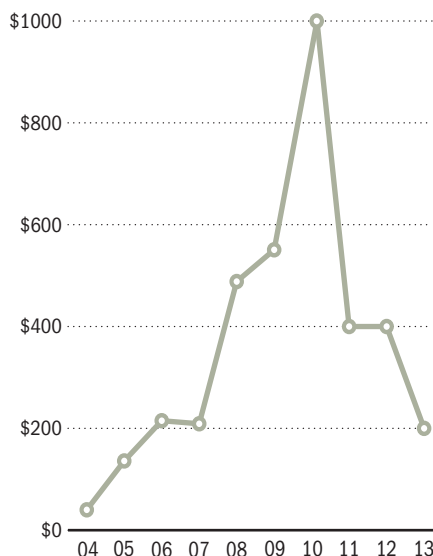
COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.³⁵ 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.³⁶

The Consolidated and Further Continuing Appropriations Act, 2013, appropriated \$200 million for CERP for FY 2013, increasing total cumulative funding to nearly \$3.64 billion.³⁷ Of this amount, DOD reported that more than \$2.27 billion had been obligated, of which more than \$2.20 billion had been disbursed.³⁸ Figure 3.8 shows CERP appropriations by fiscal year, and 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)

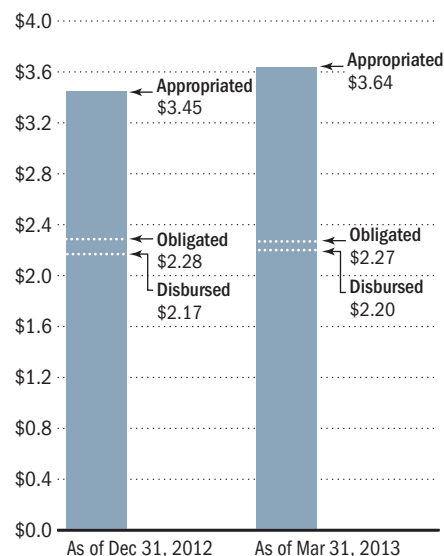


Notes: Numbers have been rounded. Data may include inter-agency transfers.

Sources: DOD, response to SIGAR data call, 4/17/2013; OMB, response to SIGAR data call 1/4/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.9

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



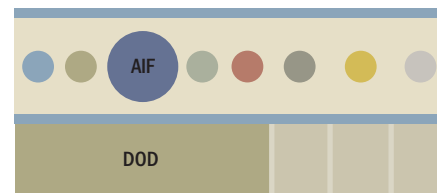
Notes: Numbers have been rounded. Data may include inter-agency transfers. Updated data resulted in a lower obligated figure.

Sources: DOD, responses to SIGAR data call, 3/17/2013 and 1/15/2013; OMB, response to SIGAR data call, 1/4/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

AFGHANISTAN INFRASTRUCTURE FUND

The 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. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. Thirty days before obligating or expending funds on an AIF project, the Secretary of Defense and Secretary of State are required to notify Congress with details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.³⁹

The Consolidated and Further Continuing Appropriations Act, 2013, appropriated \$325 million for the AIF for FY 2013, increasing total cumulative funding to more than \$1.02 billion.⁴⁰ This figure excludes \$101 million of FY 2011 AIF funds transferred to the FY 2011 Economic Support Fund for USAID's AIF-funded infrastructure project. As of March 31, 2013, approximately \$616.40 million of total AIF funding had been obligated, of which approximately \$102.90 million had been disbursed.⁴¹ Figure 3.10 shows AIF appropriations by fiscal year, and Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.



AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

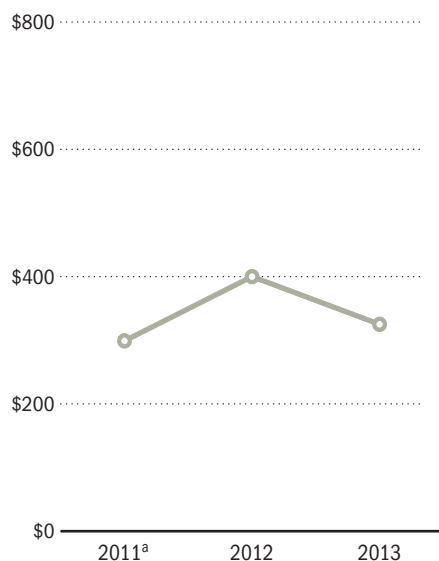
Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.10

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



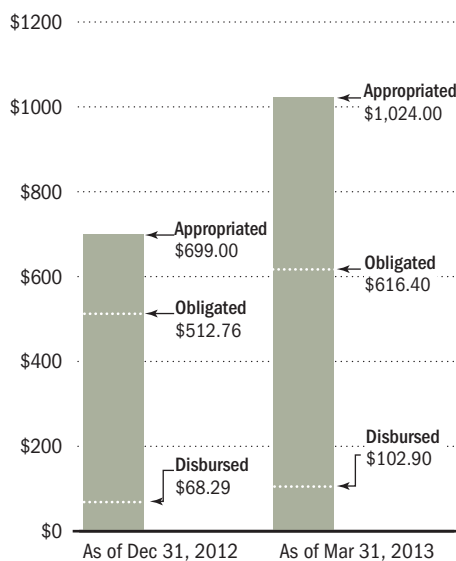
Notes: Numbers have been rounded.

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

Sources: DOD, response to SIGAR data call, 3/17/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.11

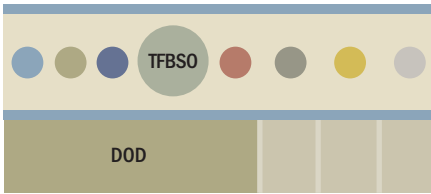
AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Notes: Numbers have been rounded. Figures exclude \$101 million from FY 2011 transferred to USAID to execute an AIF project.

Sources: DOD, responses to SIGAR data call, 3/17/2013 and 1/17/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

STATUS OF FUNDS



TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

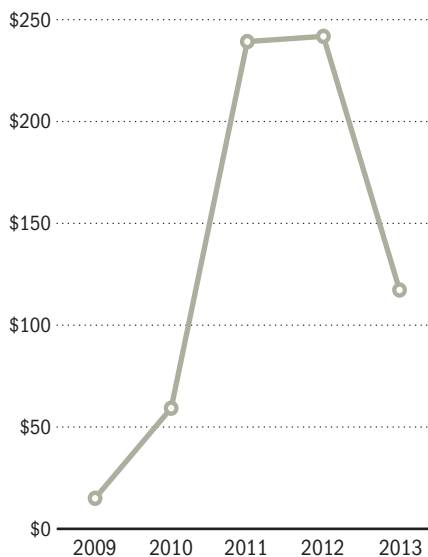
TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

The Task Force for Business and Stability Operations (TFBSO) was established in June 2006 and operated for several years in Iraq. In 2010, 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.⁴²

As of March 31, 2013, TFBSO had been appropriated more than \$117.28 million for FY 2013, bringing cumulative appropriations for the task force to nearly \$672.04 million.⁴³ Of this amount, more than \$551.11 million had been obligated and more than \$369.97 million had been disbursed.⁴⁴ Figure 3.12 displays the amounts appropriated for TFBSO projects by fiscal year, and 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)

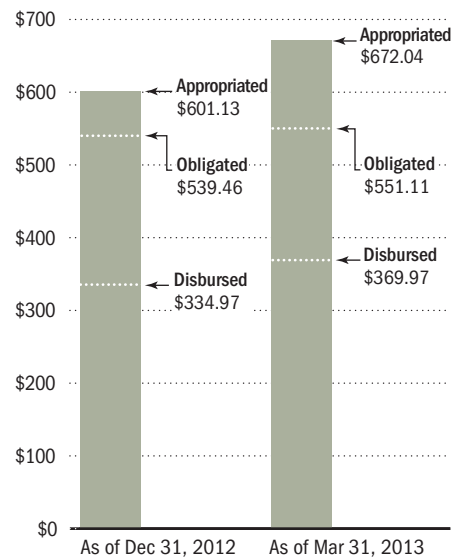


Notes: Numbers have been rounded. Data may include inter-agency transfers.

Sources: DOD, response to SIGAR data call, 4/2/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

FIGURE 3.13

TFBSO FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



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

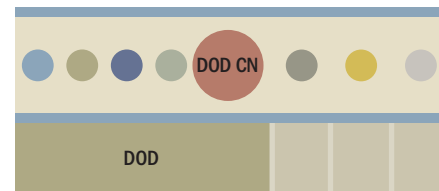
Sources: DOD, responses to SIGAR data call, 4/2/2013 and 1/4/2013; P.L. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD's Drug Interdiction and Counter-Drug Activities Fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.⁴⁵

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counternarcotics Central Transfer Account to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.⁴⁶

As of March 31, 2013, DOD reported that DOD CN received nearly \$372.07 million for Afghanistan for FY 2013, bringing cumulative funding for DOD CN to nearly \$2.68 billion since fiscal year 2004.⁴⁷ Figure 3.14 shows DOD CN appropriations by fiscal year, and Figure 3.15 provides a cumulative comparison of amounts appropriated and transferred to the military services and defense agencies for DOD CN projects.



DOD CN FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

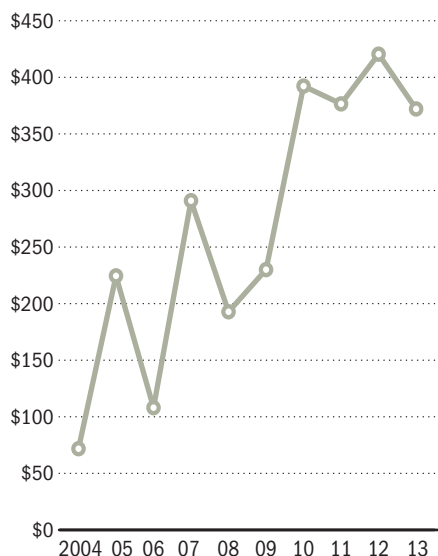
Obligations: Commitments to pay monies

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)

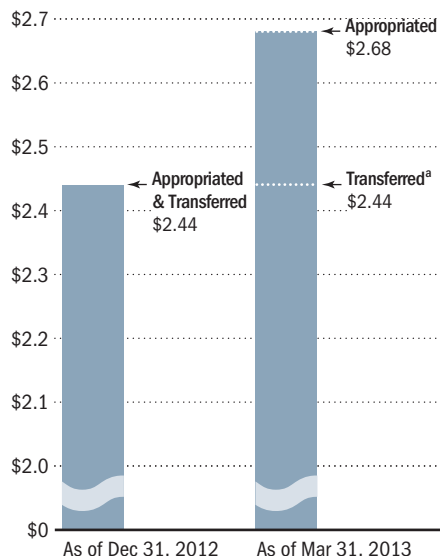


Note: Numbers have been rounded.

Source: DOD, response to SIGAR data call, 4/1/2013.

FIGURE 3.15

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

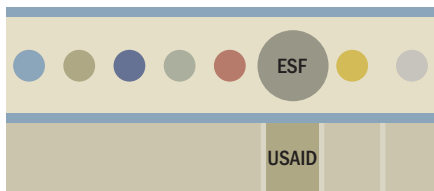


Notes: Numbers have been rounded.

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

Sources: DOD, responses to SIGAR data call, 4/1/2013 and 1/2/2013.

STATUS OF FUNDS



ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

ECONOMIC SUPPORT FUND

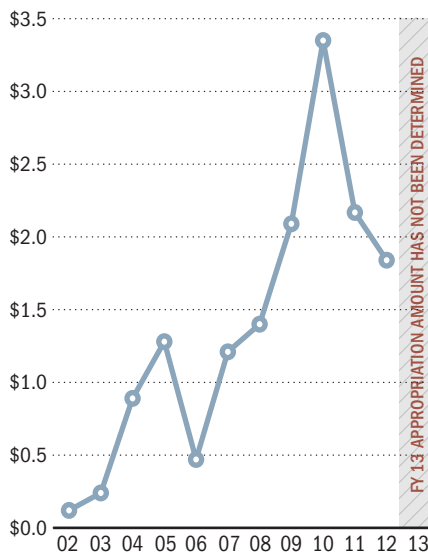
Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counterterrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.⁴⁸

As of March 31, 2013, final FY 2013 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to more than \$15.05 billion. Of this amount, nearly \$12.90 billion had been obligated, of which more than \$10.61 billion had been disbursed.⁴⁹ Figure 3.16 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of March 31, 2013, increased by nearly \$2.98 million over cumulative obligations as of December 31, 2012. Cumulative disbursements as of March 31, 2013, increased by nearly \$232.60 million over cumulative disbursements as of December 31, 2012.⁵⁰ 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)

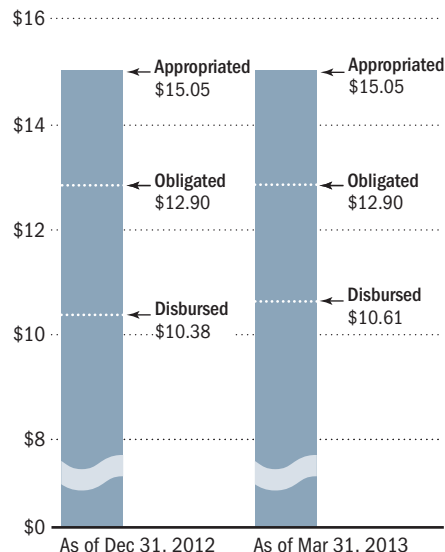


Notes: Numbers have been rounded. FY 2011 figure includes \$101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund. Final FY 2013 appropriation amount has not been determined.

Source: USAID, response to SIGAR data call, 4/18/2013.

FIGURE 3.17

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. Data may include inter-agency transfers. Figures include \$101 million from FY 2011 that was transferred to the ESF from the Afghanistan Infrastructure Fund. Final FY 2013 appropriation amount has not been determined.

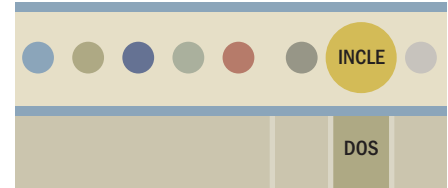
Sources: USAID, responses to SIGAR data call, 4/18/2013 and 1/3/2013.

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.⁵¹

As of March 31, 2013, final FY 2013 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to more than \$3.58 billion. Of this amount, nearly \$3.49 billion had been obligated, of which nearly \$2.58 billion had been disbursed.⁵² Figure 3.18 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of March 31, 2013, increased by nearly \$247.71 million over cumulative obligations as of December 31, 2012. Cumulative disbursements as of March 31, 2013, increased by nearly \$68.37 million over cumulative disbursements as of December 31, 2012.⁵³ Figure 3.19 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



INL FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

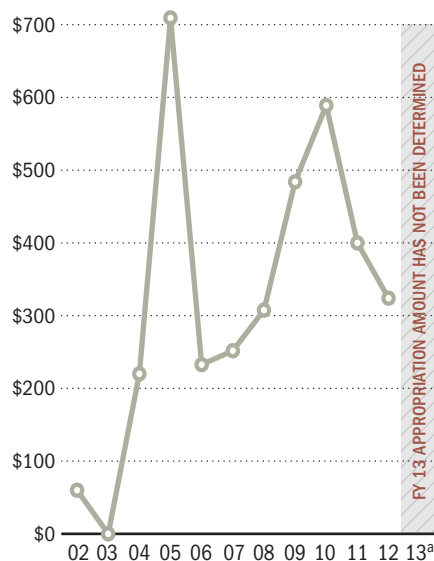
Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.18

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



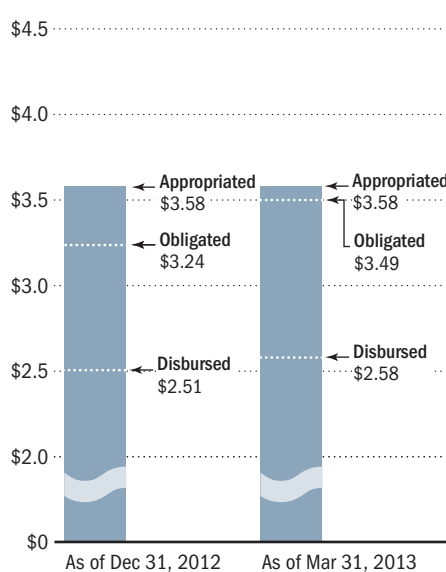
Notes: Numbers have been rounded. Data may include inter-agency transfers.

^a Figure reflects amount obligated under continuing resolutions because the final FY 13 appropriation amount has not been determined.

Source: State, response to SIGAR data call, 4/15/2013.

FIGURE 3.19

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Notes: Numbers have been rounded. Data may include inter-agency transfers. Final FY 13 appropriation amount has not been determined.

Sources: State, responses to SIGAR data call, 4/15/2013 and 1/8/2013.

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

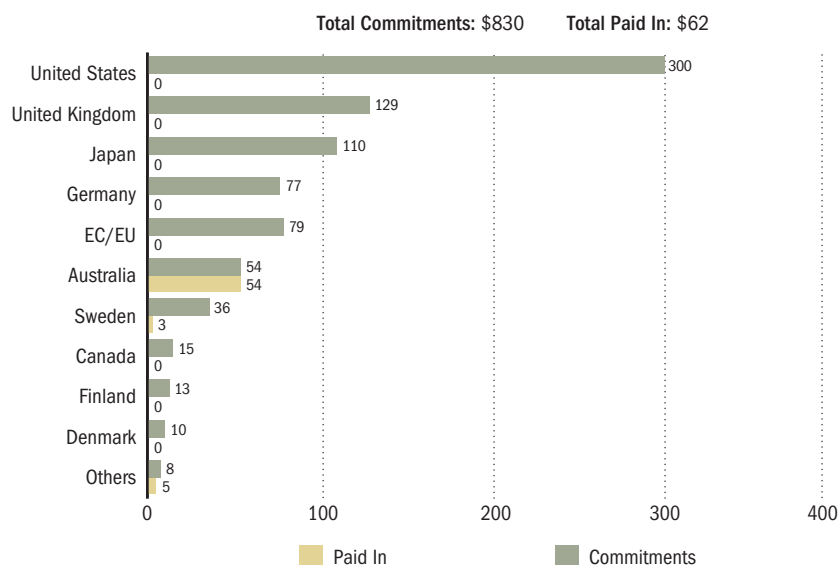
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust 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).⁵⁴

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 March 20, 2013, the World Bank reported that 33 donors had pledged more than \$6.94 billion, of which nearly \$6.18 billion had been paid in.⁵⁵ According to the World Bank, donors have pledged approximately \$830.35 million to the ARTF for Afghan fiscal year 1392, which runs from December 21, 2012 to December 20, 2013.⁵⁶ Figure 3.20 shows the 10 largest donors to the ARTF for FY 1392.

FIGURE 3.20

ARTF CONTRIBUTIONS FOR FY 1392 BY DONOR, AS OF MARCH 20, 2013 (\$ MILLIONS)



Notes: Numbers have been rounded. FY 1392 = 12/21/2012–12/20/2013.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of March 20, 2013," p. 1.

STATUS OF FUNDS

As of March 20, 2013, the United States had pledged more than \$2.04 billion and paid in more than \$1.74 billion since 2002.⁵⁷ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing nearly 47% of its total funding, as shown in Figure 3.21.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁵⁸ As of March 20, 2013, according to the World Bank, more than \$2.69 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.⁵⁹ The RC Window supports the operating costs of the Afghan government because the government's domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.⁶⁰

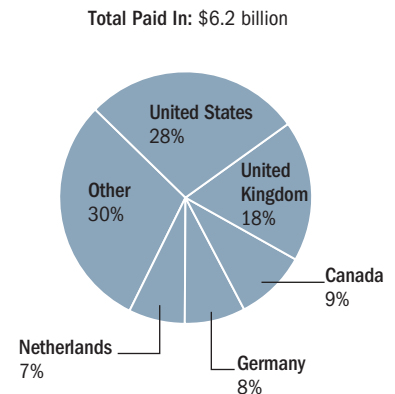
The Investment Window supports the costs of development programs. As of March 20, 2013, according to the World Bank, more than \$2.91 billion had been committed for projects funded through the Investment Window, of which nearly \$1.91 billion had been disbursed. The World Bank reported 22 active projects with a combined commitment value of nearly \$1.86 billion, of which approximately \$856.00 million had been disbursed.⁶¹

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.⁶² Since 2002, donors have pledged more than \$2.75 billion to the LOTFA, of which nearly \$2.75 billion had been paid in, according to the most recent data available.⁶³ The LOTFA's sixth support phase started on January 1, 2011, and ran through March 31, 2013. In the 24 months since Phase VI began, the UNDP had transferred nearly \$1.03 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional \$22.55 million for capacity development and other LOTFA initiatives.⁶⁴ As of December 31, 2012, donors had committed more than \$1.22 billion to the LOTFA for Phase VI. Of that amount, the United States had committed more than \$394.56 million, and Japan had committed more than \$485.27 million. Their combined commitments make up nearly 72% of LOTFA Phase VI commitments.⁶⁵ The United States had contributed more than \$950.22 million to the LOTFA since the fund's inception.⁶⁶ 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
SY 1381 (2002)–MARCH 20, 2013 (PERCENT)**

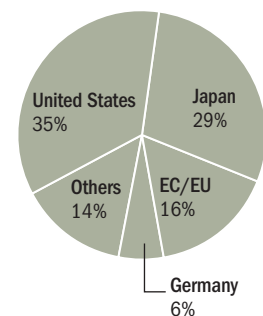


Note: Numbers have been rounded.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of March 20, 2013," p. 4.

FIGURE 3.22

**DONORS' CONTRIBUTIONS TO THE LOTFA
SINCE 2002, AS OF DECEMBER 31, 2012
(PERCENT)**



Notes: Numbers have been rounded. EC/EU = European Commission/European Union. "Others" includes 18 donors.

Sources: UNDP, "LOTFA 2012 Annual Project Progress Report," p. 24, 3/17/2013; SIGAR analysis of UNDP's quarterly and annual LOTFA reports, 4/20/2013.

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SECURITY

As of March 31, 2013, the U.S. Congress had appropriated more than \$54 billion to support the Afghan National Security Forces (ANSF). Most of these funds (\$52.7 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided to the Combined Security Transition Command-Afghanistan (CSTC-A), the lead U.S. agency responsible for ANSF development. The purpose of the funding is to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the \$52.7 billion appropriated for the ASFF, approximately \$44.1 billion had been obligated and \$40.0 billion disbursed as of March 31, 2013.⁶⁷

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 security sector events over the quarter and efforts to combat the cultivation of and commerce in illicit narcotics in Afghanistan. This section also discusses the challenges to transitioning to Afghan-led security by the end of 2014.

U.S. FUNDING

On March 26, 2013, President Obama signed the “Consolidated and Further Continuing Appropriations Act, 2013” into law. This law provides \$5.12 billion for the ASFF for fiscal year (FY) 2013. This was \$625 million less than the amount sought in the Department of Defense’s (DOD) FY 2013 budget request. The cuts included \$100 million for ANA infrastructure and a general reduction of \$525 million “due to lack of execution.”⁶⁸ This does not include any amounts that may be affected by budget sequestration.

Prior-year ASFF funding has also been reduced. DOD **reprogrammed** \$1 billion of the FY 2011 ASFF. In addition, DOD reprogrammed \$1 billion of FY 2012 ASFF and, as part of the FY 2013 appropriations, Congress provided for **rescission** of another \$1 billion. These changes reduced the amount of FY 2012 ASFF from \$11.2 billion to \$9.2 billion.⁶⁹

The Law and Order Trust Fund for Afghanistan

As noted in the Status of Funds section of this report (page 67), the Law and Order Trust Fund for Afghanistan (LOTFA) is a multinational trust fund,

Reprogramming action: permits the use of funds for purposes other than those originally intended by Congress. Depending on the circumstances, approval for reprogramming may be internal to DOD or may involve Congress.

Rescission: cancels budget authority previously provided by Congress. The Impoundment Control Act of 1974 specifies that the President may propose to Congress that funds be rescinded. If both Houses have not approved a rescission proposal (by passing legislation) within 45 days of continuous session, any funds being withheld must be made available for obligation.

Sources: Defense Acquisition University, “Lesson 10: Financial Management: Program/Budget Execution,” accessed 4/12/2013; U.S. Senate, Glossary, accessed 4/12/2013.

administered by the United Nations Development Programme (UNDP), to pay ANP salaries and other ANP-related recurring costs, to build the capacity of the Ministry of Interior (MOI), and for community policing initiatives. Since 2002, donor countries had paid more than \$2.7 billion into this fund, of which the United States, the largest contributor, provided more than \$950 million. Most U.S. funding provided through the LOTFA is from the ASFF (see ANP Salaries in this section, page 101).

This quarter, LOTFA continued to meet the salary and remuneration requirements of Afghanistan's police officers and prison personnel, according to the UN Secretary-General. The UNDP Office of Audit and Investigations completed an inquiry into the LOTFA and distributed a summary to donors. Action on its findings is expected.⁷⁰ SIGAR had not seen the inquiry at the time this report went to press.

NATO ANA Trust Fund

In addition to U.S.-provided funding in the security sector, most of which is routed through the ASFF, NATO also provides funding through its ANA Trust Fund. Through this fund, 22 countries (including the non-NATO country Japan) have donated nearly \$715 million since 2007, though often with restrictions on use. ANA Trust Fund donations are not direct contributions to the Afghan government. These funds are administered by the United States on behalf of NATO and non-NATO donors and are provided through the ASFF to pay for ANA sustainment (such as salaries and incentives), logistical support, and non-recurring costs (such as equipment). The DOD Office of Inspector General is currently auditing the NATO ANA Trust Fund; the audit is expected to be completed in summer 2013.⁷¹

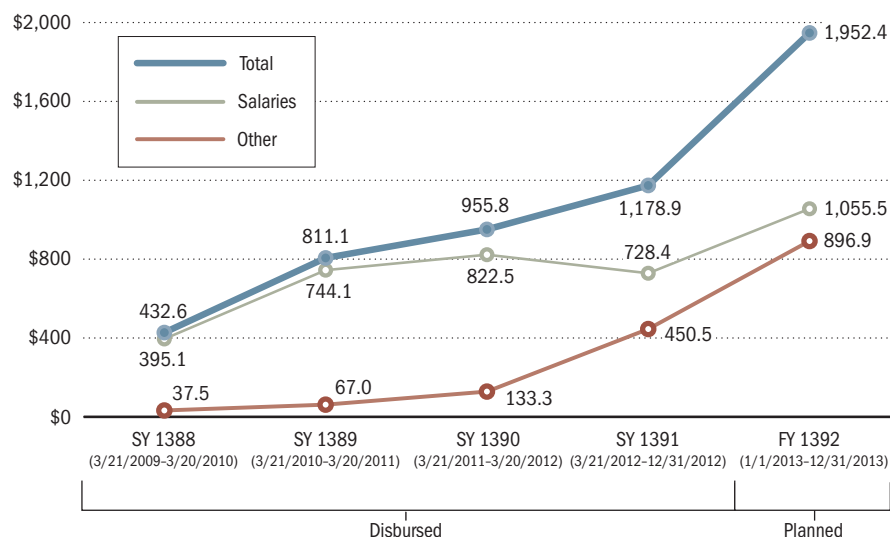
U.S. ON-BUDGET ASSISTANCE TO THE ANSF

From March 21, 2009, through December 31, 2012, the United States has provided \$3.38 billion from the ASFF in direct, on-budget assistance to the government of Afghanistan; \$1.95 billion in direct assistance is planned for 2013, but has not yet been disbursed. Most disbursed and planned funding (\$3.75 billion) is to support the Afghan government's operational budget to pay for salaries, as shown in Figure 3.23. The rest (\$1.59 billion) covers sustainment-related expenses such as repairs and maintenance of facilities and equipment, and water and electrical service.⁷²

More on-budget assistance is being provided as Afghans continue to improve their financial management capability and capacity. While this increases the risk to U.S. funding by limiting visibility of these funds and their use, it also increases the Afghan government's capacity to execute larger amounts and prepares it to identify and pay for future ANSF requirements.

FIGURE 3.23

ASFF DIRECT CONTRIBUTIONS TO THE AFGHAN GOVERNMENT (\$ MILLIONS)



Note: Numbers have been rounded; SY = Afghan Solar Year; FY = Afghan Fiscal Year; increases in the "other" category reflect an ongoing shift from off-budget to on-budget assistance.

Source: CSTC-A, responses to SIGAR data call, 4/16/2013.

KEY EVENTS THIS QUARTER

Most of the quarter's key events in security relate to the transition of security responsibility from Coalition Forces to the ANSF. These events included: a NATO-led International Security Assistance Force (ISAF) change of command, the MOI's new 10-year vision for the ANP; the first meeting of the new U.S. Secretary of Defense and President Karzai; and discussions of the size of the ANSF, the U.S. military footprint in the coming years, and the presence of U.S. Special Forces in certain provinces. Other key events related to the security environment include the rise in ANSF casualties, the ongoing threat of insider attacks, and the second-to-last tranche of provinces and districts beginning the transition from Coalition-led to ANSF-led security.

General Dunford Assumes Command of ISAF

At a February 10 ceremony, departing ISAF and U.S. Forces commander General John R. Allen passed the reins to incoming commander General Joseph F. Dunford Jr.

U.S. and NATO leaders praised General Allen for his work during his 19 months of command in Afghanistan. In his remarks, General Dunford said, "Today is not about change, it's about continuity."⁷³



General Joseph F. Dunford observes ANSF training on March 18, 2013. General Dunford assumed command of ISAF and USFOR-A in February 2013. (NTM-A photo)

New Police Initiative

On February 5, 2013, the Minister of the Interior presented a draft 10-year vision for the Ministry and the ANP to the International Police Coordination Board, according to the UN Secretary-General. The strategy was created to transform the police from a security force into a law-enforcement and community-policing force. This followed the United Nations' launch of a democratic policing project funded by the Dutch government. The three-year project, which emphasizes outreach to women and children, is designed to empower Afghans to be more active in the issues of police accountability and community engagement.⁷⁴

Also in February, senior MOI officials traveled to Turkey to observe community-policing initiatives during a 10-day study tour. LOTFA funds supported the tour.⁷⁵

Secretary of Defense Meets with President Karzai

On March 10, 2013, Secretary of Defense Chuck Hagel met with President Karzai in Kabul. The meeting followed controversial remarks by President Karzai suggesting that the United States was conspiring with the Taliban to keep violence levels high in order to ensure a U.S. military presence in Afghanistan beyond 2014. The Secretary discussed those comments with the Afghan president and denied the accusation. The Secretary also said that any negotiation with the Taliban “must come from the Afghan government.”⁷⁶

U.S., Coalition, and ANSF Force Strength through 2018

As transition from Coalition-led to Afghan-led security continues throughout Afghanistan, policy makers and military leaders must consider the right balance of Afghan and Coalition forces over the next few years. At the 2012 NATO Summit in Chicago, the leaders of ISAF-contributing countries outlined a plan to reduce the ANSF to a more fiscally sustainable 228,500-strong force in 2017. However, this quarter, U.S. officials suggested the current ANSF end-strength goal of 352,000 could be maintained through 2018.

On February 22, 2013, following a meeting of NATO defense ministers in Brussels, then Secretary of Defense Leon Panetta said the plan to reduce the Afghan force would not go forward and that it made sense to maintain a 352,000-strong ANSF through 2018. He also noted that the United States will maintain a force of 60,000 troops in Afghanistan through the spring and summer fighting seasons, then cut the U.S. presence to 34,000 by February 2014. U.S. forces are expected to stay at that level through the 2014 Afghan election cycle, then begin a final drawdown.⁷⁷

On March 5, 2013, U.S. Central Command (CENTCOM) commander General James Mattis told the Senate Armed Services Committee he recommended a post-2014 force of 20,000 Coalition troops—13,600 of them U.S.—in Afghanistan. In their February meeting, NATO defense ministers discussed leaving a force of 9,500 U.S. and 6,000 Coalition troops.⁷⁸ A final

decision on a post-2014 Coalition force strength had not been reached as this report went to press.

On March 8, 2013, the Dutch Prime Minister announced that the Netherlands would end its Afghan police-training mission in July 2013.⁷⁹

U.S. Special Forces in Wardak

U.S. Special Forces are leaving Wardak following Afghan allegations that they harassed and killed citizens there. President Karzai said an Afghan-American citizen originally from Kandahar was part of a Special Forces team in Wardak and “was violating the rights of the Afghan people massively.”⁸⁰ In one example, he also noted that local residents complained after a student was found dead and alleged that U.S. forces had taken him from his home two days earlier.⁸¹ ISAF officials have said that no evidence was found linking U.S. troops to abuse or murder in the region, but formed a joint ISAF/Afghan commission to further review allegations.⁸² On February 24, 2013, President Karzai announced ISAF would stop all Special Forces operations in Wardak following the reports of “repeated local complaints of harassment and annoyance by the American Special Forces.”⁸³ Karzai told the Ministry of Defense (MOD) to make sure all U.S. Special Forces were out of the province within two weeks.⁸⁴

On March 25, 2013, a senior U.S. official said ISAF and the Afghan government had reached a “favorable resolution.” The official said, “It wasn’t a complete departure of U.S. security forces from Wardak province; it was a transition from U.S. security forces to Afghan security forces in a small section of Wardak in the end.”⁸⁵ President Karzai welcomed the announcement of the withdrawal and said Afghan forces “will move in to provide security for the region.”⁸⁶

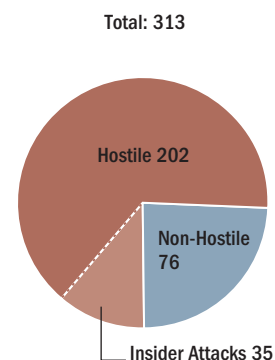
Insider Attacks

The number of insider attacks (Afghans in uniform attacking their Coalition partners) has been on the rise, from two attacks in 2008 to 46 attacks in 2012.⁸⁷ The 2012 attacks resulted in 62 Coalition deaths, 35 of them U.S. personnel.⁸⁸ This accounts for more than 11% of all U.S. casualties and 15% of all U.S. casualties resulting from hostile actions in 2012, as shown in Figure 3.24. In addition, insider attacks by ANSF personnel (or individuals posing as ANSF personnel) against other ANSF personnel rose from three in 2008 to 29 in 2012 (through the end of September).⁸⁹

This quarter, insider attacks continued. On March 8, two U.S. soldiers and two Afghan soldiers were killed and 10 U.S. soldiers were wounded in Wardak when an Afghan in uniform opened fire on them. According to media accounts of the incident, Coalition forces quickly returned fire and killed the attacker.⁹⁰ This was the third insider attack in 2013. In separate incidents this year, a British soldier was killed on January 7 and a U.S. contractor was killed on March 8.⁹¹

FIGURE 3.24

**U.S. MILITARY DEATHS IN AFGHANISTAN:
JANUARY 1 THROUGH DECEMBER 31, 2012**



Note: “Non-Hostile” includes deaths from accident, injury, illness, homicide, or suicide.

Sources: DOD, Defense Casualty Analysis System, accessed 4/17/2013; DOD, “Report on Progress Toward Security and Stability in Afghanistan,” 12/2012, pp. 34–35; DOD, “Apparent Insider Attack Kills 2 Americans, 2 Afghans,” 3/11/2013.

In addition to insider attacks aimed primarily at U.S. and Coalition forces, insider attacks by Afghan police and soldiers against their colleagues continued this quarter. Notably, 17 U.S.-trained Afghan Local Police (ALP) personnel in Ghazni were killed February 27 after one of their own drugged and shot them, stole their weapons, and fled, according to a media report.⁹² The Taliban claimed responsibility for that attack.⁹³ In an incident on March 21, an ALP member killed five other Afghan police personnel in Badghis.⁹⁴

TRANSITION PROGRESS

As of February 2013, four of five tranches (geographic areas) were transitioning to ANSF-led security with Tranche 4 just beginning the process this quarter, according to DOD. As of the end of February 2013, the ANSF had begun to assume the lead for security in 312 of the country's 405 districts where approximately 87% of Afghans were living. In all, 23 of Afghanistan's 34 provinces were completely in transition and areas in all 34 provinces were in some stage of transition.⁹⁵

To ensure that security is maintained in transitioning areas, ISAF will continue to provide training, advising, and other support to the ANSF, according to DOD. As ANSF capabilities improve, ISAF support will be adjusted, allowing ANSF to move into the operational lead. DOD noted that counterinsurgency operations are increasingly Afghan planned, prepared, and executed with advice and enabler support provided by Coalition Security Force Assistance Teams. This support includes fire, air, aviation, medical evacuation, and counter-IED support to augment ANSF capabilities that are still under development. During this transition period, Coalition forces will realign their posture to set the conditions for the ANSF to assume full security responsibility in late 2014, prior to the withdrawal of the bulk of remaining Coalition troops.⁹⁶

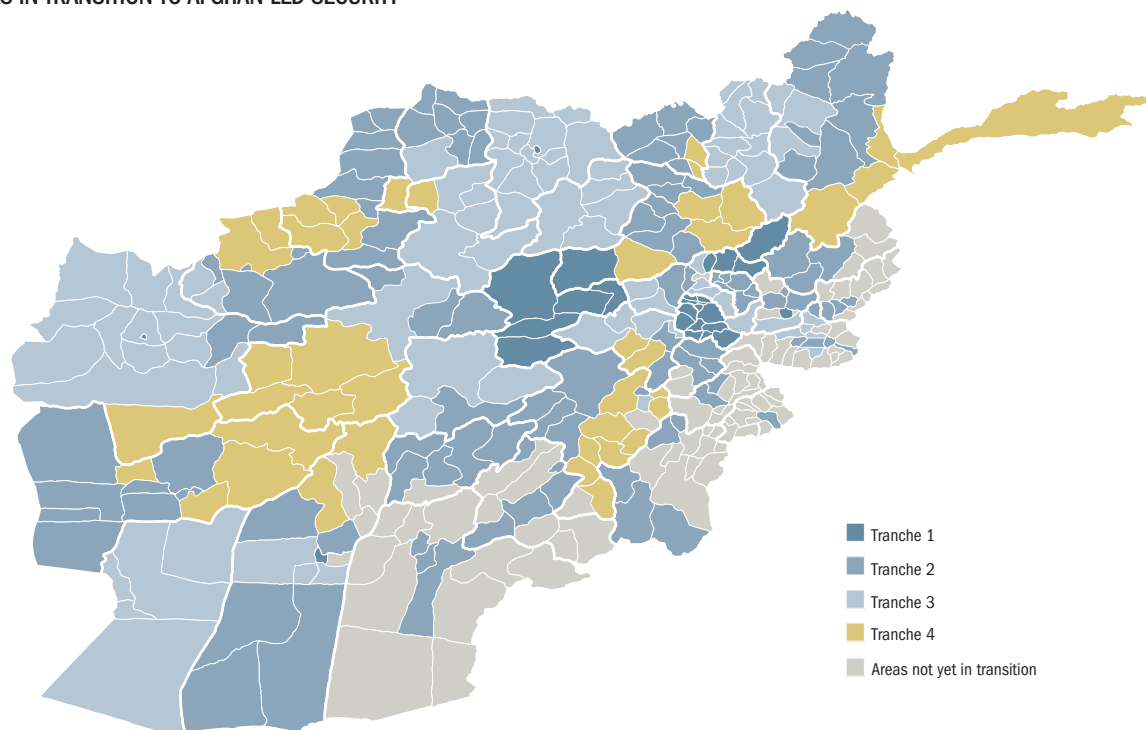
According to DOD, Tranche 5 will be announced this spring and will mark the point at which the ANSF will assume the operational lead for 100% of the population with ISAF in a support role through their train-advise-assist mission. Tranche 5 will be in the final tranche in the transition process and is expected to be implemented during the summer of 2013.⁹⁷ It includes a total of 91 districts in 11 provinces, mainly along the remaining eastern border areas, as shown in Figure 3.25.

U.S. FORCES

According to the U.S. Central Command, 70,000 U.S. forces were serving in Afghanistan as of March 31, 2013. Of those, approximately 48,200 were assigned to ISAF and 1,800 to the NATO Training Mission-Afghanistan (NTM-A)/CSTC-A. Of the remaining U.S. personnel, 7,500 were assigned to the U.S. Forces-Afghanistan and 12,500 were designated "other military

FIGURE 3.25

AREAS IN TRANSITION TO AFGHAN-LED SECURITY



Notes: Tranches include cities, districts, and provinces (or parts thereof). Tranche 1 began in July 2011, Tranche 2 in November 2011, Tranche 3 in July 2012, and Tranche 4 in February 2013. Source: NATO, "Transition to Afghan Lead: Integral," accessed 4/18/2013.

personnel."⁹⁸ As of April 15, 2013, a total of 2,072 U.S. military personnel have died in Afghanistan—83% of whom were killed in action—and 18,404 were wounded as part of Operation Enduring Freedom.⁹⁹

ANSF STRENGTH AND PERSONNEL DATA

In February, then Secretary of Defense Leon Panetta said supporting a 352,000-strong ANSF through 2018 is "an investment that would be worth making, because it would allow us greater flexibility as we take down our troops."¹⁰⁰ This is a change from the 228,500-strong ANSF that leaders of nations contributing to ISAF envisaged at the Chicago NATO Summit in May 2012.¹⁰¹ This quarter, the ANSF force strength was 332,753 (181,834 assigned to the ANA and Afghan Air Force and 150,919 assigned to the ANP).¹⁰² This is 4,763 fewer than the 337,516 ANSF force strength in March 2012, and 19,247 fewer than the end strength goal, as shown in Table 3.2 on the following page.

TABLE 3.2

ANSF ASSIGNED STRENGTH, FEBRUARY 18, 2013			
ANSF Component	Current Target	Status as of 2/2013	Difference Between Current Strength and Target End-Strength Goals
Afghan National Army	187,000 personnel by December 2012	175,441	-11,559
Afghan National Police	157,000 personnel by February 2013	150,919	-6,081
Afghan Air Force	8,000 personnel by December 2014	6,393	-1,607
ANSF Total	352,000	332,753	-19,247

Sources: DOD, "Report on Progress Toward Security and Stability in Afghanistan," 12/2012, p. 56; CSTC-A, responses to SIGAR data calls, 1/2/2013, 1/4/2013, 1/6/2013, and 4/1/2013.

SIGAR AUDIT

This quarter, SIGAR began an audit to assess the reliability and usefulness of data for the number of ANSF personnel authorized, assigned, and trained. This audit will also look at the methodology for gathering data on ANSF, including the extent to which DOD reviews and validates the information collected. For more information, see Section 2, page 32.

The goal to "train and field" 352,000 ANSF personnel by October 2012 was not met, although DOD reported that the ANSF reached its "recruiting" goal of 352,000.¹⁰³ In its December 2012 report to Congress, DOD noted that the number of reported ANSF personnel fell in 2012 after civilian personnel were removed from ANA force-strength reports. DOD also said the date for achieving an end strength of 352,000 ANSF personnel is by December 2014: 187,000 in the ANA by December 2012, 157,000 in the ANP by February 2013, and 8,000 in the Afghan Air Force by December 2014. However, according to DOD, the dates for all of these personnel to be trained, equipped, and fielded are December 2013 for the ANA and ANP, and December 2017 for the Afghan Air Force.¹⁰⁴

Accurate and reliable accounting for ANSF personnel is necessary to help ensure that U.S. funds that support the ANSF are used for legitimate and eligible costs. However, SIGAR and others have reported that determining ANSF strength is fraught with challenges. U.S. and Coalition forces rely on the Afghan forces to report their own personnel strength numbers, which are often derived from hand-prepared personnel records in decentralized, unlinked, and inconsistent systems. CSTC-A reported last quarter that there was no viable method of validating personnel numbers.



An ANA Special Forces soldier talks with a potential ALP candidate in Helmand on April 4, 2013. The ALP provides security in rural areas with limited ANSF presence. (U.S. Marine Corps photo)

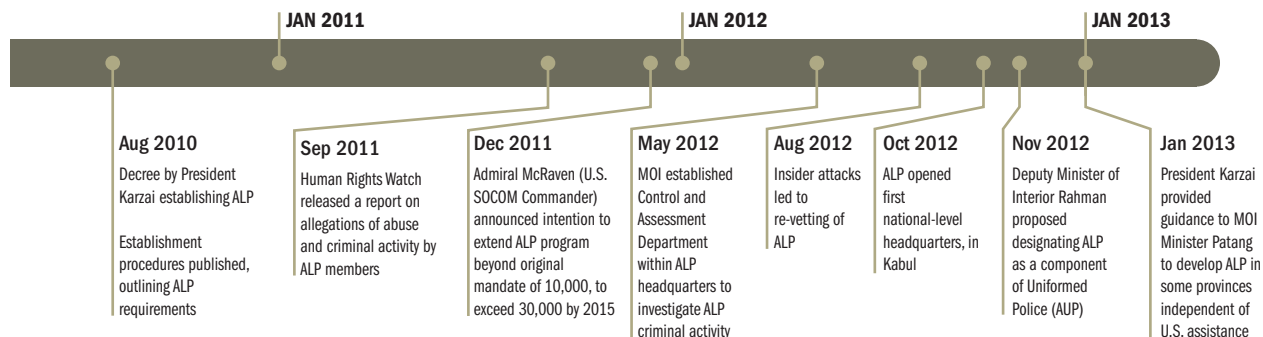
AFGHAN LOCAL POLICE

The Afghan Local Police (ALP)—like Village Stability Operations described in the Governance section of this report—is part of the counterinsurgency strategy of ISAF and the Special Operations Joint Task Force-Afghanistan (SOJTF-A).¹⁰⁵ This quarter, the number of ALP—"guardians"—was 21,656. Of those, nearly 97% are fully trained and assigned.¹⁰⁶ This quarter, the ALP were operational at 104 sites.¹⁰⁷

The Taliban's senior leadership considers the ALP the top threat to the insurgency's ability to control the population and threaten the Afghan government, according to DOD. Insurgents attack ALP units up to 10 times more often than other ANSF components. However, DOD noted, the ALP

FIGURE 3.26

AFGHAN LOCAL POLICE TIMELINE: HISTORY, GROWTH, AND MAJOR EVENTS



Sources: SOJTF-A, response to SIGAR vetting, 4/12/2013; Human Rights Watch, "Just Don't Call It a Militia," 9/2011, pp. 5–8.

successfully defended their positions against these attacks more than 80% of the time.¹⁰⁸

ALP members are recruited locally, recommended by village elders, and assigned to protect their home villages. Because they are a local force, the ALP has demonstrated “a unique resilience” against infiltration by the Taliban “as anyone outside the area would be immediately recognized as a foreigner.”¹⁰⁹ In addition, the ALP has the most stringent vetting procedures of all ANSF, according to the SOJTF-A.¹¹⁰ DOD stated that all ALP members were recently revetted. Only 5% were removed from ALP ranks, mostly for drug use.¹¹¹

The ALP has been evolving since its establishment in August 2010, as shown in Figure 3.26, but challenges remain. According to DOD, the ALP’s main challenge is “the MOI’s ability to support and manage the program.”¹¹² DOD also noted that the MOI “has identified these difficulties and is working with [the NATO Special Operations Component Command-Afghanistan (NSOCC-A)] to build an enduring logistics and support capacity in MOI to meet ALP requirements.”¹¹³ In addition, NSOCC-A worked with the MOI to develop a revised ALP procedures document which extends the ALP program to 2025, increases the maximum age limit for potential ALP guardians from 45 to 50, and designates the ALP as a component of the Afghan Uniform Police (AUP), according to SOJTF-A. The last step is expected to institutionalize the ALP, raise its status within the ANSF, and enable ALP leadership to use AUP infrastructure and pay and logistics systems. The revised procedures document also increases the maximum length of ALP Guardian contracts from one to three years. The document is currently being reviewed at the MOI, and is expected to be released in April.¹¹⁴

As of March 31, 2013, the United States has obligated \$139.9 million of the ASFF to support the ALP. Of that amount, \$47.7 million are direct

contributions to the Afghan Ministry of Finance and \$91.6 million are “in-kind” funds that are used by U.S. forces to support the ALP.¹¹⁵ According to SOJTF-A, after ALP guardians are trained they become employees of the MOI, sign yearly service contracts, work part-time, and are paid approximately 60% of basic police salary (about \$120 per month).¹¹⁶

In his latest report to the Security Council, the UN Secretary-General said “while [the ALP] initiative contributed to increased stability in some areas and progress in promoting accountability, concerns remain over insufficient implementation of policies regarding vetting, command and control and local-level oversight.” The Secretary-General also noted that United Nations Assistance Mission-Afghanistan (UNAMA) documented 55 incidents attributed to the ALP that resulted in 62 civilian casualties (24 deaths and 38 injuries) in 2012.¹¹⁷

AFGHAN PUBLIC PROTECTION FORCE

The Afghan Public Protection Force (APPF) is a state-owned enterprise under the authority of the MOI that provides security services in Afghanistan. Following President Karzai’s 2010 decree to disband all national and international private security companies (PSCs), the Afghan government implemented a bridging strategy for a phased transition process to a public security company. As part of the transition, the APPF was expected to assume responsibility for security of development and humanitarian projects in March 2012 and for security of military installations in March 2013.

This quarter, SIGAR initiated a follow-on audit to the agency’s March 2012 testimony and its June 2012 report that assessed the potential effects of USAID’s transfer of security functions for its projects from PSCs to the APPF. This audit will identify the following:

- the cost of security services for selected USAID projects and any effect the transition to the APPF had on overall security costs for reconstruction projects
- USAID mechanisms to review security costs and oversee security services
- the impact of the APPF transition on reconstruction projects

The audit will also determine whether USAID’s implementing partners for selected projects were appropriately using companies licensed by the Afghan government.

As of March 6, 2013, the number of personnel assigned to the APPF was 16,326—a 15% increase since last quarter—according to CSTC-A. Of these, 1,158 were officers, 1,217 were noncommissioned officers (NCOs), and 13,951 were guards.¹¹⁸ The target goal for the APPF is approximately 23,000 personnel.¹¹⁹

SIGAR AUDIT

This quarter, SIGAR initiated a follow-on audit to the agency’s March 2012 testimony and its June 2012 report that assessed the potential effects of USAID’s transfer of security functions for its projects from PSCs to the APPF. For more information, see Section 2, page 30.

ANSF ASSESSMENTS

Assessments of the ANA and ANP are indicators of the effectiveness of U.S. efforts—and, by extension, of U.S. funding—to build, train, equip, and sustain the ANSF. These assessments also provide both U.S. and Afghan stakeholders with regular updates on the status of these forces as transition continues and Afghanistan assumes responsibility for its own security. SIGAR continues to closely monitor and report these assessments.

In assessing the capability of ANA and ANP units, the ISAF Joint Command (IJC) uses the Commander's Unit Assessment Tool (CUAT), which has five rating levels:¹²⁰

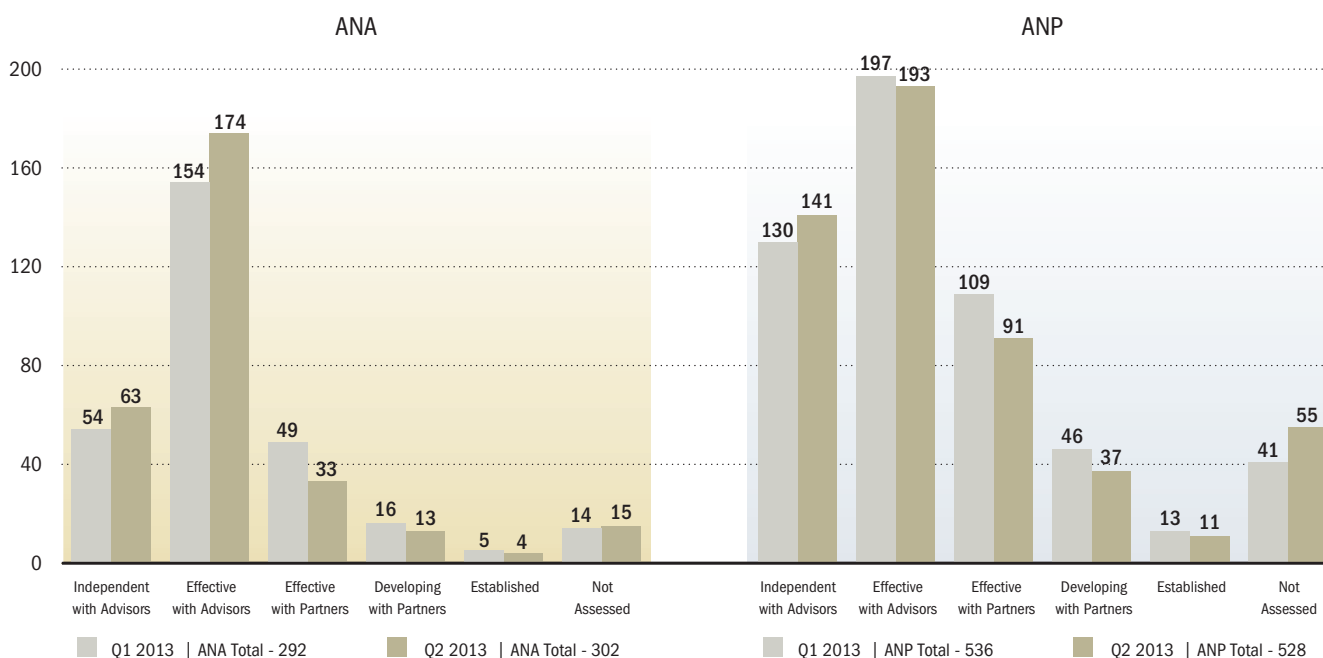
- **Independent with Advisors:** The unit is able to plan and execute its missions, maintain command and control of subordinates, call on and coordinate quick-reaction forces and medical evacuations, exploit intelligence, and operate within a wider intelligence system.
- **Effective with Advisors:** The unit conducts effective planning, synchronizing, directing, and reporting of operations and status. Leaders, staff, and unit adhere to a code of conduct and are loyal to the Afghan government. 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. Leaders, staff, and most of the unit adhere to a code of conduct and are loyal to the Afghan government. 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. Leaders and most of the staff usually adhere to a code of conduct and are loyal to the Afghan government. 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 unit is barely able to coordinate and communicate with other units. Leadership and staff may not adhere to a code of conduct or may not be loyal to the Afghan government. 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.

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

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

FIGURE 3.27

CUAT RATINGS OF ANSF UNITS, BY QUARTER, 2013



Source: DOD, response to SIGAR vetting, 4/17/2013.

SIGAR AUDIT

In a new audit, SIGAR is examining the methods and tools used to measure and evaluate the ANSF's operational effectiveness, including the extent to which these methods and tools are consistently applied, reliable, and validated. For more information, see Section 2, page 32.

During this reporting cycle, the total number of ANA units rose from 292 to 302. According to IJC, this increase is the result of new units being fielded, mostly in the 215th Corps.¹²¹

For the ANP, the total number of units fell from 536 to 528. According to IJC, "Special Police Units" are not reported, so they do not appear in this reporting cycle.¹²²

Because not every unit is reported in every CUAT cycle, the IJC uses the most recent assessment (within the last 18 months) to "enable cycle to cycle comparisons." When compared this way, 9 more ANA units and 11 more ANP units were rated "independent with advisors," as shown in Figure 3.27. According to the most recent assessments, more than 78% of all ANA units were rated at the two highest levels: nearly 21% were "independent with advisors" and nearly 58% were "effective with advisors." Less than 5% of units had not been assessed within the last 18 months. For the ANP, more than 63% of units were rated at the two highest levels: nearly 27% were "independent with advisors" and nearly 37% were "effective with advisors." More than 10% of ANP units had not been assessed within the last 18 months.¹²³

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

Assessments of the MOD and the MOI continued to show progress this quarter. To rate the operational capability of these ministries, 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:¹²⁴

- 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, all 46 staff sections and cross-functional areas were assessed this quarter, including the newly assessed Ground Forces Command, which debuted at CM-2B. Eight offices progressed, including:¹²⁵

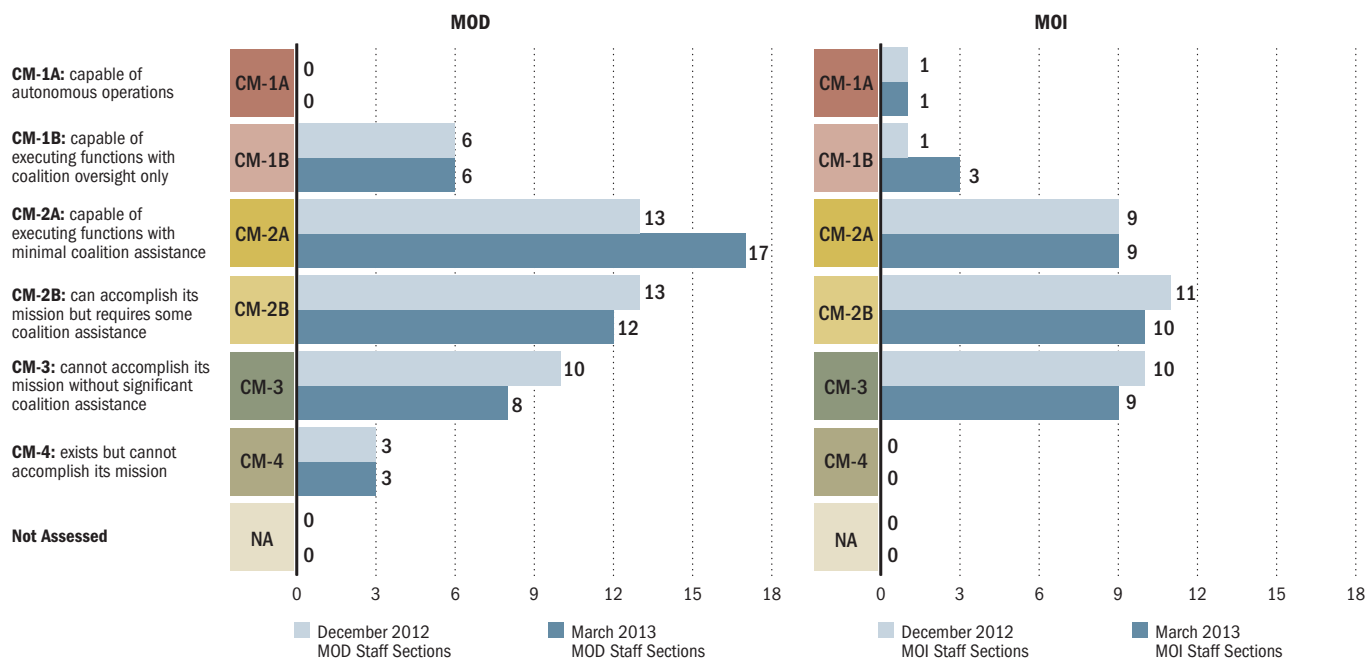
- Logistics Command (CM-1B)
- General Staff Communications (CM-2A)
- General Staff Force Structure, Training and Doctrine (CM-2A)
- Medical Command (CM-2A)
- Army Support Command (CM-2A)
- Director of General Staff (CM-2A)
- MOD Chief of Health Affairs (CM-2B)
- Director of Strategic Communications (CM-2B)

Two MOD offices received lower ratings: the Acquisition Agency (fell to CM-2B) and the General Staff Logistics office (CM-3). Three MOD offices were rated CM-4, meaning that they cannot accomplish their missions, as shown in Figure 3.28 on the following page. Those offices were the Assistant Minister of Defense for Intel Policy, the Afghan Air Force Command, and Gender Integration.¹²⁶

All 32 staff sections at the MOI were assessed; four progressed since last quarter. The MOI office for the Afghan Local Police increased two rating categories since last quarter, from CM-3 to CM-2A. The other offices of the Legal Advisor and the Afghan National Civil Order Police progressed to CM-1B (the second highest rating category). The Office of the Surgeon (Medical) also increased to CM-2A.¹²⁷

FIGURE 3.28

CAPABILITY MILESTONE RATINGS OF MOD AND MOI, QUARTERLY CHANGE



Sources: CSTC-A, responses to SIGAR data call, 1/2/2013 and 4/1/2013.

AFGHAN NATIONAL ARMY

As of March 31, 2013, the United States had obligated \$28.9 billion and disbursed \$26.2 billion of the ASFF to build, train, and sustain the ANA.¹²⁸

ANA Strength

As of February 18, 2013, the overall assigned strength of the ANA was 181,834 personnel (175,441 Army and 6,393 Air Force), according to CSTC-A.¹²⁹ This is an increase of 1,317 since last quarter—as shown in Table 3.3—but lower than the 191,592 reported in May 2012.¹³⁰

ANA Sustainment

As of March 31, 2013, the United States had obligated \$9.7 billion and disbursed \$9.3 billion of the ASFF for ANA sustainment.¹³¹

As part of sustainment funding, the United States has provided the ANA with ammunition at a cost of approximately \$1.03 billion, according to CSTC-A.¹³²

ANA Salaries, Food, and Incentives

As of March 31, 2013, the United States had provided nearly \$1.6 billion through the ASFF to pay for ANA salaries, food, and incentives (since

TABLE 3.3

ANA STRENGTH, QUARTERLY CHANGE						
ANA Component	Authorized			Assigned		
	Q4 2012	Q1 2013	Quarterly Change	Q4 2012	Q1 2013	Quarterly Change
201st Corps	18,421	17,821	-600	17,966	17,427	-539
203rd Corps	20,614	20,022	-592	20,625	19,095	-1,530
205th Corps	19,075	18,476	-599	19,856	18,982	-874
207th Corps	14,706	14,313	-393	13,261	12,803	-458
209th Corps	14,852	14,458	-394	14,170	13,065	-1,105
215th Corps	17,542	16,933	-609	17,135	17,307	+172
111th Capital Division	9,608	9,273	-335	9,152	8,654	-498
Special Operations Force	12,525	12,261	-264	10,338	10,366	+28
Echelons Above Corps ^a	44,712	37,592	-7,120	36,858	37,837	+979
THHS ^b	-	-	None	15,284	16,103	+819
ANA Total	172,055	161,149	-10,906	174,645	175,441	+796
Afghan Air Force (AAF)	7,639	7,639	None	5,872	6,393	+521
ANA + AAF Total	179,694	168,788	-10,906	180,517	181,834	+1,317

Notes: Q4 data is as of 11/21/2012. Q1 data is as of 2/18/2013.

^a Includes MOD, General Staff, and Intermediate Commands

^b Trainee, Transient, Holdee, and Student; these are not included in counts of authorized personnel; also includes 3,802 cadets.

Sources: CSTC-A, responses to SIGAR data calls, 1/2/2013, 1/4/2013, 1/6/2013, 4/1/2013, and 4/16/2013.

FY 2008). The estimated annual amount of funding required for the base salaries, bonuses, and incentives of a 195,000-person ANA is \$686.1 million.¹³³

CSTC-A said that all ANA personnel (including those in the Afghan Air Force) receive some sort of incentive pay as of November 20, 2012. CSTC-A also noted that payroll numbers are lower than end-strength numbers due to time delays in reporting between the payroll system and the personnel accounting system. For example, personnel absent without leave will stop receiving pay, but will be counted as part of the ANA's end strength until they are dropped from personnel rolls.¹³⁴

ANA Equipment and Transportation

The U.S. effort to equip the ANA is coming to an end as all vehicles and communications equipment have been procured and only \$858,920 worth of weapons are yet to be procured to meet ANA requirements as shown in Table 3.4.¹³⁵

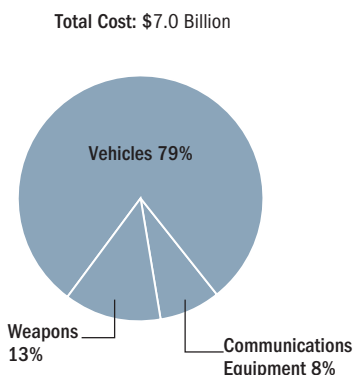
TABLE 3.4

COST OF U.S.-FUNDED ANA EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$878,027,233	\$858,920
Vehicles	\$5,556,502,248	\$0
Communications Equipment	\$580,538,328	\$0
Total	\$7,015,067,809	\$858,920

Source: CSTCA, response to SIGAR data call, 4/1/2013.

FIGURE 3.29

COST OF U.S.-FUNDED ANA EQUIPMENT PROCURED, AS OF MARCH 31, 2013 (PERCENT)



Note: Numbers have been rounded.

Source: CSTC-A, response to SIGAR data call, 4/1/2013.

SIGAR AUDIT

In an ongoing audit, SIGAR will assess the process CSTC-A uses to determine requirements and to acquire, manage, store, and distribute repair parts for the ANSF, and evaluate internal controls to determine if they are sufficient to account for these parts and to prevent fraud, waste, and abuse. For more information, see Section 2, page 34.

As of March 31, 2013, the United States had obligated and disbursed \$10.4 billion of the ASFF for ANA equipment and transportation.¹³⁶ Most of these funds were used to purchase weapons and related equipment, vehicles, communications equipment, and aircraft and aviation-related equipment. Nearly 80% of U.S. funding in this category was for vehicles and transportation-related equipment, as shown in Figure 3.29.¹³⁷

This quarter, the Afghan Air Force inventory consisted of 113 aircraft, including Russian-built Mi-series helicopters, according to CSTC-A:¹³⁸

- 48 Mi-17s (transport helicopters)
- 11 Mi-35s (attack helicopters)
- 16 C-27As (cargo planes)
- 26 C-208s (light transport planes)
- 6 C-182s (four-person trainers)
- 6 MD-530Fs (light helicopters)

Still to be procured are 12 Mi-17 transport helicopters and 20 light support aircraft.¹³⁹ The U.S. Air Force awarded an American company and its Brazilian subcontractor a \$427 million contract to build 20 A-29 Super Tucanos—a single-engine, air-to-ground combat, light support aircraft—for the Afghan Air Force. Once delivered, these aircraft will be used “to conduct advanced flight training, surveillance, close air support and air interdiction missions.”¹⁴⁰ In addition, on March 28, a contract for 20 C-27A cargo planes ended and was not renewed; 16 of the 20 are already in the Afghan Air Force. The remaining four will be replaced by four C-130H cargo planes.¹⁴¹

GAO Report on DOD Procurement of Mi-17 Helicopters

DOD has been procuring Russian-made Mi-17 helicopters for the ANSF since 2005. The Mi-17 is a multi-use transport helicopter developed by the former Soviet Union to operate in the thin air of Afghanistan’s high elevations. The ANSF had approximately 50 Mi-17s as of 2012, with a goal of a fleet of about 80 helicopters.¹⁴²

New Mi-17s are sold by Russia’s state-owned arms export firm, Rosoboronexport, the sole authorized exporter of military end-use products from Russia. As a result of multiple violations of U.S. law, Rosoboronexport was subject to U.S. sanctions in 2006. The sanctions were lifted in 2010.¹⁴³

Prior to 2010, DOD competitively procured a small number of Mi-17s through U.S. companies, whose subcontractors purchased them new from the original equipment manufacturer in Russia. In 2010, the Navy initiated a competitive procurement for 21 Mi-17s in a civilian variant, but canceled the solicitation and transferred responsibility for it to the Army at DOD’s direction. In 2011, the Army contracted Rosoboronexport to purchase 21 Mi-17 military helicopters with the option to buy 12 additional aircraft. Members of Congress have criticized this contract for its structure and cost and because of Rosoboronexport’s alleged arms sales to Syria.¹⁴⁴

In Senate Report 112-173 accompanying the FY 2013 National Defense Authorization Act, the Senate Armed Services Committee directed the Government Accountability Office (GAO) to review DOD's procurement of Mi-17 helicopters from Rosoboronexport. GAO found that DOD had directed the Navy to cancel its solicitation for 21 civilian Mi-17s because Russian authorities told U.S. officials that the helicopters, intended for military use, could only be sold through Rosoboronexport. GAO also found that DOD did not assess alternative means for procuring Mi-17s after verifying that Russia would only sell them through Rosoboronexport. However, GAO noted, an Army analysis determined that the price paid to Rosoboronexport (\$17.5 million) for the Mi-17s was reasonable and the contract offered greater access to technical information and increased assurance of safety compared to previous Mi-17 contracts.¹⁴⁵

According to a media account, Deputy Defense Secretary Ashton Carter notified members of Congress on April 3 that it was in the national interest to continue buying Mi-17s from Russia to equip Afghan forces.¹⁴⁶

ANA Infrastructure

As of March 31, 2013, the United States had obligated \$6.1 billion and disbursed \$3.9 billion of the ASFF for ANA infrastructure.¹⁴⁷ As of March 31, 2013, the United States had completed 213 infrastructure projects (valued at \$2.63 billion), with another 138 projects ongoing (\$3.11 billion) and 20 planned (\$321 million), according to CSTC-A. Of the ongoing projects, 37 new contracts (valued at more than \$645 million) were awarded this quarter.¹⁴⁸

As with ANA equipment, the U.S. effort to provide ANA infrastructure is coming to an end. In total, nearly 95% of funding for ANA infrastructure has gone to projects now completed or ongoing. The 20 planned projects valued at \$321 million represent the final 5% of U.S. funding for ANA infrastructure as shown in Figure 3.30.¹⁴⁹

This quarter, the largest ongoing ANA infrastructure projects were a brigade garrison for the 201st Corps in Kunar (at a cost of \$115.8 million), phase one of the MOD's headquarters in Kabul (\$89.5 million), and a brigade garrison for the 205th Corps in Kandahar (\$89.1 million).¹⁵⁰

DOD's FY 2013 ASFF budget request of \$190 million for ANA infrastructure was 85% less than the amount authorized in FY 2012. However, the final amount appropriated (\$90 million) for FY 2013 was \$100 million less than the request and a 93% decrease from the amount authorized in FY 2012. FY 2013 ASFF funding 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 U.S. forces are drawn down.¹⁵¹

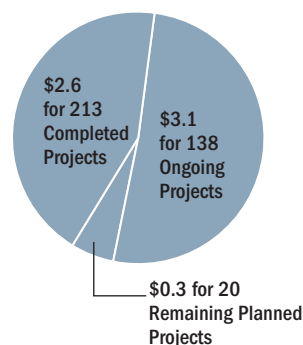
ANA and MOD Training and Operations

As of March 31, 2013, the United States had obligated and disbursed \$2.7 billion of the ASFF for ANA and MOD operations and training.¹⁵² This quarter,

FIGURE 3.30

COST OF U.S.-FUNDED ANA INFRASTRUCTURE PROJECTS, AS OF MARCH 31, 2013 (\$ BILLIONS)

Total Cost: \$6.1 (371 Projects)



Note: Numbers have been rounded.

Source: CSTC-A, response to SIGAR data call, 4/1/2013.

SIGAR AUDIT

In an ongoing audit, SIGAR will examine CSTC-A's justification and support for the ANSF infrastructure project requirements. The audit will also assess: (1) the extent to which U.S. and Coalition basing plans for the ANSF reflect ANSF force-strength projections; (2) whether CSTC-A fully considered alternatives to new construction; (3) whether CSTC-A developed and used appropriate criteria to ensure that current and proposed construction projects for the ANSF are necessary, achievable, and sustainable by the Afghan government. For more information, see Section 2, page 34.

62,298 ANA personnel were enrolled in some type of training, with 46,264 enrolled in literacy training, according to CSTC-A. In addition, 8,211 enlisted personnel were enrolled in basic warrior-training courses, 2,090 were training to become commissioned officers, and 1,652 were training to become NCOs. Other training programs include combat specialty courses such as infantry training; combat support courses such as engineering, signals, and logistics; and courses to operate the high-mobility multipurpose wheeled vehicles known as “Humvees.”¹⁵³

According to CSTC-A, the United States funds a variety of contracts to train the ANA. CSTC-A estimates that these training activities cost approximately \$106 million this quarter (down from \$140 million reported last quarter) and include costs for personnel, food, fuel, ammunition, facilities, and medical support. CSTC-A estimated that the total cost of this training is \$560 million per year.¹⁵⁴

MOD Training Institutions Assessments

The Capability Milestone (CM) rating system used to assess the operational capabilities of the MOD are also used to assess MOD training institutions. The training assessments use the same four primary and two secondary ratings:¹⁵⁵

- 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

This quarter, 31 of 35 MOD training institutions were assessed. More than 61% had achieved a rating of CM-1B or higher. Three training institutions received a higher rating since last quarter: the Regional Military Training Center in Mazar-e-Sharif (CM-1A), the Kabul Military Training Center's Female Training Brigade (CM-1B), and Kabul Military High School (CM-1A).¹⁵⁶

ANA Literacy

NTM-A/CSTC-A's literacy program, which began in October 2009, seeks to achieve greater literacy rates within the ANA. The program is based on a 312-hour curriculum. According to CSTC-A, in order to progress from illiteracy to functional literacy, a student may take as many as seven tests. The student's performance determines if he or she progresses to the next training level. Since the start of the program, the ANA success rates for passing these tests were: 95% for Level 1 literacy, 97% for Level 2, and 97% for Level 3.¹⁵⁷

Level 1 literacy is the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At Level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At Level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute and use printed and written materials.” As of March 1, 2013, the number of ANA graduates at Level 3 was 27,111. The goal is to achieve 100% Level 1 literacy and 50% Level 3 (or functional) literacy by the time the NTM-A/CSTC-A program ends.¹⁵⁸

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a base year and a five-year limit—one-year options may be exercised in August of each year—and a maximum cost of \$200 million. According to CSTC-A, these contractors were providing 724 literacy trainers to the ANA:¹⁵⁹

- OT Training Solutions, a U.S. company, was providing 254 trainers.
- Insight Group, an Afghan company, was providing 178 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 292 trainers.

The number of trainers fell sharply from the 1,391 reported last quarter.¹⁶⁰ CSTC-A said this was due to a shift from a focus on growing the program to ensuring that students in the program reach Level 3. To do this, the number of classes are being downsized “in an effort to maintain appropriate oversight and to ensure that those students already in the program are making progress” toward that goal.¹⁶¹ CSTC-A said responsibility for literacy training for ANA personnel in the field will transition to the ANA between July 1, 2013, and July 1, 2014. Literacy training at ANA training centers is expected to transition by April 2014. In the meantime, a new contract is being coordinated to provide training for Afghan literacy trainers ahead of the transition.¹⁶²

Women in the ANA

As of February 20, 2013, ANA personnel included 366 women—254 officers, 105 NCOs, and seven enlisted personnel—according to CSTC-A. In addition, the Afghan Air Force included 46 women: 18 officers, 21 NCOs, and seven enlisted personnel. The current target is for women to make up 10% of the 195,000-strong combined ANA and Afghan Air Force.¹⁶³ However, during this reporting period, women made up only 0.2% of the combined ANA and Afghan Air Force strength, or one-fiftieth of the target level.

This quarter, an NCO course designed specifically to train women did not meet its 70-person quota, and of the 15 women recruited, only six met the educational standards for the course. However, the nine women who did not meet the educational standards graduated from a concurrent Basic Warrior Training Course. As for officers, 13 women were selected to attend the National Military Academy of Afghanistan’s class of 2017. They will join

SIGAR AUDIT

In an ongoing audit, SIGAR is evaluating the implementation and oversight of the three ANSF literacy training program contracts. SIGAR will also assess whether the contractors provide qualified instructors and services; the extent to which CSTC-A monitored the contractors’ performance and training outcomes; and the extent to which the contracts are meeting the goal of providing basic, sustainable levels of literacy for the ANSF. For more information, see Section 2, page 35.

16 women already at the academy who are expected to graduate in 2016. In addition, the ANA Officer's Academy—a one-year course with three entry dates per year—is expected to enroll 300–400 cadets for each class. Of those, 10% are expected to be women, according to CSTC-A.¹⁶⁴

Several issues have impacted the ANA's ability to recruit women. Among these are challenges to outreach and cultural barriers to women serving in the military, according to CSTC-A. Although training slots and gender-appropriate positions are available, Coalition advisors are not sure if families are still reluctant to support the recruitment of women or if the ANA leadership is not ready to recruit more women.¹⁶⁵

The United States has assigned advisors to the MOD and the Afghan National Defense University to assist with gender integration issues. In addition, NTM-A advisors and their Afghan counterparts are working on a recruiting plan to target high school students for officer training. The plan would also include an open house “to show male family members [training] facilities to help dispel any misconceptions.”¹⁶⁶

AFGHAN NATIONAL POLICE

As of March 31, 2013, the United States had obligated \$14.9 billion and disbursed \$13.5 billion of the ASFF to build, train, and sustain the ANP.¹⁶⁷

ANP Strength

As of February 18, 2013, CSTC-A reported the overall assigned strength of the ANP was 150,919 personnel: 103,851 Afghan Uniform Police (AUP), 22,029 Afghan Border Police (ABP), 14,592 Afghan National Civil Order Police (ANCOP), 3,059 in the Counter Narcotics Police of Afghanistan (CNPA), and 7,388 students in training. This is a slight decrease of 161

TABLE 3.5

ANP STRENGTH, QUARTERLY CHANGE						
ANP Component	Authorized			Assigned		
	Q4 2012	Q1 2013	Quarterly Change	Q4 2012	Q1 2013	Quarterly Change
AUP	110,279	108,122	-2,157	106,235	103,851	-2,384
ABP	23,090	23,090	None	21,928	22,029	+101
ANCOP	14,541	14,541	None	14,383	14,592	+209
NISTA ^a	-	9,000	None	5,953	7,388	+1,435
ANP Total	-	154,753	-	148,499	147,860	-639
CNPA	-	2,247	-	2,581	3,059	+478
ANP + CNPA Total	157,000^b	157,000^b	None	151,080	150,919	-161

Notes: Q4 2012 data is as of 11/20/2012. Q1 2013 data is as of 2/18/2013

^a Personnel in training

^b Total ANP authorized figures are higher than the sum of the AUP, ABP, and ANCOP. It was unclear if other components were included in the ANP total.

Sources: CSTC-A, responses to SIGAR data calls, 10/1/2012, 1/2/2012, and 1/4/2013.

personnel since last quarter, as shown in Table 3.5. ANP personnel (those not in training) include 25,171 officers, 44,709 NCOs, and 74,151 patrolmen.¹⁶⁸

ANP Sustainment

As of March 31, 2013, the United States had obligated \$4.8 billion and disbursed \$4.7 billion of ASFF funds for ANP sustainment.¹⁶⁹

As part of sustainment funding, the United States has provided the ANP with ammunition at a cost of approximately \$288 million, according to CSTC-A.¹⁷⁰

ANP Salaries

From 2008 through March 31, 2013, the U.S. government had provided \$818 million through the ASFF to pay ANP salaries and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A reported. However, that number does not include non-ASFF funds. Since 2002, the United States has provided more than \$950 million through the LOTFA to support the ANP. The United States also provided \$51.5 million outside of LOTFA for Afghan Local Police (ALP) salaries and incentives.¹⁷¹

According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require an estimated \$628.1 million per year to fund salaries (\$265.7 million), incentives (\$224.2 million), and food (\$138.2 million).¹⁷²

ANP Equipment and Transportation

The U.S. effort to equip the ANP is coming to an end; only \$8.8 million worth of weapons and vehicles (0.2% of the total funding for ANP equipment) are yet to be procured, as shown in Table 3.6.¹⁷³

As of March 31, 2013, the United States had obligated and disbursed \$3.5 billion of the ASFF for ANP equipment and transportation.¹⁷⁴ Most of these funds were used to purchase weapons and related equipment, vehicles, and communications equipment.¹⁷⁵ More than 82% of U.S. funding in this category was for vehicles and vehicle-related equipment, as shown in Figure 3.31.

TABLE 3.6

COST OF U.S.-FUNDED ANP EQUIPMENT		
Type of Equipment	Procured	Remaining to be Procured
Weapons	\$366,108,080	\$2,853,472
Vehicles	\$2,643,049,123	\$5,960,454
Communications Equipment	\$201,958,600	\$0
Total	\$3,211,115,803	\$8,813,926

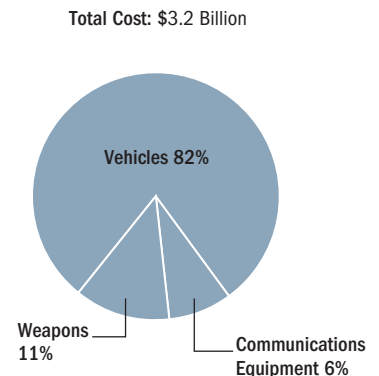
Source: CSTC-A, response to SIGAR data call, 4/1/2013.

SIGAR AUDIT

In an ongoing audit, SIGAR will assess the ANP's logistics capacity for petroleum, oil, and lubricants. The audit focuses on two main issues: accuracy of fuel requirements, and accountability for fuel purchases. For more information, see Section 2, page 34.

FIGURE 3.31

COST OF U.S.-FUNDED ANP EQUIPMENT PROCURED, AS OF MARCH 31, 2013 (PERCENT)



Note: Numbers have been rounded.

Source: CSTC-A, responses to SIGAR data call, 4/1/2013.

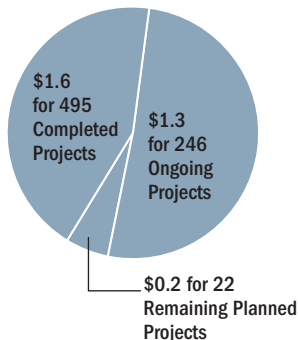
SIGAR INSPECTION

This quarter, SIGAR completed an inspection of the construction of the ANP Main Road Security Company compound in Kunduz. SIGAR found that the project is behind schedule and may not be sustainable. For more information, see Section 2, page 36.

FIGURE 3.32

COST OF U.S.-FUNDED ANP INFRASTRUCTURE PROJECTS, AS OF MARCH 31, 2013 (\$ BILLIONS)

Total Cost: \$3.0 (763 Projects)



Note: Numbers have been rounded.

Source: CSTC-A, response to SIGAR data call, 4/1/2013.

ANP Infrastructure

As of March 31, 2013, the United States had obligated \$3.5 billion and disbursed \$2.3 billion of the ASFF for ANP infrastructure.¹⁷⁶ As of March 31, 2013, the United States had completed 495 infrastructure projects (valued at \$1.57 billion), with another 246 projects ongoing (\$1.30 billion) and 22 planned (\$157 million), according to CSTC-A, and shown in Figure 3.32.¹⁷⁷

As with the ANA, the U.S. effort to provide ANP infrastructure is coming to an end. In total, nearly 95% of funding for ANP infrastructure has gone to projects now completed or ongoing. Only 22 planned projects (those valued at \$157 million) remain. This is the final 5% of U.S. funding for ANP infrastructure projects.¹⁷⁸

This quarter, the largest ongoing ANP infrastructure projects were regional police-training centers in Kandahar (at a cost of \$62.3 million) and Herat (\$62.2 million), and administrative facilities at the MOI Headquarters (\$59.5 million).¹⁷⁹

All \$50 million of the DOD's FY 2013 ASFF budget request for ANP infrastructure was appropriated.¹⁸⁰

ANP Training and Operations

As of March 31, 2013, the United States had obligated \$3.1 billion and disbursed \$3.0 billion of the ASFF for ANP and MOI training and operations.¹⁸¹ This quarter, 8,034 ANP personnel were enrolled in some type of training, according to CSTC-A. Of those, 910 were training to become officers and 4,692 were training to become NCOs. Other training programs include APPF and medic training courses.¹⁸²

NTM-A/CSTC-A contracts with DynCorp International to provide training, mentoring, and support services at multiple training sites around the country. The ASFF-funded contract (two-year base and one option year) is under the DOD's Foreign Military Sales case system and provides 340 mentors and trainers as well as approximately 3,000 support personnel at regional training centers and in mobile support teams. The contract value is \$1.18 billion.¹⁸³

ANP Literacy

NTM-A/CSTC-A's literacy program, which began in October 2009, seeks to achieve greater literacy rates within the ANP. The ANP's literacy program, like the ANA's, is based on a 312-hour curriculum. According to CSTC-A, in order to progress from illiteracy to functional literacy, a student may take as many as seven tests. The student's performance determines if he or she progresses to the next training level. Since the start of the program, the ANP success rates for the passing these tests were: 90% for Level 1 literacy, 90% for Level 2, and 86% for Level 3.¹⁸⁴

Level 1 literacy provides an individual with the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At

Level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At Level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute and use printed and written materials.” Since the start of the ANP literacy program, the number of ANP graduates at Level 3 was 27,251 as of March 1, 2013.¹⁸⁵

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a base year and a five-year limit—one-year options may be exercised in August of each year—and a maximum cost of \$200 million. According to CSTC-A, these contractors were providing 742 literacy trainers to the ANP.¹⁸⁶

- OT Training Solutions, a U.S. company, was providing 290 trainers.
- Insight Group, an Afghan company, was providing 152 trainers.
- The Higher Education Institute of Karwan, an Afghan company, was providing 300 trainers.

The number of trainers fell sharply from the 1,776 reported last quarter.¹⁸⁷ CSTC-A noted that, as with the ANA’s program, this reflected a shift from a focus on growing the program to ensuring that students in the program reach Level 3. To do this, the number of classes is being downsized “in an effort to maintain appropriate oversight and to ensure that those students already in the program are making progress” toward that goal.¹⁸⁸ CSTC-A said responsibility for literacy training for ANP personnel in the field will transition to the ANP between July 1, 2013, and July 1, 2014. Literacy training at ANP training centers is expected to transition by April 2014. In the meantime, a new contract is being coordinated to provide training for Afghan literacy trainers ahead of the transition.¹⁸⁹

Women in the ANP

As of February 20, 2013, ANP personnel included 1,489 women—226 officers, 605 NCOs, and 658 enlisted personnel—according to CSTC-A. This is an increase of 32 since last quarter. The ANP currently has 2,995 authorized positions for women in the ANP.¹⁹⁰ The goal is for the ANP to recruit 5,000 women by March 2014.¹⁹¹ During this reporting period, women made up less than 1% of the ANP.

The MOI is planning a conference for May 2013 to gain support from religious leaders and the community for recruiting women into the ANP—an effort the United States supports—according to CSTC-A. In addition, a U.S. advisor from NTM-A/CSTC-A is mentoring the MOI’s Human Rights, Gender, and Child Rights Directorate. CSTC-A noted that the U.S. Embassy Kabul has integrated these efforts into its gender strategy, which is based on four focus areas:¹⁹²

- access to justice and security
- leadership and civic engagement

- economic development
- education and health

This strategy is aligned with the Afghan government's priorities outlined in the National Action Plan for Women and the Afghanistan National Development Strategy. These efforts also support other strategies such as the Tokyo Mutual Accountability Framework and U.S. Civilian Strategy for Assistance to Women in Afghanistan.¹⁹³

ANSF MEDICAL/HEALTH CARE

As of the end of this quarter, the ANSF health care system had 915 physicians—an increase of 169 since last quarter—out of 1,056 needed, according to CSTC-A. Of these, 706 were assigned to the ANA and 209 were assigned to the ANP. The ANSF had 6,821 other medical personnel (including nurses and medics)—a decrease of 731 since last quarter—out of 9,840 needed.¹⁹⁴

REMOVING UNEXPLODED ORDNANCE

From 2002 through 2013, the U.S. Department of State has provided nearly \$260 million in funding for weapons destruction and de-mining assistance to Afghanistan, according to its Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA). Through its Conventional Weapons Destruction program, the Department of State funds five Afghan nongovernmental organizations (NGOs), five international NGOs, the United Nations Mine Action Service, and a U.S. government contractor. These funds enable the clearance of areas contaminated by explosive remnants of war, support the removal and destruction of abandoned weapons that insurgents might use to construct improvised explosive devices, and provide mentoring to the Afghan government's Department of Mine Clearance.¹⁹⁵

From January 1 through December 31, 2012, Department of State-funded implementing partners cleared nearly 41 million square meters of minefields, according to the most recent data from the PM/WRA.¹⁹⁶ An estimated 570 million square meters of contaminated areas remain to be cleared, as shown in Table 3.7. The PM/WRA defines a "minefield" as an area contaminated by landmines, and a "contaminated area" as an area contaminated with both landmines and explosive remnants of war.¹⁹⁷

COUNTERNARCOTICS

Despite efforts by the international community and the Afghan government to reduce poppy cultivation and illicit drug trafficking, Afghanistan still

TABLE 3.7

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1–DECEMBER 31, 2012						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m2)	Estimated Contaminated Area Remaining (m2)
1/1–3/31/2012	2,113	62,043	467,071	3,364,885	14,604,361	585,000,000
4/1–6/30/2012	1,559	28,222	20,580	3,601,378	7,251,257	563,000,000
7/1–9/30/2012	5,542	165,100	121,520	2,569,701	11,830,335	550,000,000
10/1–12/31/2012	2,146	62,449	22,373	3,672,661	7,265,741	570,000,000
Total	11,370	317,814	631,544	13,208,625	40,951,694	(remaining) 570,000,000

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition. Fragments are reported because their clearance requires the same care as for other objects until their nature is determined.

Source: State, PM/WRA, response to SIGAR data call, 4/3/2013.

produces about 90% of the world's opium. The illicit trade also funds the insurgency. The U.S. counternarcotics strategy strives to cut off the flow of money to the insurgency through interdiction operations.

As of March 31, 2013, the United States had appropriated \$6.4 billion for counternarcotics initiatives in Afghanistan since efforts began in 2002. Most of these funds were appropriated through two sources: State's International Narcotics Control and Law Enforcement (INCLE) account (\$3.6 billion), and the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) fund (\$2.7 billion).¹⁹⁸

DOD and State's Bureau of International Narcotics and Law Enforcement Affairs (INL) coordinate to support the counternarcotics efforts of the MOI and the Counternarcotics Police of Afghanistan (CNPA), INL stated. For example, in some provinces, DOD funded the construction of forward operating bases used by the CNPA's National Interdiction Unit; INL funded the maintenance of those bases.¹⁹⁹

UNODC Opium Risk Assessment 2013

This quarter, the United Nations Office of Drugs and Crime (UNODC) released its 2013 Opium Risk Assessment of Afghanistan. UNODC expects poppy cultivation to increase in most regions and the main poppy-growing provinces. Overall, 12 provinces are expected to increase their poppy cultivation and one is expected to decrease. Another 14 are expected to maintain their status as poppy free and seven poppy-cultivating provinces are not expected to see a change in their status in 2013. Notably, increases in Helmand and Kandahar are expected due to the current high price of opium and because of a low opium yield in 2012. UNODC warned that some provinces may lose their poppy-free status if timely eradication is not implemented. UNODC also noted a "worrying situation" in the southern, eastern, western, and central regions where poppy cultivation is expected to expand in areas where it had previously existed and also in "new areas or in areas where poppy cultivation was stopped."²⁰⁰

UNODC noted that “a strong association between insecurity, lack of agricultural assistance and opium cultivation continues to exist.” Villages with poor security, those that had not received agricultural assistance in the past year, and those that had not been reached by anti-poppy awareness campaigns, were significantly more likely to grow poppy. Unlike previous years, farmers frequently reported fear of eradication as a reason for not cultivating poppy.²⁰¹

Poppy Eradication

INL provides financial support to the Afghan government’s Governor-Led Eradication (GLE) program. INL said 9,672 hectares of poppy were eradicated in 2012 through the GLE program.²⁰²

INL also works with the Afghan Ministry of Counter Narcotics (MCN) to achieve and sustain poppy-free provinces. For example, INL funds the MCN’s Good Performer’s Initiative (GPI) which gives incentives for governors to reduce poppy cultivation in their provinces. According to INL, a province becomes eligible for \$1 million in GPI development projects if it is deemed poppy-free or has fewer than 100 hectares under cultivation during the year. In 2012, the number of provinces that qualified for GPI awards was 17, the same number as in 2011. INL noted that since the start of the GPI in 2007, more than 100 development projects—including the construction of schools, roads, bridges, and agricultural and medical facilities—are either complete or in progress in 33 provinces.²⁰³

INL also funds the Counternarcotics Public Information program to promote continued poppy-free status in provinces through nationwide pre-planting season public awareness and media campaigns in poppy-growing areas. In addition, INL funds a grant to the Aga Khan Foundation, which focuses on helping six key provinces maintain success in eliminating poppy cultivation by working with communities and local NGOs to increase opportunities for residents to find non-narcotics-related jobs.²⁰⁴

Counternarcotics Police of Afghanistan

This quarter, the number of personnel assigned to the Counternarcotics Police of Afghanistan (CNPA) was 3,059, according to CSTC-A.²⁰⁵

NTM-A and the Drug Enforcement Administration (DEA) provide mentors and advisors to the CNPA. According to CSTC-A, NTM-A provides 16 advisors and the DEA provided 33 counternarcotics trainers (of which 20 are in country at a time). According to CSTC-A, a U.S. company provides 37 staff to assist the CNPA.²⁰⁶ In addition, INL funds the training of the CNPA’s National Interdiction Unit and DOD funds the Special Mission Wing (which is also supported by INL helicopters). DOD also funds programs to improve the CNPA’s Tactical Operations Center/Intelligence Fusion Center which targets drug trafficking networks.²⁰⁷

SIGAR AUDIT

In an ongoing audit, SIGAR will determine the extent to which U.S. assistance provides responsive air-mobility support for drug interdiction operations, assess U.S. government agencies’ oversight of their assistance to the Afghan Special Missions Wing, and evaluate the extent to which U.S. assistance has resulted in developing a sustainable capability to provide air-mobility support for counternarcotics efforts. For more information, see Section 2, page 33.

INL supports the interdiction activities of the CNPA's National Interdiction Unit and Special Investigative Unit by providing investigative and strategic mentoring, logistics, housing, food, and fuel, as well transportation to and from interdiction operation sites.²⁰⁸

Interdiction Operations

From January 1 through March 28, 2013, the ANSF partnered with the United States and ISAF to conduct 50 interdiction operations—partnered patrols, cordon and search operations, and deliberate detention operations—according to DOD. These operations resulted in 57 detentions and led to the seizure of several thousand kilograms of narcotics and narcotics-related chemicals. Since 2008, a total of 1,650 Afghan and Coalition interdiction operations have resulted in 2,245 detentions and seizure of the following narcotics contraband:²⁰⁹

- 730,076 kg of hashish
- 346,059 kg of opium
- 43,432 kg of morphine
- 25,308 kg of heroin
- 412,082 kg of narcotics-related chemicals

The U.S. military provided general logistics and intelligence support in addition to on-ground quick-reaction assistance, according to DOD. DEA mentored specialized units throughout the country to establish investigative and law enforcement capability. In addition, the U.S. intelligence community provided targeting and analytical support to the Coalition mentors.²¹⁰

As in past quarters, most interdiction activities continued to occur in the south and southwest, where the majority of opiates are grown, processed, and smuggled out of Afghanistan. According to DOD, Afghan forces in these areas increasingly led patrols and military operations. DOD noted that Afghan specialized units, aided by their Coalition mentors, synchronized their investigations with conventional military operations to target traffickers with ties to the insurgency.²¹¹

Conventional and specialized Afghan units continued to execute operations with support from interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC). CJIATF-N and IOCC integrate information from various military and law enforcement sources to enable operations against corrupt narco-insurgent elements. According to DOD, all operations were coordinated with and received support from U.S. and Coalition military commanders.²¹²

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GOVERNANCE

As of March 31, 2013, the United States had provided nearly \$23 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$15 billion, was appropriated to the Economic Support Fund (ESF), administered by the State Department and the United States Agency for International Development (USAID).²¹³

KEY EVENTS

Afghan authorities, political parties, and civil society remained intensely focused this reporting period on the security and political transitions that will culminate in 2014 with the end of the International Security Assistance Force (ISAF) mission and Afghanistan's presidential elections. The United Nations (UN) Secretary-General warned that Afghan political leaders need to make some vital decisions in the near future. Most immediately, President Hamid Karzai must appoint a new chair of the Independent Election Commission, the body charged with managing the elections. Parliament must also pass election-related legislation in time for operational planning and preparations.²¹⁴ The Afghan government made only limited progress in three other critical areas—establishing a peace process with the Taliban, institutionalizing the rule of law, and curbing widespread corruption.

RECONCILIATION AND REINTEGRATION

This quarter, the Afghan government increasingly sought to define and shape a potential reconciliation process under the auspices of the High Peace Council, according to the UN Secretary-General. In February, the governments of Afghanistan and Pakistan announced plans to open a negotiation office in Doha, Qatar, and committed themselves to do everything possible to achieve a peaceful settlement with the Taliban. The United States has previously expressed support for this negotiation office and stressed the need for Afghanistan to lead the reconciliation process. On February 14, Pakistan announced it had released 26 Afghan members of the Taliban detained in Pakistan as a confidence-building measure.²¹⁵ President Karzai met in Doha with the Qatari emir, Sheik Hamad bin Khalifa al-Thani, on March 31 for discussions about opening the office, but no developments

were announced after the meeting.²¹⁶ A few days later, Afghanistan accused Pakistan of placing unacceptable conditions on peace efforts. The breakdown in ties between the two neighbors threatened to hinder attempts to bring the Taliban to the negotiating table.²¹⁷

Afghanistan Peace and Reintegration

Program: the Afghan government's main program for promoting and managing insurgent reintegration. It provides a way for Taliban members and other anti-government elements to renounce violence and become productive members of Afghan society. The program attempts to give development opportunities to individuals who peacefully re-enter society. A Joint Secretariat, an inter-agency body with representation from the International Security Assistance Force, administers the program.

Source: UNDP, "UNDP Support to Afghan Peace and Reintegration Program," 5/2011, accessed 7/17/2012.

High Peace Council

This quarter, the High Peace Council continued its efforts to build internal and international support that would set the conditions necessary for reconciliation. To build trust with the Taliban, the Council worked with the Afghan government and the UN Security Council to remove senior Taliban members from UN Sanctions List 2082, according to the State Department. These members were selected because they expressed their willingness to join the reconciliation process.²¹⁸

The High Peace Council and the **Afghanistan Peace and Reintegration Program's** (APRP) Joint Secretariat worked with Afghan civil society to establish a national consensus on the peace process. In January, the Council and Secretariat met with civil society representatives to discuss a roadmap for peace and a joint mechanism for future partnership. The Council and Secretariat also continued to discuss the issues of safe passage for insurgent members to negotiation locations, provincial assessments, senior-level reintegration, and other trust-building measures.²¹⁹

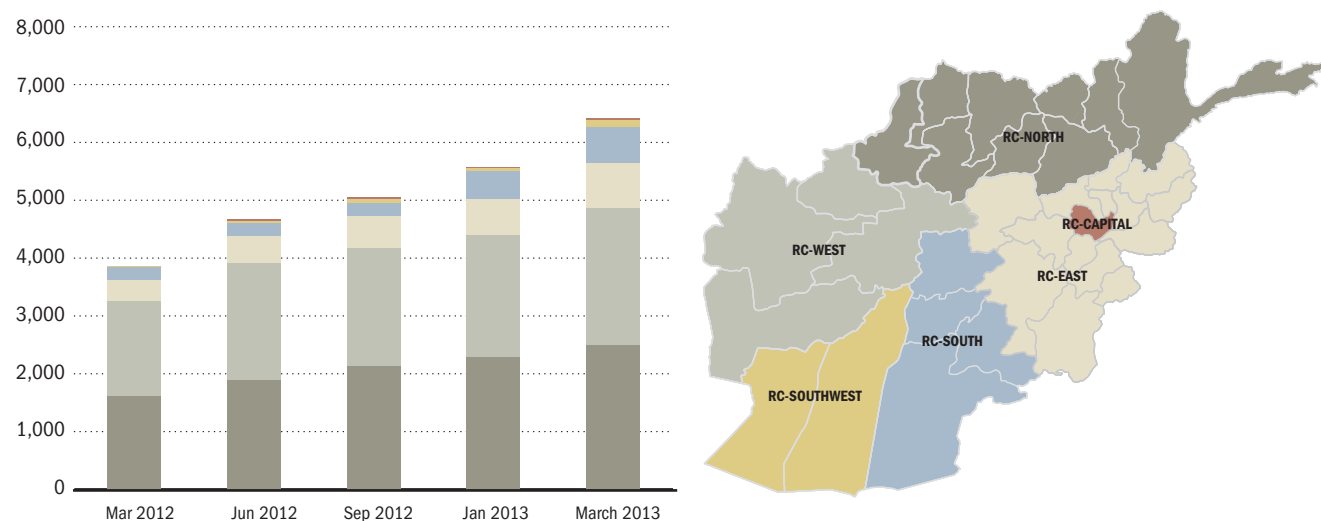
Afghanistan Peace and Reintegration Program

Reintegration efforts nearly came to a complete stop for the first two months of the quarter because of the inability of the APRP's Joint Secretariat to reconcile financial accounts. The United Nations Development Programme (UNDP), which manages most of the APRP's operational funds, requires the Joint Secretariat to be able to account for 80% of funds before it releases donor money. The Joint Secretariat regularly struggles with this 80% requirement. The Provincial Joint Secretariat Teams (PJST) have to reconcile their accounts every quarter and report to the secretariat. This has been an ongoing problem but training is easing it. In addition, the UNDP delayed its approval of the APRP work plan, which also had to be done before funds could be disbursed. As a result, employees' salaries were not paid. The issue was resolved at the end of the quarter. The UNDP approved the work plan, the APRP's technical committee approved the program's fiscal year (FY)1392 budget, and the High Peace Council and Joint Secretariat reconciled more than 80% of the disbursed funds. This allowed reintegration funds to again flow to the field.²²⁰

This quarter, only 208 reintegrees joined the APRP, a sharp decline from the previous 12-month average of 597 per quarter. As of March 29, there were 6,409 reintegrees enrolled in the APRP, most of them from the north and west, as shown in Figure 3.33. Many of the reintegrees who entered the program this quarter were former detainees who were released from the Detention

FIGURE 3.33

REINTEGRES BY REGIONAL COMMAND, MARCH 2012–MARCH 2013



Source: SIGAR Quarterly Report, 1/30/2013, p. 97; State, responses to SIGAR data call, 4/2/2013, 1/2/2013, 10/2/2012, 7/5/2012, and 3/30/2012.

Facility in Parwan (DFIP). About 900 additional insurgents were in various stages of negotiations to enter the program at the end of the quarter.²²¹

In spite of ongoing challenges, the Joint Secretariat conducted demobilization and reintegration missions to 14 provinces—Takhar, Kunar, Laghman, Nangarhar, Wardak, Ghazni, Daikundi, Uruzgan, Saripul, Jawzjan, Kunduz, Lagar, Paktika, and Helmand—during the reporting period. The Joint Secretariat estimates that it biometrically enrolled 208 individuals and the PJSTs distributed 164 transition-assistance packages for reintegrees around the country.²²²

National Dispute Resolution Strategy

The APRP has not yet implemented a National Dispute Resolution Strategy to deal with the grievances of potential reintegrees. Although the Joint Secretariat approved the Strategy in June 2012, it is not clear whether the Joint Secretariat, the Independent Grievance Resolution Commission, or another Afghan body has the mandate to lead grievance-resolution efforts with insurgents. A UNDP evaluation found that reintegration efforts are not significantly utilizing conflict-analysis and opportunity-mapping tools.²²³

Capacity Development for Reintegration

The capacity, competency, and activity levels of PJSTs continue to vary throughout the country. The APRP's Joint Secretariat created PJSTs to help manage implementation of the APRP and its recovery programs at the

provincial level.²²⁴ As a result of the financial shutdown of the APRP this quarter, activities in the provinces ground to a halt for the first two months of the quarter, leading to little improvement in those PJSTs that continue to struggle. In provinces where the governor supports the APRP and there is cohesiveness among Provincial Peace Councils (PPC), PJSTs, and provincial security personnel, the APRP functions fairly well and reintegration levels are fairly high, according to State. These conditions prevail mostly in the north and west. The PJSTs that have been unsuccessful in promoting and managing reintegration efforts often suffer from poor security in their operating area, an unwillingness of local Taliban fighters to reconcile, and inadequate support from provincial governors and the councils.²²⁵

Coordination between the APRP and the Afghan government and security forces is improving, according to State. However, the level of coordination depends on the personalities involved and varies from province to province. When key provincial authorities support reintegration, the APRP is more successful at vetting potential reintegrees and conducting other activities.

The Afghan security ministries have greatly improved the vetting process, according to State. Provincial security ministries' representatives carefully scrutinize each potential reintegree and use input from the provincial government and the community into which the insurgent seeks to reintegrate. When the local vetting process is completed, the vetting forms are sent to Kabul, where the national security ministries conduct additional vetting.²²⁶

This quarter the UNDP distributed the results of an evaluation of the APRP. The evaluation identified several areas for improvement in provincial operations. The Joint Secretariat and UNDP have formed a working group to implement the recommendations. The Joint Secretariat also undertook an assessment of the PJSTs and the PPCs, with the assistance of UNDP, to identify poorly performing provincial programs and inform efforts to improve them. The Joint Secretariat inaugurated new PPCs and PJSTs in Bamyan and Parwan to enhance regional and provincial reintegration. The Joint Secretariat also brought in 75 additional community leaders and village elders into the Peace Advocates Program, increasing the total to 158. Peace Advocates lobby in their communities for peace, conduct outreach, and support peace efforts.²²⁷

U.S. Central Command (CENTCOM) recently approved creation of a new PJST capacity-building program, supported through the Defense Department's Afghanistan Reintegration Program fund. U.S. officials told SIGAR they expect a contract to be awarded in June.²²⁸

Reintegration Program Funding

The Joint Secretariat executes the APRP's budget with UNDP oversight. The most recent finalized funding numbers showed that of the \$173.5 million the APRP has received from 12 donor countries, \$71.6 million was

expended by December 2012, a 41.2% cumulative expenditure rate. This was slightly less than its execution rate of 48.5% in Afghan FY 1391. The United States had contributed only \$50 million of the \$173 million.²²⁹

Community Recovery Programs

The APRP has encouraged individuals who might not otherwise lay down arms to rejoin their communities by providing essential economic and social support to reintegrees and their communities, according to State. APRP community-recovery projects like demining, agriculture, small grants, and vocational and literacy projects are used to entice potential reintegrees to enter the program and communities to support the program. At the end of the quarter, the Joint Secretariat reported that over 70% of reintegrees and more than 1,785,000 people in communities with reintegrees had benefited from these community recovery projects since the APRP began.²³⁰



After handing in their weapons, former Afghan insurgents join in prayer at a reintroduction ceremony at the governor's compound in Ghor Province. (ISAF photo)

NATIONAL AND SUB-NATIONAL GOVERNANCE

On February 12, the Joint Coordination and Monitoring Board, a high-level decision-making body co-hosted by the Afghan Ministry of Finance (MOF) and the United Nations Assistance Mission to Afghanistan (UNAMA), endorsed an additional four National Priority Programs: efficient and effective governance; water and natural resources; national comprehensive agricultural production and market development; and national energy supply. At the 2010 Kabul Conference, Afghanistan pledged to the international community that it would develop, finalize, and implement 22 National Priority Programs intended to enhance development and governance capabilities. As of March 30, 2013, two programs still awaited endorsement: Anticorruption, and Law and Justice for All.²³¹

Karzai Decree Implementation

The Afghan government has dedicated significant resources to tracking implementation of President Karzai's Decree 45 on fighting corruption since it was issued on July 26, 2012, according to the State Department. The President's Office of Administrative Affairs (OAA) reports that 91–100% of the decree's 164 articles were completed within the first three months. To accomplish the decree's mandates, some ministries completed pending tasks and improved communication and linkages with other ministries and with the OAA. In the first four months after the decree was issued, representatives from the central government traveled to provincial and district centers to hear constituents' concerns and reported them to the cabinet.

Afghanistan's Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) issued a report in March challenging the OAA's statistics. The MEC wrote that many of the articles are procedural, often requiring the implementing institution to submit a plan or make a

report without actually requiring implementation of the proposed initiative. It said the OAA itself has indicated it is not able to verify all the reports it receives from ministries. The security situation does not permit its assessment teams to visit all provinces to conduct evaluations.²³²



Workers from the Afghan Independent Election Commission collect old election materials for destruction as a precautionary step in preparing for the 2014 presidential and provincial-council elections. (UNDP photo)

Elections

Despite impending elections, the Parliament made no changes to electoral law this quarter. Two draft laws are currently before the body, one submitted by the executive branch's Council of Ministers, the other by the Cooperation Council, a loose association of opposition and other political leaders. These two proposals must be reconciled to clarify the procedures for resolving electoral complaints and attaining parliamentary seats. If electoral-law changes are passed, they would also have to be aligned with the Independent Elections Commission's (IEC) revised structure law being discussed by the Parliament.²³³

Independent Elections Commission

This quarter, the Afghan government continued attempts to develop a more robust electoral system. On January 23, the IEC announced that the paper-based voter registration process for the April 2014 Presidential and Provincial Council elections would start by April 2013. The IEC plans to distribute 2.5 million–3.5 million new-voter registration cards, which it says will increase turnout while stemming voter fraud. The new cards will be issued to potential voters who have reached the age of 18 since the 2011 elections, those who failed to register in the past, those who lost their old registrations cards or changed their electoral constituencies, those who have repatriated to Afghanistan from abroad, and those whose cards were seriously damaged.²³⁴

The IEC estimated the total cost of the registration program for the new cards at \$15 million–\$20 million. The commission claims that it already has the required funds and technical capacity to carry out the registration process.²³⁵

The Free and Fair Election Foundation of Afghanistan said the IEC's plan will work so long as election officials and staff are properly trained to spot fake identity cards and to stop individuals from voting more than once.²³⁶ Voters are allowed to use their old registration cards, and in an appearance on a Kabul television show, the head of the IEC said that his organization would be unable to identify counterfeit cards as the IEC has no database record of the old cards.²³⁷

The new paper cards will be issued only in areas where new electronic biometric identification cards called "e-tazkera" have not been rolled out, according to the IEC. The process, procedures, and technical aspects of establishing the e-tazkera system have faced difficulties in previous quarters. As a result, on January 31, President Karzai issued a decree mandating that the Ministry of Interior (MOI), along with the Independent Directorate

of Local Governance (IDLG), and the Central Statistics Organization (CSO), begin to distribute the electronic ID cards by March 21, 2013.

In February 2013, the MOI began hiring staff to establish 401 registration teams throughout the country to start collecting the necessary personal information from citizens to create the electronic ID cards. On March 23, the MOI launched its e-tazkera enrollment effort in Kabul province. The IEC subsequently announced that it would delay voter registration to May 26 to better align activities with the e-tazkera implementation and improve security features on the cards. According to the UN, the e-tazkera project aims to distribute 14 million identification cards by March 2014.²³⁸

At the end of the quarter, the IEC was preparing a comprehensive operational plan that would focus on voting procedures, public relations, and education about voting, fraud mitigation procedures, and security for polling stations.²³⁹

Election Security

This quarter, the IEC provided a list of all polling stations to the ANSF and recommended that the ANSF complete a security assessment by late summer 2013, according to State.²⁴⁰ DOD observed that the planning process between the IEC, MOI, Ministry of Defense (MOD), and international entities has been slow. ISAF is supporting the MOI and MOD in their election security planning and will provide security assistance during the elections. This ISAF support will consist mainly of logistics, intelligence, and route clearance. ISAF will also provide emergency security assistance to the ANSF if required. DOD predicted that despite continued drops in U.S. troop levels, U.S. forces could provide adequate security support in the 2014 elections, even in the event of unrest.²⁴¹

USAID Election Support

USAID leads the U.S. effort in helping the Afghans build the capacity necessary to conduct successful elections. USAID has provided \$179 million in assistance for Afghan elections preparation from 2009 to 2013. It will extend the budget and programs to cover the 2014 presidential and provincial council elections, and the 2015 parliamentary election. The assistance includes expert advice and mentoring to the IEC on essential elements of its operations plan. Using USAID funding, the International Foundation for Electoral Systems completed a fraud-mitigation assessment this quarter that will help the IEC and UNDP in their anti-fraud efforts. The National Democratic Institute continued work with political parties and coalitions, including specific training on recruiting and mobilizing members.²⁴²

In addition, USAID-supported Democracy International conducted four preliminary sessions with civil society organizations and parliamentarians to identify concerns with the electoral law and to provide recommendations

to the Parliament on improving the law. Further, USAID's Elections and Political Process team started a country-wide outreach effort to engage election stakeholders. The team has so far traveled to Mazar-e-Sharif, Jalalabad, Kandahar, Paktika, Paktiya, and Helmand.²⁴³

National Assembly

Parliament was in recess January 20 to March 2, 2013. Parliament began the new session with internal administrative elections and will focus on the election laws and mining laws in the next quarter, according to State.²⁴⁴

Afghanistan's National Assembly has demonstrated a slow but growing capacity and political maturity, State said. In the July 2012–January 2013 session, the Parliament approved a final budget and questioned ministers over their failure to properly execute their budgets. The legislative branch remains weak in comparison to the executive, but members of Parliament appear to be trying to strengthen their hand. However, staffing struggles, corruption, and low levels of education and experience continue to plague the body.²⁴⁵

The State Department called the Parliament's oversight of the national budget, where it has repeatedly and successfully reoriented the executive's spending priorities, the best example of its growing abilities. Parliament lacks the "power of the purse": the Afghan Constitution permits it only to accept or reject the executive branch's budget proposals. Yet Parliament has used what authority it has to force the executive to compromise on spending plans. Parliament has also demanded more oversight of ongoing projects, and now routinely summons officials from the MOF for both budget preparation and performance updates.²⁴⁶

Civil Service Capacity

This quarter, the United Nations and the World Bank committed to align compensation of government staff paid through their funds with a government scale for national technical assistance. International donors have been criticized for establishing a "second civil service" where Afghans who work directly for the government or as contractors receive salary support from donors at pay rates of up to 11 times the highest rate for civil servants. These pay rates are unsustainable without continued high levels of donor financing. Aligning salaries to a scale the Afghan government can better afford will affect between 6,000 and 7,000 staff over the coming two to three years.²⁴⁷

USAID said it has helped the Civil Service Commission fill vacancies, despite the challenges of insecurity and a shortage of educated and experienced candidates. USAID supported commission job fairs in seven provinces that succeeded in recruiting 1,096 civil servants (64 women, 1,032 men). The commission is also advertising positions in insecure provinces in neighboring areas to increase the pool of qualified applicants. Under President Karzai's anticorruption measure, Presidential Decree 45, the majority of new civil servants will be recruited through a nationwide

exam to be held in Kabul and the provinces.²⁴⁸ The hiring process for civil servants through merit-based hiring practices began with deputy provincial and district governors. The general exam for civil servants is to be given in mid-2013.²⁴⁹

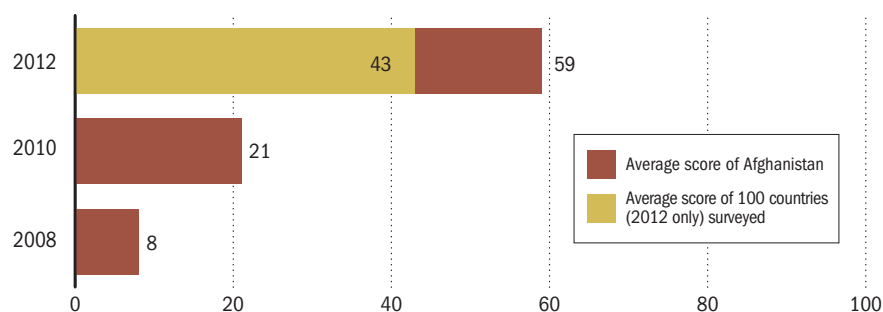
National Budgeting

This quarter, the International Budget Partnership, a group that aims to ensure government budgets are responsive to the needs of the poor, released results of its latest Open Budget Survey. The Partnership's survey found that Afghanistan made substantial improvements to the transparency, comprehensiveness, usefulness, and timeliness of its main budget documents. As seen in Figure 3.34, Afghanistan has improved from a score of eight out of 100 in 2008, to 59 out of 100 in 2012. Of the 100 nations surveyed, the average score was 43. The report noted that Afghanistan's government provides the public with limited amounts of information on the national government's budget and financial activities during the course of the budget year. This makes it challenging for citizens to hold the government accountable for its management of public money, according to the International Budget Partnership.²⁵⁰ The report recommended that the Afghan government take steps to enhance its budgeting, including:²⁵¹

- Improve the legislature's budget oversight powers and responsibilities.
- Increase the comprehensiveness of year-end reports by providing audited actual expenditures, and extensive explanations for the differences between estimates/forecasts and actual outcomes of macroeconomic variables, non-financial data, performance indicators, and funds intended for programs targeting the poor.
- Expand the public's ability to understand, engage, and be a part of the decision-making process in budgeting matters.

FIGURE 3.34

SURVEY ASSESSMENT OF AFGHAN BUDGET PROCESS QUALITY, 2008-2012 (Score on a scale of 100)



Note: Scores calculated using survey questions to determine budget transparency, comprehensiveness, usefulness, and timeliness.
Source: International Budget Partnership, "Open Budget Survey," 1/23/2013.

Local Governance

On January 8, the Independent Directorate of Local Governance (IDLG) appointed 60 district governors and 17 deputy provincial governors through a merit-based recruiting process. This process is intended to prevent corrupt practices from affecting the appointment process. More than half of the 364 district governors and 32 of 34 deputy provincial governors have undergone merit-based selection. The latest round of appointments included the country's first female district governor, Sayara Shakeeb Sadat, in Faizabad district, Jawzjan Province.²⁵²

Southern Afghanistan Governmental Control

Improved security in the south has helped the Afghan government hold most urban centers, but the government continues to compete with insurgent groups for control of the population in more rural areas. State said local administrators require improved performance from Kabul ministries to sustain and expand their influence. The local administrators are technically capable, but increasingly unreliable support from IDLG, combined with irregular funding, undermines their work.²⁵³

Helmand Province

The Helmand Provincial Reconstruction Teams (PRT) and District Support Teams (DST) continued their strong partnership with the province's new governor, Muhammad Naeem Baluch, a National Directorate for Security (NDS) Major General. The PRTs and DSTs support the new governor's shift in focus to northern Helmand, with particular emphasis on the Kajaki project and counternarcotics. These efforts reinforce U.S. strategic objectives for southern Afghanistan, as northern Helmand is not as advanced in terms of security, governance, or development as the Central Helmand River Valley.²⁵⁴

In central and southern Helmand, local officials effectively govern, aided by on-budget funding from the British government. The district centers of Now Zad, Kajaki, Musa Qala, Baghran, and Washir remain under government control, but the government and the ANSF are struggling to expand beyond these islands of governance. The provincial governor, council members, and line ministry officials are able to travel by road to Garmsir, Nawa, Marjah, Nad-e-Ali, Lashkar Gah, and Nahr-e-Saraj; and increasingly to Musa Qala and Sangin. Officials have occasionally driven in ANSF convoys to Kajaki, Khan-e Shin, and Now Zad, but more often travel with helicopter support from ISAF.²⁵⁵

Kandahar Province

State continues to see evidence that the Afghan government is improving its capacity to govern throughout Kandahar, especially as it achieves security gains in key districts. However, Taliban shadow-government entities have

de facto control of many undergoverned spaces such as Ghorak, Shorabak, Myneshin, and Khakrez districts.²⁵⁶

Improving security has increased government officials' ability to travel. The provincial governor moves freely in most districts. On March 24, 2013, a host of provincial officials celebrated Nowruz/Farmers Day in Khakrez, one of the more isolated districts in the province. In previous years, they had been forced to celebrate at a secure location in Kandahar. But a significant number of district officials still reside in Kandahar City, instead of their assigned districts, due to perceived security risks.²⁵⁷

Eastern Afghanistan Governmental Control

The eastern provinces of Paktiya, Paktika, and Khowst continue to suffer from insecurity and insufficient support from the central government. In addition, local government actors are often unable to provide adequate service delivery or to build relationships with their constituents. There is limited governance in remote districts in these provinces, particularly along the eastern and southern borders with Pakistan. Some areas are too insecure for Afghan officials to reside there and others have not had officials appointed.²⁵⁸

To alleviate some of these issues, provincial governments are increasingly becoming more capable in promoting development and in coordinating with security services to connect provincial governments with their rural populations, according to State. When the ANSF achieves victories over insurgents in eastern Afghanistan, they then try to coordinate meetings between residents and the local government.²⁵⁹

In Paktika, several districts along the eastern and southern borders with Pakistan and other remote areas have limited governmental influence. The remote Naka District has no district governor, and other district governors live outside their districts in Sharana, Paktika's capital. The Afghan government does not effectively administer governance in either Sharana or Orgun, and has limited influence in areas like Sarobi, Mota Khan, Jani Khel, and Sar Howza.²⁶⁰

PRTs and DSTs in these provinces have recently focused on facilitating communication and coordination among Afghan civilian and military leaders as well as launching public outreach campaigns. These public efforts emphasize the progress made in rebuilding Afghanistan since 2001 as well as the government's readiness for the transition period. In March, the provincial governor of Khowst assembled a town hall meeting for the provincial council, the provincial peace council, directors of government line departments, women's rights advocates, tribal elders, and the U.S. Senior Civilian Representative for Regional Command East. This quarter, the PRT in Paktika focused on mentoring, coaching, and consulting with the provincial government to help it prepare its first budget requests for the 2014 Afghan national budget. The budget request was submitted on time, which will help the province receive funds from the central government after ministries decide on allocation levels.²⁶¹

U.S. Stability Programs

USAID's Stability in Key Areas Program

USAID's Stability in Key Areas (SIKA) program aims to foster popular confidence in the Afghan government by building government capacity to function effectively at the district level, deliver expected public services, and address the people's problems. The program has four regional components: SIKA West, East, North, and South.

As of this quarter, USAID had obligated some \$81.6 million for the program, of which \$46.8 million had been disbursed. The total anticipated budget for SIKA is \$203.2 million. The project helps provincial and district entities address sources of instability and take measures to mitigate them. For example, SIKA West held a meeting in February of 30 District Stabilization Committee members and others. The participants identified poverty and a lack of job opportunities as local sources of instability. Among other proposals to improve stability, they suggested that the government rehabilitate the irrigation system and conduct literacy courses for men and women, as shown in Table 3.8.²⁶² SIGAR is currently reviewing the SIKA program.

TABLE 3.8

SIKA-WEST DSC MEETING IDENTIFICATION OF PROVINCIAL INSTABILITY		
Sources and Instability	Root Causes	Mitigating Activities
Poverty and lack of job opportunities	- Lack of government support to agriculture sector - Lack of market for agricultural production - Lack of proper education system - Foreign destabilizing influences	- Provide job opportunities through development projects - Rehabilitation of irrigation system - Conducting literacy courses for men and women - Find market for agriculture products - Afghan government to improve and train border police

Source: USAID, Stability in Key Areas (SIKA)-West Monthly Report, 2013.

Village Stability Operations

The U.S.-led, ISAF-and Afghan-supported Village Stability Operations (VSO) and Afghan Local Police (ALP) programs are complementary elements of the Special Operations Joint Task Force-Afghanistan's counterinsurgency strategy. VSO and ALP work together by using the ALP to mobilize the local population to provide their own security so that the VSO can then assist the Afghan government in expanding its reach and efficacy in those areas.

According to DOD, the Afghan government is more active, responsive, and connected to the population in districts with a VSO presence than those without it. These districts with VSO have filled 90% of their critical

government positions, a rate much higher than the typical district in Afghanistan. Community Development Councils, designed to increase the connection between the government and population, have had increased attendance and participation in VSO districts.²⁶³

Most provincial and district governments support the ALP and often request expansions in the program so they can better provide essential services and goods. President Karzai was initially wary of VSO and the ALP, but has recently issued directives to the MOD and MOI to conduct the programs in Badakhshan and Nuristan provinces, especially within the Warduz and Kamdesh districts. DOD noted that these areas would be the first to have VSO and the ALP completely initiated and conducted without ISAF support at the tactical level.²⁶⁴

U.S. Capacity-Building Programs for Public Administration

Developing Afghanistan's human resources is a key goal of the U.S. reconstruction effort. The United States is implementing a number of programs to build Afghan governing capacity at the national, provincial, and local levels. This sub-section reviews some of those efforts.

Initiative to Promote Afghan Civil Society

USAID's Initiative to Promote Afghan Civil Society (I-PACS) encourages development of a politically active civil society in Afghanistan. Through the program, USAID provides technical assistance, capacity-building, and grants to civil society organizations nationwide. In FY 2013, I-PACS increased its support of such grants to \$11.6 million, of which \$6.5 million has been awarded. USAID is working through I-PACS to address the lack of basic awareness of democratic principles and their role in a democratic framework. Similarly, USAID is working to build citizens' understanding of and trust in the Afghan government.²⁶⁵

USAID Performance Based Governance Fund

The Performance-Based Governance Fund provides provincial governors with operational budgets to enhance their relationships with citizens and improve their overall management capacity. Each provincial governor's office receives an average annual fund of between \$200,000 and \$370,000. Higher performing governors receive more funds while lower performing governors receive less.²⁶⁶ The program also embeds a locally hired advisor in each office to provide advice and oversight. Teams of staff evaluate the offices quarterly. When the Fund began in 2009, the offices did not prepare and submit budgets to the central government. Now all of them engage in bottom-up planning and budgeting processes and have learned to manage and expend funds according to basic accounting methods, according to USAID.²⁶⁷

USAID's RAMP-UP and Kabul City Initiative

USAID's Regional Afghan Municipalities Program for Urban Populations (RAMP-UP) and the Kabul City Initiative (KCI) programs help municipal governments in Kabul and other urban centers increase the capacity of municipal officials, improve the delivery of municipal services, support economic growth initiatives, and raise revenues.²⁶⁸ As of March 31, 2013, USAID had obligated more than \$210.1 million for RAMP-UP and \$41.4 million for KCI. USAID noted some accomplishments of the closely related programs:²⁶⁹

- KCI completed its third annual public opinion survey and opened three parks and a service center in Kabul.
- RAMP-UP helped transfer ownership of a solid-waste management system to the Kandahar Municipality, launched a performance-based budgeting system in 10 eastern municipalities, aided in a 40% increase of revenue generation for nine northern municipalities, and formed municipal advisory boards in four western municipalities.

Municipal governments are now independently operating many initiatives that were started by RAMP-UP and KCI, such as solid-waste collection, public outreach programs, donor coordination, and park maintenance, according to USAID. More municipal activities will be fully turned over to the municipal government as the programs near completion. To be more accountable to their citizens, several municipalities, such as Kabul, Kandahar, and Lashkar Gah, have recently opened citizen service centers, which act as “one-stop shops” for citizens to gather municipal information, request services, and pay fees and taxes. Similar centers will soon open in other municipalities.²⁷⁰

USAID noted that one of RAMP UP's main challenges is working with the Afghan government bureaucracy, where political and ethnic dynamics are extremely complicated. Afghan officials often serve many different authorities who often contradict one another. In addition, some Afghan officials are less supportive of programs after the drastic funding cuts that occurred almost two years ago. However, other mayors and their staff still back these projects.²⁷¹

Afghanistan's top-down governance structure hampers local government's budgeting autonomy. The MOF still approves the yearly budgets for all municipalities, giving the Ministry a great deal of power in budget decision making. However, USAID noted that the municipalities now have the power to raise their own revenues and use those funds to provide services without having to turn these funds over to the MOF. The MOF and governors do have the authority to sign off on municipal budgets.²⁷²

Media Development

USAID's Afghanistan Media Development and Empowerment Project (AMDEP) strives to build the capacity of local independent media

through technical support, equipment upgrades, hands-on training, and business development. As of March 31, 2013, USAID had obligated \$31.8 million for AMDEP.²⁷³

Nai, an Afghan sub-contractor for the project, has united existing Afghan journalism unions under one umbrella association: the Afghan Federation of Journalists. According to USAID, this synthesis has allowed for improved information sharing between the unions as well as a more organized dialogue with government representatives. Nai also helped develop a code of conduct for Afghan journalists. The Ministry of Information and Culture (MOIC) and the Afghan Federation of Journalists will present the code at regional consultations to garner feedback.²⁷⁴

Internews, an international NGO that also implements AMDEP, provides the Ministry of Communications and Information Technology (MCIT) and the MOIC technical support and advice in spectrum management so that Afghan media can transition to more technologically advanced broadcasting. This support has fostered enhanced communication between the MCIT and MOIC that has allowed for collaboration in the drafting of an information and communication technology law, spectrum management and transition, the drafting of a national cyber security strategy, and the Afghan government's push to transition to digital television.²⁷⁵

Internews and Nai partner to advocate for fair media regulation. This advocacy included public relations activities, lobbying, and the development of practical media resources, such as legal training and materials, a newsletter, a database on violence against journalists, and a media directory.²⁷⁶ Nai has also assumed a seat on the Ministry of Justice (MOJ) committee tasked with reviewing all laws, including the media law, the access to information law, and the media contract law. USAID said this partnership helped establish a working group consisting of civil society and media leaders to review and make recommendations on the access to information law.²⁷⁷

JUDICIAL REFORM AND RULE OF LAW

Afghanistan continues to struggle with establishing a competent and sustainable justice system. Widespread corruption in Afghanistan's judicial system has led more than 50% of Afghans to use traditional courts and courts governed by the Taliban, according to the Afghan NGO Afghan Integrity Watch. Insecurity and a lack of courts also forces Afghans to seek community councils and traditional methods to obtain justice.²⁷⁸ One of the two remaining National Priority Programs the Joint Coordination and Monitoring Board has not finalized is "Law and Justice for All."²⁷⁹

Criminal Procedure Code

This quarter, the Afghan government again failed to pass an updated Criminal Procedure Code. The government pledged at the Kabul

Conference in 2010 to enact a new Code by the beginning of 2011. In June 2012 the MOJ presented a revised draft to Parliament. The U.S. and Afghan justice sector professionals, as well as many in the international community, criticized the draft, saying it was not a basis for a successful rule of law system. At the end of this quarter, a committee of Parliament was reconsidering the draft. According to the State Department, the United States was working with the committee on revisions and adjustments to the Code.²⁸⁰

U.S. Justice Sector Training

This quarter, the International Development Law Organization (IDLO) took over the Justice Sector Support Program's (JSSP) training component from the American contracting company PAE. This new, U.S.-funded and IDLO-operated program will be called the Justice Training Transition Program (JTTP). The program change occurred because the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL) decided that the continued security transition process would mean that successful and sustainable judicial training would be best carried out through the Afghan justice ministries as opposed to an externally-run service.

State said Afghanistan is a member of the IDLO, a public international organization. IDLO specializes in rule of law work. Therefore, State decided that IDLO would be in a better position than an American contractor to get the institutional support needed from the Afghan government to conduct more Afghan-led judicial training. The JTTP will focus on building a continuing legal education program for prosecutors, defense attorneys, judges, and criminal investigators that Afghan justice ministries will be able to run on their own by the end of 2014. The 30-month contract is for \$47.7 million.²⁸¹

Most JSSP activities continue with the program concentrating its efforts on providing capacity building and technical assistance to the Afghan justice ministries, building the capacity of the Afghan government to track criminal cases, promoting case-management system integration, and assisting with legislative reform.²⁸²

Counternarcotics Justice Center

Investigators and prosecutors at the Counternarcotics Justice Center (CNJC) in Kabul are operating at a relatively high level of competency, according to State. Cases prosecuted at the CNJC fall under the Afghan Counternarcotics Law. The justice professionals who work at the CNJC routinely evaluate evidentiary sufficiency, strategize over case composition, and build effective criminal cases. The most recent available statistics show that from April 2011 to March 2012, the conviction rate at the CNJC's Primary Court was 97%. Over that time period, 44 Afghan government officials were convicted of drug-related crimes.

SIGAR AUDIT

SIGAR is conducting an audit of the JSSP. SIGAR also plans to review DOD's Rule of Law Field Force-Afghanistan and USAID's Rule of Law Stabilization Program, both of which also seek to train justice personnel. The planned audit is described on page 35 of Section 2 in this report.

State noted that the CNJC court process is less affected by corruption and is more efficient, fair, and transparent than other parts of the judicial sector. For example, in February, the CNJC's Primary Court convicted Haji Lal Jan, a U.S.-designated drug kingpin who was arrested by Afghan authorities, and two of his associates for drug trafficking. All three were given 20 years in prison. Although Lal Jan has close tribal and family ties to the political elite, he was still arrested and convicted.²⁸³

INL has spent \$31 million to support construction, operations, and maintenance of the CNJC's facility in Kabul. INL transferred an additional \$18.8 million to the U.S. Department of Justice (DOJ) for programs that support mentoring, training, and advisory services, much of which goes to the Afghan Criminal Justice Task Force's police, prosecutors, and judges who work at the CNJC.²⁸⁴ State said CNJC sustainability is directly related to the Afghan government's ability to put the Center on-budget; it is currently in the external budget. INL is coordinating with its interagency and international partners to design a process to accomplish this change. To ensure a successful transition to the MOI, INL, DOJ, and the British Embassy are working to reduce operating costs by taking such steps as bringing the facility onto the local power grid. In addition, to make the CNJC operations more sustainable, justice professionals from the Supreme Court, Attorney General's Office (AGO), and MOI are overseeing the professional development of the police, prosecutors, and judges at the CNJC.²⁸⁵

Detention Center Transfer

A series of intense, high-level negotiations, including a meeting between Presidents Obama and Karzai during President Karzai's January 2013 visit to the United States, culminated in an agreement for the transfer of the U.S. Detention Facility in Parwan to Afghan government control. On March 25, 2013, the United States and Afghanistan signed a memorandum of understanding transitioning all detainee operations involving Afghan nationals to Afghanistan. A transfer ceremony was held that day. The Afghan authorities renamed the facility the Afghan National Detention Facility at Parwan.

Following the transfer, all Afghan detainees are under Afghan custody and control. Afghan-U.S. consultations on the disposition of detainees have gone smoothly, according to DOD. Afghan Review Boards, which will be Afghan-only, will now make disposition recommendations. The Afghans have committed to holding those detainees designated by the United States as enduring security threats. There are also serious concerns about the Afghan government's treatment of detainees, as discussed in the Human Rights portion of this section.²⁸⁶ The United States will provide funding and use Security Force Assistance Teams to continue to provide training, advising, and assistance to the Afghan National Army Detentions Operations Command. As of the end of the quarter, the United States had provided over

\$250 million dollars to build facilities in Parwan and Pol-e-Charkhi. The United States has pledged an additional \$39 million to support the Parwan detention facility.²⁸⁷

ANTICORRUPTION

This quarter, the United Nations Office on Drugs and Crime (UNODC) and Afghanistan's High Office of Oversight and Anticorruption (HOO) released a survey that further underscored the seriousness and pervasiveness of corruption within the Afghan government and the broader economy. In 2012, half of Afghan citizens surveyed reported that they paid a bribe while requesting a public service. The total cost of bribes reportedly paid to public officials amounted to \$3.9 billion. If accurate, this figure well exceeds the Afghan government's domestic revenues of \$2.4 billion. This represents a 40% increase in real terms from the UNODC's 2009 survey. In 2009, Afghans who paid bribes said they paid an average of 4.7 bribes annually. In 2012, those who paid bribes reported paying an average 5.6 bribes for the year. Since 2009, the average cost of a bribe has risen 29%, from \$158 to \$214. In education, the percentage of those reporting paying a bribe to a teacher jumped from 16% in 2009 to 51% in 2012.²⁸⁸

Afghan Attorney General's Office

Insufficient political will and a lack of dedicated resources continue to severely limit the ability of the Anticorruption Unit (ACU) in the Attorney General's Office (AGO) to investigate and prosecute high-level officials or well-connected individuals. This quarter the MEC reported that the AGO has not prioritized the initiatives that the MEC has identified in its recommendations, thereby allowing corruption to continue unabated.²⁸⁹ Last quarter, the head of the ACU was fired after prosecutors from his unit furnished him alcohol and videotaped him speaking ill of the Attorney General. The DOJ has reported positive interactions with the unit's new leader. However, State said it was still too early to conclude if the change in leadership will lead to more anticorruption prosecutions. INL and DOJ both intend to continue to educate and train prosecutors at the ACU, but the State Department noted that the fundamental lack of prosecutorial independence and corruption in the management of cases will continue to be a problem in the ACU, and the AGO generally, for the foreseeable future.²⁹⁰

State observed that the ACU did manage the prosecutions of the 21 individuals charged in the Kabul Bank case. On March 5, the Special Tribunal for the Bank case convicted both the Bank's founder and its former chief executive for a breach of trust. The men were sentenced to five years in prison and ordered to return a combined \$808 million. The Tribunal failed to issue guilty verdicts for the more serious crimes of money laundering, embezzlement, and forgery, which would have

carried sentences up to 20 years and provided a basis for orders to confiscate their assets. On March 16, the AGO appealed the initial verdict because it failed to properly account for evidence that may have led to the two Bank executives being convicted of the more serious crimes. It was unclear which appellate court will take up the appeal, but a verdict must be reached by May 15, 2013. The United States supports the appeal, although it recognizes that the appeals process could result in the existing sentences being overturned. The Kabul Bank case was the only one prosecuted this quarter involving key political leaders, high-level government officials, or well-connected business leaders.²⁹¹

Although Justice Department tracking of prosecutions of lower-level officials involved in corruption cases is limited and anecdotal, some local cases held promise. In Kunar, the Tsowkay district chief of police was convicted of soliciting bribes and sentenced to two and a half years in prison. The entire case—detection, investigation, and prosecution—was conducted by Afghan authorities who used relatively sophisticated investigative techniques to gain a conviction. Additional public-corruption trials were also held in Laghman, Mazar-e-Sharif, Pakitka, and other provinces this quarter. Restricted access to the provinces has limited DOJ's knowledge of these local corruption cases, but the fact they are occurring and are Afghan-led was seen as a demonstration of growing Afghan capacity.²⁹²

Special Cases Committee Cases

This quarter, there were no formal charges of high-level officials connected to the Dawood National Military Hospital case, the first case identified for investigation and prosecution by the Special Cases Committee in January 2012. Progress in this investigation continues to be very slow, according to DOD. Investigations into the senior management of the Hospital, namely Major General Zia Yaftali, continue but there is significant doubt whether anyone will ever face trial on the full range of charges. The MOD independently pursued the only prosecutions in this case. They involved low-level officials convicted of relatively minor charges of negligent and abuse of authority involving expired pharmaceuticals valued at \$120.²⁹³

Major Crimes Task Force

The Federal Bureau of Investigation (FBI) ended its mission with the Major Crimes Task Force (MCTF) in February 2013. The FBI determined that it met its capacity-building objectives. With adequate political and fiscal support, the Force has the ability to be an effective anticorruption unit. However, the AGO continues to lack the political will necessary to prosecute the corruption cases the MCTF develops. The new head of the AGO's ACU has yet to demonstrate increased willingness or ability to prosecute corruption cases. State said MCTF's future is uncertain as it remains legally and politically vulnerable.²⁹⁴

The Special Cases Committee (SCC) was formed in December 2011 as a joint Afghan and international mechanism for supporting the efforts of the AGO in significant public corruption cases after the AGO failed to adequately prosecute many previous cases. The SCC is not meant to investigate or prosecute cases but instead is designed to identify and recommend to the ACU the significant cases that warrant special attention and then track the progress in those cases. The role of international advisors, including U.S. personnel, on the SCC is to help the AGO select cases for special attention and devote resources to investigating and prosecuting them if there is supporting evidence. In addition, the international advisors help the AGO design its investigations and prosecution strategies. The international participation also helps the AGO acquire information and evidence in possession of the international community that can advance cases of interest.

Source: State, responses to SIGAR data call, 3/26/2013 and 7/5/2012.

In 2012, the House Committee on Oversight and Government Reform's Subcommittee on National Security, Homeland Defense, and Foreign Operations held a hearing on what happened and what went wrong at the Dawood National Military Hospital in Kabul. In 2011, the media had reported on the deplorable conditions for patients at the Dawood National Military Hospital in Kabul. Widespread corruption led to the siphoning off of U.S. funds as well as theft of medical supplies intended to support hospital operations. In addition, patients often did not receive care because they or their families could not produce bribes for hospital staff. Officials in the MOD and ANA, including the ANA's Surgeon General, Major General Zia Yaftali, were implicated in the scandal. Some U.S. military officials were also criticized for not doing more to investigate and prevent the scandal.

Source: "Dawood National Military Hospital Afghanistan: What Happened and What Went Wrong?" Hearing Before the Subcommittee on National Security, Homeland Defense, and Foreign Operations, Committee on Oversight and Government Reform, House of Representatives, 112th Congress, second session, July 24, 2012, pp. 2–4.

Assistance to Afghanistan's

Anticorruption Authority (4A): This USAID project supports strategic, technical, and administrative capacity development at the Afghan government's anticorruption agency, the High Office of Oversight and Anticorruption (HOO), ministries delivering key services to the Afghan public, and outreach to civil-society organizations engaged in the fight against public corruption.

Source: USAID, "Assistance to Afghanistan Anti-Corruption Authority," 12/2012, accessed 4/23/2013.

Monitoring and Evaluation Committee

The MEC issued three reports this quarter. The first concerned the implementation of President Karzai's governance and corruption decree issued last year, Presidential Decree 45. It found that the Afghan government had mixed results in implementing 38 articles of the decree that would enhance efforts to fight corruption. Of the 38 articles, eight have been implemented, 23 have been partially implemented and seven have not been implemented. For example, the MEC found that Afghans were still being held in detention with no clear fate, a manifestation of gaps in the timely investigation and prosecution of cases. It also found that the decree's policy on cash smuggling through Afghan airports had not been implemented effectively.²⁹⁵ The second report contained the commission's fifth set of recommendations and benchmarks for combating corruption. Among the recommendations, the MEC proposed that all government institutions dealing with infrastructure projects should establish a corruption-reporting mechanism, such as a "call center." It also recommended that the United Nations High Commissioner for Refugees conduct and publish the results of a forensic audit to address allegations regarding the double payment of salaries and renting facilities from high officials of the Afghan government.²⁹⁶ The third report surveyed the mixed results of the MEC's recommendations. It found that the justice sector and the HOO have not had the same success tackling corruption as other areas of government.²⁹⁷

High Office of Oversight and Anticorruption

The HOO made little progress this quarter toward its goal of fighting corruption, according to State. State said that the DOJ engages with the HOO on a very limited basis.²⁹⁸ However, USAID said its anticorruption program was helping to develop HOO capacity in the areas of asset registration and ministerial assessments.²⁹⁹

USAID's Assistance to Afghanistan's Anticorruption Authority

This quarter, USAID reported that its **Assistance to Afghanistan's Anticorruption Authority (4A Project)** continued to improve the capacity of the HOO in several areas of operation:³⁰⁰

- **On-line Asset Registration:** Afghan law requires asset declarations by public servants, but efforts to establish accurate and widespread asset registration have floundered in recent years. In order to make the asset registration process easier, the 4A Project developed an on-line system this quarter that is expected to become functional by mid-April 2013.
- **Vulnerability to Corruption Assessments:** The 4A Project trained the entire staff of the HOO's Corruption Prevention Directorate on conducting Vulnerability to Corruption Assessments in the ministries. The Directorate also reached agreements to conduct the assessments

on selected business processes with the Ministry of Public Health and the Ministry of Mines and Minerals. This quarter, assessments on issues related to hospitals and medicines were conducted for the Ministry of Public Health, but no assessment work was done on the Ministry of Mines and Minerals.

- **Recruitment and Selection Policy:** In January, the 4A Project eliminated some loopholes in the HOO's recruitment and selection policy.

In addition to its work with the HOO, the 4A supports several other anticorruption efforts. This quarter, the project worked with the Ariana Television Network to air 10 segments of 30-minute anticorruption programs that recorded citizens' views on the lack of provision and quality of public services, followed by invitations to officials in the implicated ministries to explain the lapses in basic services. The project also worked with a female parliamentary anticorruption caucus to build their legislative capacity in areas like oversight, budgeting, and conflict of interest.³⁰¹

Corruption in Afghan Security Forces

The MOD has made moderate progress in countering corruption within its forces, DOD said. However, the Office of the National Security Council still provides no direction or engagement to the MOD's Transparency and Accountability Office on how to operate the MOD's Transparency and Accountability Working Group. The Minister of Defense and the Transparency and Accountability Office unilaterally decided to begin holding Working Group sessions to push for anticorruption reforms within the MOD. Of particular note has been the fact that the MOD has held three senior-level anticorruption meetings this quarter, chaired by either the Minister or the First Deputy Minister.³⁰²

The MOI also has made progress in its anticorruption efforts, albeit more slowly than the MOD. Again, the Minister has been quite vocal in support of these efforts, and especially of his Inspector General. The MOI's Inspector General has in turn demonstrated determination and force of character, which has helped to instill some anticorruption improvements within the MOI, according to DOD.³⁰³

CJIATF-Shafafiyat

Combined Joint Interagency Task Force (CJIATF)-Shafafiyat, an ISAF-interagency group created in 2010 to coordinate anticorruption efforts, has narrowed its objectives to focus on promoting transparency and accountability in the ANSF. CJIATF-Shafafiyat is working to identify and transition selected anticorruption initiatives before the end of 2014. This transition effort involves working closely with the NATO Afghanistan Transformation Task Force and other international partners to identify who will take ownership of future task execution on completion of the current mission.

SIGAR AUDIT

SIGAR is conducting an audit of the transition as the International Security Assistance Force (ISAF) concludes its mission in 2014. This audit will determine whether U.S. government agencies have transition plans in place and whether those plans address the asset-transfer process, the Afghan government's ability to maintain those assets, and the extent to which a comprehensive inventory of all U.S.-funded projects and assets has been developed and documented. See page 32 in Section 2 of this report for more details.

The Task Force has encouraged ISAF and Afghan leaders to bring anti-corruption and organized crime issues into the security transition process through transition counter-corruption boards, according to DOD. These boards make corruption assessments of provinces and districts scheduled to undergo transition. In addition, the boards target corrupt actors in positions critical to transition. The Afghan government's political will and capacity will heavily dictate if the anticorruption efforts the Task Force is involved with produce any enduring results.³⁰⁴

Corruption in Customs Collections

Fraud and corruption in customs remain serious problems that threaten the fiscal sustainability of the Afghan government due to losses of revenue collection at the borders, customs depots, and airports. Customs revenues fell in 2012 as a result of rising corruption. However, the Afghan government took several important steps this quarter to stem corruption.³⁰⁵

The MOF undertook a large-scale restructuring of the Afghan Customs and Revenue Department. To prevent customs officials from building local corruption networks, the MOF replaced a large number of high-ranking officials and rotated most provincial customs directors. The Minister of Finance expressed confidence in the capabilities of the new senior officials. At the end of the quarter, it was too early for the State Department to know how effective this move was, but it has the potential to reduce corruption.³⁰⁶

In February this year, the MOF signed the charter of the Presidential Executive Commission (PEC) on Borders, Airports, and Customs Depots. The PEC had been in limbo for much of the past year. The PEC is a new interagency body tasked with identifying corrupt practices, recommending cross-ministerial reforms, and coordinating efforts to increase revenue while limiting opportunities for corruption. The PEC had not begun operations at the end of the quarter, but when it does it could significantly improve the transparency and accountability of the sector if run effectively, according to State.³⁰⁷

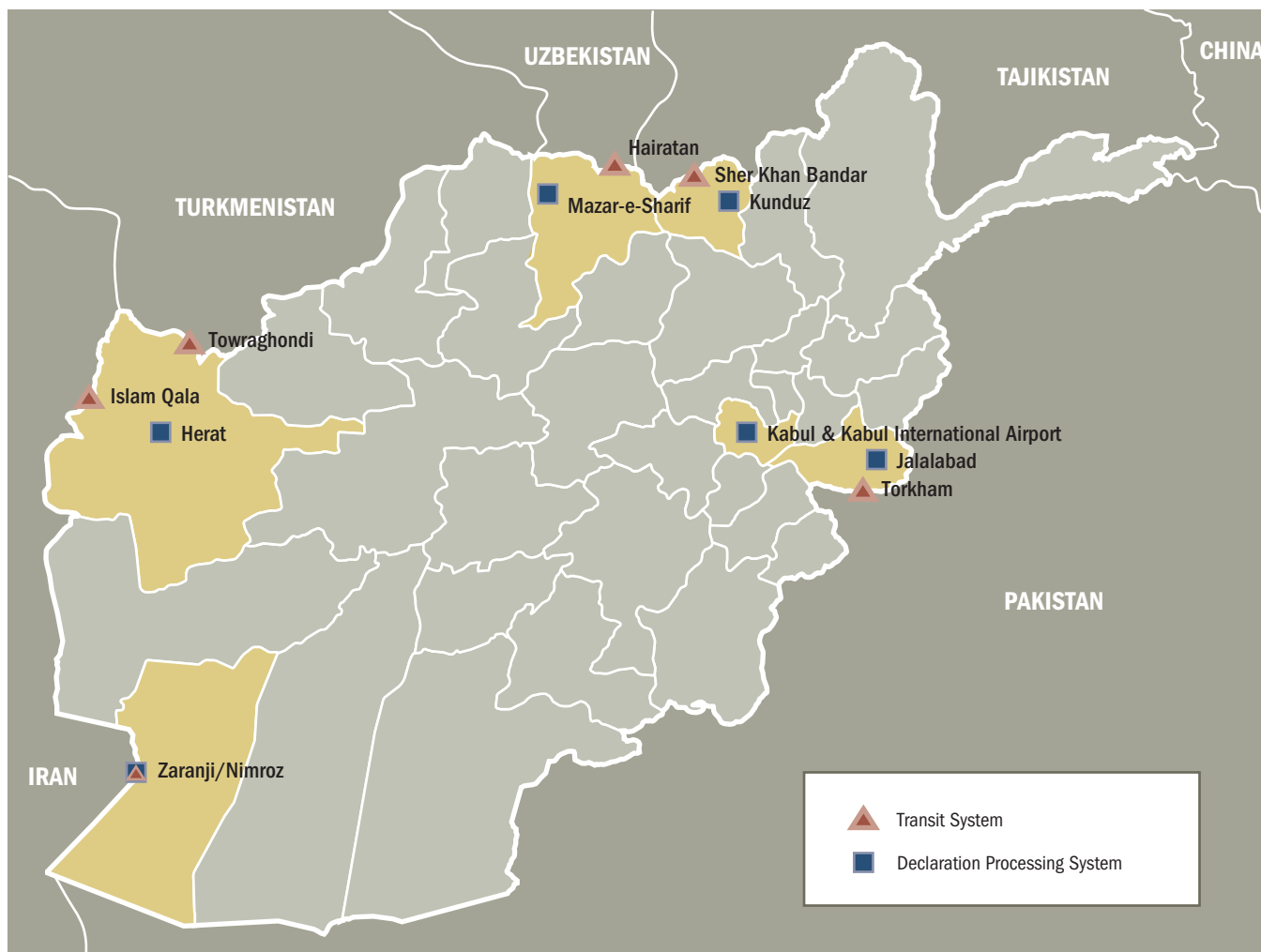
The Afghan government also continued to expand implementation of the Borders Management Model (BMM). The BMM seeks to clarify roles and responsibilities at the borders to reduce the number of extraneous government agencies involved at border crossings. The BMM operated at three border crossings at the end of the quarter, with an additional four crossings expected to utilize the BMM by July 2013. State noted that the expansion of the BMM will be an IMF benchmark for future donor assistance.³⁰⁸

USAID worked with the Afghan government to initiate a risk-management pilot program at Kabul International Airport's customs yard. The program is expected to streamline trade by targeting high-risk shipments for inspection and to reduce corruption by automating the selection of shipments for inspection.³⁰⁹

The Automated System for Customs Data (ASYCUDA) is now in place at all major border crossings and customs depots, according to State. The program allows customs data to be tracked and audited from a central location. The program's electronic system allows for more transparency and accountability than the previous paper-based system. However, many shipments are never entered into ASYCUDA due to operator negligence, inconsistent power supplies at remote borders, and corruption, according to the State Department.³¹⁰ Figure 3.35 shows locations where ASYCUDA is operational.

FIGURE 3.35

IMPLEMENTATION OF ASYCUDA CUSTOMS SYSTEM IN AFGHANISTAN



Source: UN, ASYCUDA Afghanistan, accessed 4/17/2013.

The U.S. government has long had serious concerns about the flow of cash out of Afghanistan. In July 2011, SIGAR reported on U.S. government efforts to strengthen oversight over the flow of U.S. funds through the Afghan economy, including the provision of bulk currency counters to better regulate cash flowing out of Kabul International Airport. A follow-up Special Report last quarter found that the cash counters were still not being used for their intended purpose.

Source: SIGAR, Quarterly Report to Congress, 1/30/2013, pp. 44–45.

Several U.S. agencies support Afghan efforts to modernize and reform customs processes. USAID's Trade Accession and Facilitation for Afghanistan program helps to implement many of the Afghan government's reforms. The Department of Homeland Security's (DHS) Customs and Border Protection administer the CENTCOM-funded Border Management Task Force (BMTF). The BMTF works directly with border officials at both the headquarters and border levels to train them in best practices and implementation. DHS's Homeland Security Investigations (HSI) leads U.S. Embassy Kabul efforts to prevent the bulk transfers of cash out of the country. This quarter, HSI deployed three cash-counting machines to Azizi Bank and Afghan United Bank branches in Kabul to assist bank personnel in documenting withdrawals or deposits of \$10,000 or more. All information gleaned from the transaction (serial numbers, biographical, etc.) will be reported to the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) for analysis.³¹¹

HUMAN RIGHTS

This quarter the U.N. Secretary-General reported mixed progress on human rights in Afghanistan. UNAMA in February released its 2012 annual report on the protection of civilians in armed conflict. The report documented 2,754 civilian deaths and 4,805 civilian injuries in 2012. That was a 4% decrease in civilian casualties as compared to 2011—the first such reduction in six years. On the other hand, the protection of women's rights activists remained a matter of grave concern as did the torture of prisoners in Afghan detention centers.³¹²

Detainees

According to UNAMA, torture continues to be a major problem in Afghan detention centers. In January 2013, UNAMA released a follow-up to its January 2012 report on the treatment of detainees. The report found that more than half of the 635 detainees it interviewed had experienced torture and ill-treatment at facilities run by the ANP, NDS, ANA, and ALP. This torture generally took the form of abusive interrogation techniques whereby Afghan interrogators deliberately inflicted severe pain and suffering on detainees to obtain a confession or information. UNAMA observed that of the 105 child detainees it interviewed, 80 children (76%) had experienced torture or ill treatment, an increase of 14% compared to UNAMA's previous report.³¹³ UNAMA also found credible and reliable evidence that 25 of the 79 detainees interviewed (31%) who had been transferred by international military forces or foreign intelligence agencies to Afghan custody experienced torture by ANP, NDS, or ANA officials. UNAMA said ISAF has rules in place, in accordance with international law, stipulating that individuals should not be transferred to facilities where there is a risk of torture and ill treatment.³¹⁴

UNAMA also received credible allegations of the disappearance of 81 individuals taken into ANP custody in Kandahar from September 2011 to October 2012. The whereabouts of these individuals was unknown as of January 2013.³¹⁵

In response to the UNAMA report, President Karzai set up a fact-finding delegation to investigate the torture allegations. In February 2013, the delegation confirmed the use of torture and ill treatment on Afghan detainees by Afghan police and national security officials. According to the delegation, almost 48% of those interviewed had said they were tortured and 66% said they had no access to defense lawyers. The delegation proposed 11 recommendations to Afghan institutions to address the issues.³¹⁶

Women's Shelters

The Afghan government's administration of women's shelters remains inconsistent. Women who need shelters often lack access to them. There are 25 women's shelters in 13 provinces. INL funds the operations for 10 of these shelters. INL-funded shelters are completely Afghan staffed and operated. In provinces without shelters, such as Kandahar and Uruzgan, NGOs attempt to transport victims of gender-based violence to the nearest province with a shelter. However, in provinces without shelters, women in need of safe shelter often go unnoticed or the local NGOs lack resources to intervene. State noted there is a need for more shelters, particularly in rural areas.³¹⁷

Police and prosecutors have increased their requests for referrals to shelters, and as a result women have become more aware of the shelters and how they can provide refuge from crisis and physical harm. Women are typically referred to the shelters through the Violence Against Women's prosecutorial units, the Ministry of Women's Affairs (MOWA), or the police.³¹⁸

The Afghan government's relationship with shelter providers was damaged in 2011 when the government announced it would nationalize all shelters and equated the existing shelters with brothels. Distrust lingers between the shelters and the MOWA, which is the Afghan body responsible for overseeing shelter operations. However, the relationship is gradually improving.³¹⁹

MOWA allows women to leave shelters only after it grants permission. This practice impedes women from leaving shelters unless they marry or return to their families. The effectiveness of provincial Departments of Women's Affairs (DOWAs), which fall under the MOWA's authority, varies significantly throughout the country. State noted that in January, a teenage girl sought refuge after being raped in the DOWA offices in Daykundi. The province lacks a shelter, so she was to stay in the offices until she could be transferred to a shelter or returned to her family. On her first night at the offices, DOWA guards allegedly raped the girl. Provincial authorities were investigating the incident at the end of the quarter. On the other hand, the Kunduz DOWA successfully defended a women's shelter from false

The UNAMA report outlined fourteen different types of torture at Afghan facilities, including: suspension (hanging from the ceiling by the wrists or from chains attached to the wall, iron bars or other fixtures so that the victim's toes barely touch the ground or he is completely suspended in the air with his body weight on his wrists for lengthy periods); prolonged and severe beating with cables, pipes, hoses or wooden sticks (including on the soles of the feet); punching and kicking the detainee; twisting of genitals; electric shock; stress positions; forced exposure to cold environments for long periods of time; and threats of execution and/or sexual violence against the detainee.

Source: UNAMA, "Treatment of Conflict-Related Detainees in Afghan Custody: One Year On," January 2013, p. 4.

accusations that it was prostituting its beneficiaries. State said security remains a major impediment to the DOWA's ability to oversee and advocate for shelters. In 2012, two DOWA directors were assassinated in Laghman in separate incidents because of their work on women's issues.³²⁰

Refugees

Pakistan has not agreed to a longer-term resolution for the approximately 1.7 million Afghan refugees living within its borders. It is unlikely that any decision will be made until a new Pakistani government is formed. However, it did not appear that Pakistan would force mass deportations in the near future, according to the State Department. In December 2012, Pakistan agreed to extend its honoring of registration cards for the refugees until June 2013. Pakistani government interlocutors informally indicated that the country would continue to uphold the principle that refugee return should be voluntary and that there will not be deportations.³²¹

Human Trafficking

Afghanistan has made some progress in implementing its anti-human-trafficking reform plan, but more work remains. In June 2012, in its Trafficking in Persons Report, the State Department identified Afghanistan as a source as well as a transit and destination country for men, women, and children subjected to forced labor and sexual trafficking. For the third straight year, the report listed Afghanistan on its Tier 2 Watch List, the second-lowest rating. The State Department noted at the time that the nation would have been given the lowest rating if it had not developed its anti-human-trafficking reform plan. Afghanistan's High Commission Against Trafficking in Persons has continued its quarterly meetings and the AGO has prosecuted some traffickers under a 2008 anti-trafficking law, although these cases are being appealed.³²²

The United States is involved in a number of programs to support training and development to prevent the conditions that permit widespread human trafficking. The Office to Monitor and Combat Trafficking in Persons funds the NGO Hagar International in its efforts to coordinate anti-trafficking related activities between Afghan civil society and the government. The Office also funds Hagar International's research in the identification of trafficking hot spots in the country and of the nature and magnitude of the problem in specific regions. State commented that this research will inform the development of a model of recovery services for trafficked Afghan boys up to 18 years old; this model will be used as the basis of a pilot project in a risk community.³²³

Media Freedom

In February, civil society and media watchdog organizations urged the government to immediately send a draft of the Access to Information Law, which allows for greater public access to governmental information, to the parliament for approval. Despite repeated civil society and media organization advocacy for progress, the draft law has been with the MOJ for legislative review since February 2012. Integrity Watch Afghanistan noted that a lack of access to governmental information by citizens had caused weak public oversight, creating a breeding ground for corruption.³²⁴

This quarter, Reporters Without Borders released its annual World Press Freedom Index. The report ranked Afghanistan 128th out of 179 countries, a 22-place improvement from the last report. The report noted that no journalists were killed in 2012 and the arrests of media workers declined. The report pointed out that the government did not tackle the issue of impunity for those accused of violence against journalists. Moreover, the withdrawal of foreign troops along with deteriorating conditions in neighboring Pakistan meant the improvements were precarious.³²⁵

Afghanistan Independent Human Rights Commission

The Afghanistan Independent Human Rights Commission (AIHRC) continues to function even though it is operating without the majority of its commissioners, according to the State Department. Of the nine commissioner seats, five remained vacant, as of March 22, 2013. In January 2011, one commissioner was killed in a suicide bombing. In December 2011, President Karzai decided not to renew the terms of three commissioners. The AIHRC also decided to dismiss one of its commissioners in September 2012 for mishandling information. Reportedly, President Karzai developed a list of nominees for the AIHRC's commissioner but they were not seen to have the proper-level of human rights qualifications. At the end of the quarter, the State Department, civil society organizations, and the AIHRC were working together to present a list of qualified candidates to President Karzai for his review.³²⁶

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ECONOMIC AND SOCIAL DEVELOPMENT

As of March 31, 2012, the U.S. government had provided nearly \$23 billion to support governance and economic development in Afghanistan. Most of the funds flowed through four major programs and accounts: the United States Agency for International Development's (USAID) Economic Support Fund (ESF), the Department of Defense's (DOD) Commander's Emergency Response Program (CERP), the Task Force for Business Stability Operations (TFBSO), and the DOD-State Department jointly administered Afghanistan Infrastructure Program (AIP) supported by DOD's Afghanistan Infrastructure Fund (AIF).³²⁷

The services sector, led by telecommunications, transport, and government services, has been the most important driver of economic growth, while construction has propelled the industrial sector. According to the World Bank, legal agriculture is the second leading contributor to GDP, but it fluctuates with the weather. Mining production has been limited so far, but could eventually add 2–3% to GDP growth.³²⁸

Afghanistan's economy has grown 9% annually on average since 2002, fueled by international military spending and development assistance. This growth is projected to slow with the departure of most international forces after 2014. The decline in assistance will leave a large fiscal gap between government revenues and expenditures in a country that still suffers from high rates of poverty, unemployment, food insecurity, and poppy cultivation.³²⁹

This quarter, the United States and the international community sought to further prepare Afghanistan to take full control of its national security and to minimize economic contraction in what the Afghan government is calling the "Transformation Decade" following the drawdown of Coalition forces in 2014. However, U.S. government responses to SIGAR show that insecurity remains a formidable obstacle to the successful implementation of economic and social development programs in Afghanistan.

KEY EVENTS

This quarter saw three important developments. First, the Special Tribunal for Kabul Bank announced guilty verdicts for 21 individuals in the Kabul Bank scandal, including the main architects of the bank's near-collapse. However, critics said the sentences were not tough enough.³³⁰

Second, USAID reached a bilateral agreement with the Afghan government to provide on-budget assistance through the national utility company, Da Afghanistan Breshna Sherkat (DABS), to install a third turbine at Kajaki Dam in Helmand Province. Despite a costly, British-led operation to move the turbine to the dam site in 2008, it was never installed.³³¹ USAID said DABS could take responsibility for the installation, but a SIGAR audit earlier this year found that DABS lacked the capacity to install and manage equipment needed for commercialization.³³²

Third, the Joint Coordination and Monitoring Board (JCMB) endorsed four of the six outstanding National Priority Programs (NPPs), bringing the total number of approved NPPs to 20.³³³ The JCMB, a high-level decision-making body co-chaired by the Afghan Ministry of Finance (MOF) and the United Nations Assistance Mission to Afghanistan, is responsible for strategic coordination between Afghanistan and the international community of development programs. NPPs, an outgrowth of the Afghanistan National Development Strategy of 2008, consolidate hundreds of bilateral and multilateral development projects into a coherent suite of programs that can be absorbed into the Afghan budget to help ensure their sustainability.³³⁴ The four approved programs this quarter include National Water and Natural Resources Development, National Comprehensive Agriculture Production and Market Development, National Energy Supply, and Efficient and Effective Government. Two remaining NPPs are expected to be presented to the JCMB later this year.³³⁵

In other developments, the World Bank staff released a final report based on a series of their earlier transition studies that began before the Bonn Conference in 2011;³³⁶ the MOF rejected the one purchase bid it received for the New Kabul Bank;³³⁷ and the Council of Ministers gave approval to a revised draft mining law.³³⁸

WORLD BANK ‘AFGHANISTAN IN TRANSITION, LOOKING BEYOND 2014’

The World Bank’s comprehensive examination of Afghanistan’s transition highlights several challenges facing the country. Afghanistan’s rapid economic and social progress since 2002 has been aid-dependent. While government revenues have grown, they fall far short of requirements.³³⁹ The Bank estimates Afghanistan will need more than \$7 billion annually in on-budget assistance—\$5 billion of which will go toward security sustainment—through 2021/2022 to close its budget gap between domestic revenues and expenditures. Even with this assistance, Afghanistan’s fiscal outlook will remain fragile and vulnerable.³⁴⁰

Fiscal projections from the government and international community alike assume production at the Aynak copper mine and Hajigak iron-ore mine will

start in 2017.³⁴¹ However, Afghanistan faces legislative, logistical, and security challenges that may lead to delays. These are discussed on pages 146–149.

The World Bank’s analysis of countries with similar experiences showed political consolidation and stability as a requisite for successful transition. Afghanistan, however, is regressing in these areas, according to the Bank’s report. The transition is likely to increase unemployment, currently estimated at 8%, because labor-intensive industries like services and construction have benefitted the most from foreign capital. Worse hit will be the 48% of the workforce who are underemployed (working less than 35 hours a week on average). Many of the jobs created by aid are “casual”: day labor, food, cash-for-work programs. These will be the first jobs lost once international forces and provincial reconstruction teams leave Afghanistan. Moreover, according to the World Bank, insecure provinces where most of the foreign assistance was concentrated will suffer more than the secure ones as foreign aid declines.³⁴²

The World Bank recommended that donors avoid sharp reductions in aid, which would force the Afghan government to make even more arduous budgetary choices between security and civilian spending. It could also lead to sudden economic disruptions like a rapid depreciation of Afghan currency and labor-market destabilization. A gradual reduction in aid will inject more predictability to aid flows in both timing and funding to assist in long-term economic planning.³⁴³

ECONOMIC PROFILE

Afghanistan’s economy has improved significantly since 2002. Its annual GDP growth rate has averaged 9% and is on par with or exceeds that of many neighboring countries.³⁴⁴ The World Bank estimated Afghanistan’s calendar-year 2012 real GDP growth at 10.3%, driven by a near-record breaking wheat and cereal harvest, while inflation should remain relatively low, as seen in Table 3.9.³⁴⁵ The table reveals some differences in the way analysts calculate economic growth in Afghanistan, but general agreement

TABLE 3.9

ECONOMIC FIGURES, DIFFERENCES IN REPORTING												
	FY 2011				FY 2012*				FY 2013*			
	CIA	ADB	IMF	WB	CIA	ADB	IMF	WB	CIA	ADB	IMF	WB
Real GDP, % change	5.8	7.2	5.8	7.3	11	11.9	5.2	10.3	N/A	3.3	6.5	N/A
Inflation, %	13.8	11.8	11.8	11.3	N/A	6.2	6.6	6.5	N/A	6.1	6.7	N/A
Per Capita GDP, US\$	1,000	N/A	N/A	543	1,000	N/A	N/A	528	N/A	N/A	N/A	N/A

Note: * Projected

Sources: World Bank, e-mail message to SIGAR, 1/2013; World Bank, “Afghanistan in Transition: Looking Beyond 2014,” 2/28/2013, accessed 3/18/2013; World Bank, “GDP Per capita (current US\$),” accessed 4/10/2013. IMF, “World Economic Outlook,” 10/2012, accessed 4/9/2013; CIA, “World Factbook,” 3/27/2013, accessed 4/9/2013; ADB, “Asian Development Outlook 2013,” accessed 4/9/2013.

The Afghan government's fiscal year had been the same as the solar year, but the most recent fiscal year (1391) ran only from March 21, 2012, to December 20, 2012, to better align with donors' fiscal calendars. This one-time, nine-month fiscal year bridged the change to a new Afghan fiscal year that now runs from December 21–December 20. The “12-month comparison” references in the text offer a normalized basis for comparison.

“Afghanistan will require substantial international assistance through the next decade to grow its private sector and promote its integration in greater South Asia’s thriving economy.”

Source: The White House “Fact Sheet: Afghanistan,” 2/12/2013.

on trends. The World Bank projects GDP growth to fall to 6%, on average, through 2018, and to 5% in the longer term.³⁴⁶

BUDGET

The FY 1392 (December 2012–December 2013) budget totals \$7.04 billion, as compared to \$6.07 billion in FY 1391 (12-month comparison). The budget has two main parts: the operating budget (\$3.77 billion), which covers current government expenditures—security, salaries, operations and maintenance, capital, etc.—and the development budget (\$3.27 billion), which covers donor-financed projects and programs executed by the government.³⁴⁷

The FY 1392 development budget is 37% higher than FY 1391.³⁴⁸ Last quarter, SIGAR noted the government’s historically poor execution rate of the development budget—just 52% in FY 1390. DOD echoed this concern in its latest report to Congress on progress toward security and stability in Afghanistan.³⁴⁹ Poor budget execution is one of the concerns donors have about contributing more aid directly to the Afghan government. SIGAR has an ongoing audit to review USAID’s efforts to assess the ability of the Afghan government to manage and account for funds provided through direct or “on-budget” assistance. For more information about this audit, see Section 2, page 32.

Fiscal Sustainability

Afghanistan’s fiscal sustainability ratio—domestic revenues versus operating expenditures—is one of the lowest in the world.³⁵⁰ Although Afghanistan’s annual domestic revenues grew from \$0.6 billion in 2006 to \$2 billion in 2011, mostly from customs and taxes, during this period, its total annual public expenditures grew from \$5.8 billion to \$17.4 billion. From 2006 through 2011, these expenditures totaled \$72.9 billion. Afghanistan’s domestic revenues covered only 10% of these expenditures (\$7.3 billion). The remaining 90% was covered by the United States (\$46.3 billion) and the rest of the international community (\$19.3 billion).³⁵¹

Revenue Collection

Taxes make up an estimated 68% of total revenue collections.³⁵² This quarter, the MOF saw sweeping leadership changes in the departments of customs, revenue, public properties, and internal audit and administration. This shakeup, in which all 10 provincial customs directors were replaced, was to improve revenue collection and fiscal sustainability across the country through the infusion of “more capable, energetic and trusted leadership.” The ministry expects this change to help curb corruption and achieve greater efficiencies.³⁵³

Despite the expected improvements in revenue collection, the United States and its Coalition partners recognize that under current and

medium-term economic conditions, the Afghan government cannot generate enough revenue to cover its current operating expenditures. The World Bank projects this fiscal gap to reach the equivalent of 25% of GDP by 2021/2022 and has said the international community will have to bridge that gap.³⁵⁴

This quarter, USAID and the U.S. Customs and Border Protection agency are helping the Afghan Customs Department inspect cargo shipments at Kabul International Airport more efficiently. Customs officials aim to reduce smuggling and corruption by non-compliant traders as well as facilitate legal trade. Through these efforts, State said that trade reported at the airport increased by 36%. Customs revenues are expected to rise to two billion Afghanis (\$36.9 million) in 2013, representing a 43% increase over 2012.³⁵⁵

U.S. ECONOMIC SUPPORT STRATEGY

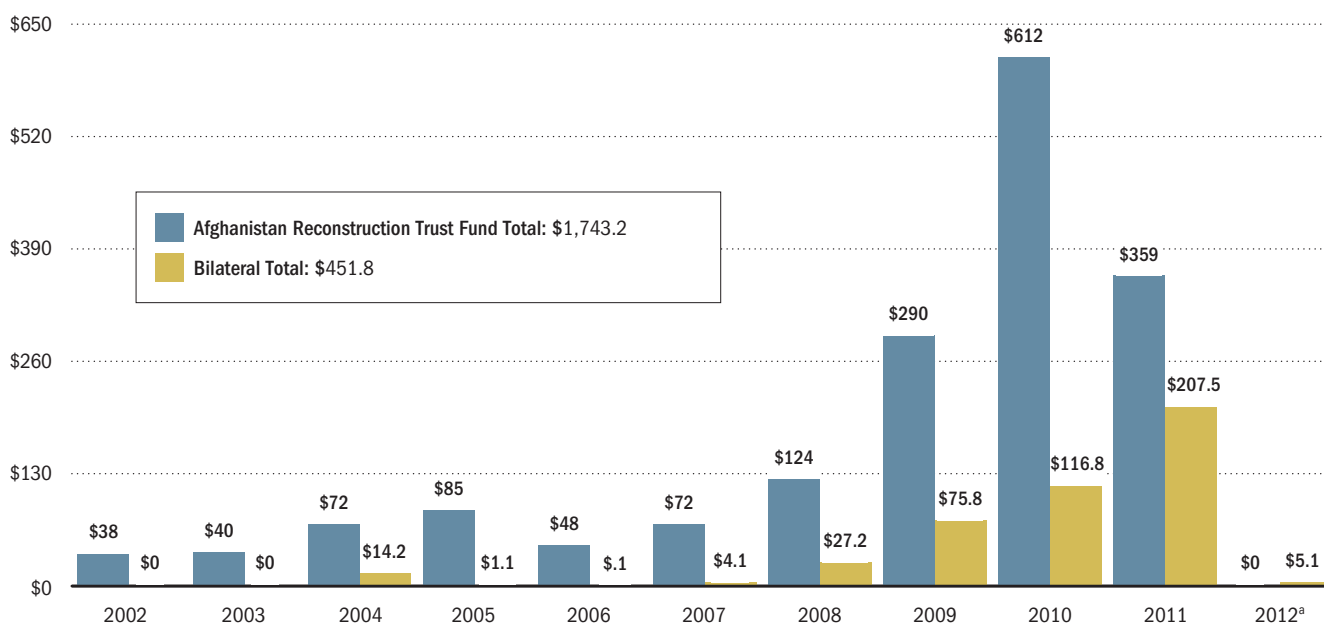
The U.S. economic transition strategy in Afghanistan seeks to mitigate the negative economic impact of the withdrawal of most international security forces by 2014 and the expected accompanying reduction in donor assistance. It also seeks to help Afghanistan develop its resources for sustainable growth.³⁵⁶ Through the Strategic Partnership Agreement signed in May 2012, the United States committed security and economic assistance to Afghanistan until 2024. Although the Afghan government requested \$2 billion per year in economic aid, the United States did not specify an amount in the agreement.³⁵⁷ After 2024, the United States expects the Afghan government to generate the revenues to pay for its operating expenses.

U.S. economic assistance focuses on supporting public and private-sector development, promoting private-sector investment, creating jobs, and improving food security. The United States has been gradually increasing the amount of development assistance it provides directly to the Afghan government as shown in Figure 3.36 on the following page. According to a Government Accountability Office (GAO) report, the United States intends to strengthen the capacity of the Afghan government at the central and sub-national levels to encourage better revenue generation, delivery of services, and a business-friendly regulatory environment. The United States is also advancing the New Silk Road initiative, a policy aimed at achieving sustainable, inclusive economic growth by helping Afghanistan to become increasingly integrated economically within the region.³⁵⁸

The following section describes developments and U.S.-funded efforts in the major economic sectors: banking and finance, natural resources, agriculture, and essential services, including electricity, transportation, health, and education.

FIGURE 3.36

USAID ON-BUDGET ASSISTANCE, 2002–2011 (\$ MILLIONS)



Notes: Numbers have been rounded.

^a Most FY 2012 USAID funding for On-Budget Assistance had not been obligated as of March 31, 2013.

Sources: USAID, responses to SIGAR data call, 4/18/2013 and 4/11/2013.

Land Reform in Afghanistan Project

USAID continued to promote land reform, highlighting the economic importance of legally recognized and enforceable property rights as a prerequisite for private-sector investment and job creation. In 2010, the Ministry of Agriculture, Irrigation and Livestock (MAIL) created the Afghan Land Authority to encourage investors to lease government land for agricultural use. To advance this goal, USAID started the Land Reform in Afghanistan (LARA) project in March 2011. As of March 31, 2013, \$30.6 million has been obligated for this effort.³⁵⁹

LARA has been working with the Jalalabad municipality to help design electronic title-deed and property-registration systems. USAID reported to SIGAR that a land-title software program has been completed and installed on LARA's Jalalabad office computers for testing, and over 2,000 parcels have been entered in and linked to the municipal tax map. USAID reported a boost in revenue from government-owned land after LARA began assistance to the Afghan Land Authority—from an average of 7 million Afghanis (Afs) (\$127,872) a year before 2011, to Afs 175 million (\$3.2 million) in 2012—with further gains expected.³⁶⁰

UPDATE ON TOKYO MUTUAL ACCOUNTABILITY FRAMEWORK

During this reporting period, SIGAR followed up with the State Department to see what actions had been taken to implement the Tokyo Mutual Accountability Framework, established by the Afghan government and the international community at the donors' conference in July 2012. SIGAR found that the Afghan government and the international community had made incremental progress.

The Framework was created to structure international development assistance to Afghanistan through 2015. Under the Framework, the international community pledged to improve aid effectiveness by, among other things, increasing direct government-to-government assistance to Afghanistan and aligning donor aid to Afghan National Priority Programs. However, the international community said its "ability to sustain support for Afghanistan depends upon the Afghan government delivering on its commitments described in the Tokyo Framework."³⁶¹

Those commitments included taking specific steps—which the Framework calls "indicators"—to achieve broad goals in five major areas of development and governance:

- Representational Democracy and Equitable Elections
- Governance, Rule of Law, and Human Rights
- Integrity of Public Finance and Commercial Banking
- Governmental Revenues, Budget Execution, and Sub-National Governance
- Inclusive and Sustained Growth and Development

For example, the goal for the first major area is to conduct credible, inclusive, and transparent presidential and parliamentary elections in 2014 and 2015 in line with the Afghan constitution. Indicators include developing by early 2013 a comprehensive election timeline

and ensuring "that a robust electoral architecture is developed in a secure, participatory, and transparent manner to enable successful and timely elections."³⁶²

The Framework required the Afghan government to develop work plans and timelines to achieve the governance and development indicators specified under each of the five major areas. The Framework also tasked the Afghan government and the international community to establish "a transparent and regular monitoring process" to hold each other accountable. The monitoring mechanism has three elements:

- The Standing Committees and the Joint Coordination and Monitoring Board (JCMB) to review progress on a regular basis
- A Senior Officials Meeting to be held in 2013 and every second year subsequently to review progress and update indicators where needed
- A Ministerial-level Meeting to be held in 2014, and every second year subsequently to review progress, update indicators, assess resource requirements, and renew international commitments

The Afghan government submitted its first draft "concept paper" for implementing the Tokyo Framework on July 31, 2012. The concept paper called for the Afghan government to complete an action plan for each of the five governance and development areas and identified coordination mechanisms within the Afghan government to monitor progress.

On October 14, 2012, the Afghan Ministry of Finance presented implementation plans at the first Tokyo Technical Committee meeting. These plans addressed three of the five areas: Democracy and Elections, Rule of Law and Human Rights, and Sustained Growth and Development. In February 2013, the Afghan government provided the remaining two action plans to the

international community for approval. According to the U.S. Embassy Kabul donors have responded to these action plans by identifying key priorities in each of them. The Afghan government has primary responsibility for monitoring its progress on the Tokyo reforms and for presenting its findings to the international community, according to State.³⁶³

The JCMB met in late February 2013 and reviewed the action plans. According to the JCMB report, the first three action plans submitted have been revised to incorporate the international donor community's concerns and comments. At the meeting the international community reached consensus with the Afghan government to focus on the critical, high-level indicators, rather than on a detailed technical dialogue. The international community will review Afghan progress at the senior-official level scheduled for July 3, 2013, and then again in 2014 at the ministerial level, after which changes to progress indicators, resource requirements, and Afghan and donor commitments, will be adjusted as necessary.³⁶⁴

In the meantime, the United States seeks to coax the Afghan government to live up to its reform commitments by increasing funding of "incentivized programs," including through multilateral mechanisms like the World Bank's ARTF.³⁶⁵ Incentives programs offer financing provided Afghanistan achieves agreed to benchmarks that are verified.³⁶⁶ For its part, the U.S. Embassy Kabul will monitor and assess all 16 Tokyo Mutual Accountability Framework indicators in the absence of detailed benchmarks agreed upon by the Afghan government and international donors.³⁶⁷

One important goal of the Tokyo Framework is to shift the relationship between the Afghan government and international community from that of recipient and donors to that of owner and partners.

BANKING AND FINANCE

Private-sector development requires solid financial institutions to provide capital and facilitate the exchange of money for goods and services. However, Afghanistan's financial sector remains largely underdeveloped. It makes limited capital investments in businesses, and contributes little to Afghanistan's private-sector activity.³⁶⁸ The banking sector still has not recovered from the 2010 near-collapse of Kabul Bank, and further reforms are needed, including stronger financial supervision, anticorruption measures, and reduced exposure to risk.³⁶⁹ DOD cautions that while a new banking law is planned to address these issues, a lack of leadership and professional capacity in the banking sector could hinder meaningful reform.³⁷⁰

Extended Credit Facility Arrangement

A second International Monetary Fund (IMF) Board review of its Extended Credit Facility (ECF) Arrangement with Afghanistan and an accompanying third disbursement of funding planned for December 2012 was deferred due to the Afghan government's poor performance, according to Treasury.³⁷¹ The three-year, \$129 million ECF loan agreement signed in November 2011 is conditions-based. Disbursements are contingent upon Afghanistan making progress on specific banking and financial structural reforms. Since the agreement was signed, the IMF has released two disbursements of \$18.2 million. The first was in November 2011, the second in June 2012, despite the IMF's review characterizing Afghan reform as weak and slow.³⁷²

IMF staff visited Kabul January 19–February 2, 2013, to discuss progress on the combined second and third reviews of the ECF scheduled for the spring. Given that the Afghan government has not achieved the required benchmarks, Treasury said the spring review and disbursement may be delayed.³⁷³

The Kabul Bank

On March 5, 2013, the Special Tribunal of the Supreme Court on Kabul Bank issued its judgment on 21 individuals charged in the Kabul Bank fraud. The two leaders of the fraud, ex-chairman Sher Khan Farnood and ex-CEO Khalilullah Ferozi, were convicted of breach of trust and sentenced to the maximum of five years' imprisonment. Farnood was ordered to return \$278 million and Ferozi \$530 million.³⁷⁴ They were acquitted of the more serious charges of embezzlement, forgery, and money-laundering, all of which carry longer prison terms.³⁷⁵ It is unclear if Farnood and Ferozi's loose house arrest since 2011, which reportedly included freedom of movement during the day and house detention at night, will count as time served toward their sentences.³⁷⁶

Masood Ghazi, CEO of the good-asset successor New Kabul Bank, was ordered to return \$5 million and sentenced to three years in prison. The former governor of Da Afghanistan Bank, Abdul Fitrat, who has since fled to

the United States, was convicted of a failure to enforce laws and sentenced in absentia to two and a half years in prison. Mustafa Masoudi, the former head of the government financial-transaction analysis and reporting agency, was fined a total of Afs 24,000 (\$500) for a failure to inform authorities when there is a duty to do so. Another 16 regulatory and banking officials received sentences ranging from three months to two years.³⁷⁷

The MOF boasted that the convictions demonstrate the government's commitment and ability to fight economic-financial crimes.³⁷⁸ But the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) expressed concern over the disproportionately light sentences handed out to the bank leadership compared to rank-and-file perpetrators.³⁷⁹ The text of the verdict detailing the court's rationale has not yet been made public.³⁸⁰

The MEC also deemed the overall verdict and punishments to be inappropriate noting the judges failed to issue a confiscation order under Afghanistan's Anti-Money Laundering and Proceeds of Crime Law, making it harder for the government to recover stolen funds.³⁸¹ The Attorney General's Office concurred and filed an appeal on March 16, 2013. This reopens the case, giving the appellate court authority to uphold the Supreme Court judgment, overturn convictions, or impose tougher verdicts. An appellate court ruling is expected within 60 days of the filed appeal. Afterward, the Supreme Court has five months to undertake a final review and render a decision.³⁸²

Kabul Bank had been Afghanistan's largest banking service provider, distributing most civil salaries on behalf of the Afghan government.³⁸³ The bank's 2010 near-collapse brought to light the loss of \$935 million in stolen funds. Last quarter the Afghan government updated the total amount owed to \$982 million after adding "significant non-loan claims" like unauthorized cash disbursements and expense claims.³⁸⁴ Over 92% of the stolen funds went to 19 individuals and companies.³⁸⁵ Afghanistan's central bank—Da Afghanistan Bank—covered these losses, amounting to 5–6% of Afghanistan's total GDP.³⁸⁶ Under the IMF's ECF Arrangement, the government is required to recapitalize the central bank; recover assets and hold accountable those responsible for the Kabul Bank crisis; strengthen banking reforms and supervision through Afghanistan's central bank; improve the management and transparency of public funds; and combat money laundering and terrorist financing.³⁸⁷

As of March 31, 2013, cash recoveries totaled \$138 million, unchanged from last quarter. Additionally, the Financial Disputes Resolution Commission (FDRC), which was set up to help settle civil cases that cannot be resolved by the Kabul Bank Receivership, completed all nine civil cases it was given and ruled in the receivership's favor in every case. However, it has yet to finalize any repayment agreements, according to State. The Receivership is finalizing six more cases to hand over to the FDRC.³⁸⁸

Sale of New Kabul Bank to Private Investors

After the bailout of the Kabul Bank, the Afghan government created New Kabul Bank (NKB) as a temporary ‘bridge bank’ containing the good assets and deposits from Kabul Bank. Privatizing the NKB is an ECF benchmark; the MOF intends to sell NKB to private investors or liquidate it by the end of 2013. Expressions of interest were due November 27, 2012.³⁸⁹ Five expressions of interest were received, but only one bid was submitted, which the MOF reportedly rejected. The Ministry has not announced a new strategy.³⁹⁰

DEVELOPMENT OF NATURAL RESOURCES

The United States, the Afghan government, and the international donor community count on developing Afghanistan’s natural resources to underpin economic growth in the face of declining external aid. Although mining has contributed less than 1% to the country’s GDP to date, the Afghan government expects to receive significant revenues from large-scale investments in the Aynak (copper) and Hajigak (iron-ore) mines. However, SIGAR has consistently warned that the Afghan government may not be able to earn revenues from Afghanistan’s estimated \$1 trillion dollars worth of minerals, coal, petroleum, and natural gas resources any time soon because considerable infrastructure investment is required to develop them.³⁹¹ The Congressional Research Service reports that even if Afghanistan’s natural resources are successfully developed and its economy is integrated with others in the region, “Afghanistan will likely remain dependent on foreign aid indefinitely.”³⁹²

The United States, through DOD’s Task Force for Business Stability Operations (TFBSO), has supported the Afghan government’s efforts to attract investment in the mining sector. Contract negotiations have begun on several areas tendered last quarter with TFBSO assistance. That assistance is continuing as Afghanistan prepares for a new round of tenders in 2013. Out of \$6.8 million total for mining-sector development, TFBSO obligated \$4.8 million, and of that, committed \$2 million, as of March 31, 2013.³⁹³

New Minerals Law

This quarter, the Afghan Cabinet approved the latest draft of the revised minerals law, which is an IMF and Tokyo Mutual Accountability Framework benchmark.³⁹⁴ Updating the law is meant to better protect Afghan resources, encourage investors, and align regulations to international best practices.³⁹⁵ Its delay has significantly hindered private-sector investment, according to TFBSO, which said mining companies value political and legal stability over security.³⁹⁶

Cabinet members had rejected the previous iteration, expressing concerns over thresholds for the bidding/tendering process, conversion of exploration rights, and the role of international firms.³⁹⁷ In the latest draft, several issues that were initially agreed to were stripped out. For example,

the new draft no longer links exploration and extraction rights in all tenders—something international investors were demanding. Instead it says whether investors gain extraction rights along with exploration rights will be determined case-by-case. It also makes all assets, regardless of size, available for tender and requires artisanal mining projects to be tendered instead of application-based.³⁹⁸

The State Department said the minerals law will now be submitted to Parliament.³⁹⁹ TFBSO warned that without linking exploration and extraction rights, many companies will not bid on new tenders and will not sign contracts on existing awards. Final Parliamentary consideration has not yet been scheduled.⁴⁰⁰

Assistance to the Ministry of Mines and Afghanistan Geological Survey

This quarter, TFBSO continued its technical assistance to the Ministry of Mines and Petroleum (MOMP) and Afghan Geological Survey (AGS) for oil and gas data management, including geology reports, seismic data, well logs, and production logs. Additionally, TFBSO supported Afghanistan's North Aynak Drilling program in Logar province, which is designed to strengthen MOMP and AGS capacity and to provide results on a potential copper deposit. AGS employees were trained in ground geophysics, drilling, and sample preparation; the data results from the program can now be used in future tenders.⁴⁰¹

TFBSO and the U.S. Geological Survey are also assisting the MOMP and AGS with visits to U.S. mines, official meetings, and attendance at international conferences related to resource development.⁴⁰²

MIDAS

USAID's Mining Investment and Development for Afghan Sustainability (MIDAS) project was awarded on March 31, 2013. The \$45 million off-budget and \$45 million on-budget mechanisms will support comprehensive capacity building at the MOMP to improve government revenue generation as international donor support winds down. MIDAS's off-budget support will focus on three primary components: legal and regulatory reform, technical assistance to the MOMP, and Small and Medium Enterprise development. The on-budget activity will provide technical assistance in geo-science field investigation, and other areas as needed. No funds have yet been disbursed.⁴⁰³

Aynak Copper Mine: Update

China Metallurgical Group (MCC) was awarded extraction rights at the Mes Aynak copper mine in Logar province in 2007, but has not yet begun extraction. However, ancillary infrastructure facilities around the mine opened this quarter. These included a 512-plot resettlement township for Afghans displaced by the mine. The township includes an 1,800-capacity mosque,

schools, bridges, a health center, access road, and shopping area. Each family will be given a 450-square meter (about a ninth of an acre) plot of land.⁴⁰⁴

The development of the mine itself, however, continues to experience delays from discovery of cultural relics in the area, difficulties in land acquisition, lack of primary infrastructure, and security concerns. According to State, the Ministry of Interior and MOMP have failed to adequately address site security issues.⁴⁰⁵ State also cautions that further delays are possible. MCC has the option to renegotiate its contract in 2013, and may be deferring further investment until it evaluates the results of Afghanistan's 2014 presidential election and the post-transition security environment.⁴⁰⁶

Despite these pitfalls, the Afghan government is relying on Aynak's revenue stream in its future revenue predictions. The international donor community is also using the projected revenues in its calculations for future assistance levels. According to published summaries of the contract, the government is slated to receive royalty rates of up to 19.5%, or \$808 million in pre-royalty payments, a 400 MW coal-fired power plant, and an associated coal mine.⁴⁰⁷

Hajigak Iron-ore Mine: Update

Contract negotiations for the Hajigak iron-ore concessions continue. The MOMP awarded three blocks to a seven-member Indian consortium led by state-owned Steel Authority India Ltd. (SAIL) in November 2011, and one block to Canadian Kilo Goldmines. According to State, the Indians and Canadians made passage of the revised Minerals Law a condition for their investments.⁴⁰⁸

A mining-industry publication blamed the unfinished negotiations on strict conditions laid out by the Afghan government. The article said the government insisted that prospective firms start exploratory projects within six months of a contract signing or face contract termination. The government also demanded an export cap of six million tons per year and fixed six-month production targets. Missing the targets could also trigger contract termination.⁴⁰⁹ The same publication reported the Indian government denied the SAIL-led consortium financial grant support, making it more difficult for them to raise debt and make investments in infrastructure and logistics facilities at the mine.⁴¹⁰

Hydrocarbons

Afghanistan's efforts to develop its oil and gas reserves are focused on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan. This quarter, TFBSO continued its technical assistance to the MOMP and Afghan Geological Survey to develop this sector.

Amu Darya Basin Production: Update

The Amu Darya Basin is estimated to contain 87 million barrels of crude oil. The China National Petroleum Corporation Watan Energy Afghanistan

Ltd. (CNPCI-W) produced approximately 5,000 barrels of crude from three blocks in 2012. TFBSO reported that CNPCI-W produced 500 tons of crude in January/February 2013 (about 3,665 barrels), generating \$45,000 in royalties to the government. State reported that although CNPCI-W is able to continue production, it is currently producing no oil while it works to secure a buyer for its output. Afghanistan lacks refining capacity, prompting CNPCI-W to seek take-off agreements with regional refineries.⁴¹¹

Government revenues from Amu Darya will depend on future production rates and market values. CNPCI-W's planned production for FY 2013 is 1.75 million barrels. Contract terms calls for the government to receive 15% of production value, 20% in income tax revenues, and a 50–70% share of profits accrued after the royalty is deducted and CNPCI-W recovers its operating costs.⁴¹² TFBSO is providing technical support to Amu Darya Petroleum Authority, which is managing the Amu Darya contract. It is also helping develop a larger Afghan authority to manage existing and future hydrocarbon contracts.⁴¹³

Afghan-Tajik Basin (Phase I) Update

This quarter Afghanistan's Inter-Ministerial Commission authorized the MOMP Contract Evaluation Team (CET) to negotiate with the consortium of Dragon Oil, Turkish Petroleum Corporation, Kuwait Energy, and Ghazanfar Group to sign an exploration and production-sharing contract for the two blocks it was awarded in the Afghan Tajik Basin in November 2012. TFBSO advisors continue to provide technical, legal, and commercial support to the CET during negotiations. Financial details will be available upon the contract award.⁴¹⁴

AGRICULTURE

Agriculture is a major factor in the Afghan economy. Eighty percent of Afghans directly and indirectly earn a living from this sector.⁴¹⁵ The legal agricultural sector is the second-largest contributor to GDP. Given its importance to the labor force, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.⁴¹⁶ Since 2002, USAID has provided about 15% of its funds to agriculture programs, helping Afghanistan to double its legal agricultural output from 2007.⁴¹⁷

This quarter, the JCMB approved two agriculture-related NPPs—National Water and Natural Resources Development, and National Comprehensive Agriculture Production and Market Development.⁴¹⁸

The National Water and Natural Resources Development

One of four NPPs in the Agriculture and Rural Development cluster group, this program was developed to address the effects of drought and desertification on Afghanistan's agro-ecosystem. According to the government,

75% of land in the north, west, and south suffers from moderate to severe desertification. The program seeks to promote proper management and use of Afghanistan's water resources to improve agricultural productivity, increase access to safe drinking water, and provide rural energy. It aims to achieve these goals by strengthening ministerial and institutional capacity, expanding irrigation, protecting natural resources, and providing access to rural energy for agribusinesses. Afghanistan has budgeted \$1.87 billion over three years for this NPP. It has secured \$1.15 billion, leaving a \$714.6 million shortfall. Funding will be provided on-budget either through the Afghanistan Reconstruction Trust Fund or other special account.⁴¹⁹

National Comprehensive Agriculture Production and Market Development

The goal of the National Comprehensive Agriculture Production and Market Development program is to improve sustainable agricultural production to ensure food security, promote economic growth, reduce dependency on subsistence farming, and encourage production of legal crops. The government aims to create a better regulatory environment for farmers and commercial food producers through improved access to credit, land tenure, rural infrastructure, food storage and processing facilities, and other business development services. Government ministerial capacity will also be strengthened for better policy and regulatory formulation as well as program implementation.

Afghanistan has budgeted \$1.13 billion over three years for this NPP in three areas: Food For Life, Food Zone, and Market and Enterprise Development. The government has only secured \$270 million, leaving an \$859 million shortfall. USAID will provide \$10 million off-budget aid in 2013 and \$10 million on-budget in 2014 for the Food Zone program, which focuses on counternarcotics efforts beginning in Kandahar. On-budget funding for this NPP will go either through the ARTF or another special account.⁴²⁰

USAID provides assistance to the agriculture sector through several programs. The three highest priorities, worth more than \$350 million total, are:⁴²¹

- Agricultural Development Fund (ADF) and Agricultural Credit Enhancement (ACE)
- Incentives Driving Economic Alternatives—North, East, and West (IDEA-NEW)
- Commercial Horticulture and Agricultural Marketing Program (CHAMP)

Agricultural Development Fund and Agricultural Credit Enhancement

Agricultural Development Fund and Agricultural Credit Enhancement (ADF-ACE), a \$150 million agricultural-credit project, has two complementary activities that aim to support MAIL's efforts to provide loans and build

MAIL's capacity to manage them. ADF was established to provide loans across the agricultural value chain through banks, farm stores, leasing companies, and food processors, which in turn provide agricultural credits to farmers. ADF-ACE designed and launched nine innovative financial lending products, one exclusively for women. Of ADF's \$75 million total allocation, \$64.6 million has been obligated and \$53.7 million has been disbursed (\$9 million on-budget) as of March 30, 2013.⁴²²

ACE, the technical-assistance component, manages all ADF lending activities and helps build MAIL capacity. As of March 30, 2013, 16,000 farmers have benefitted from \$46 million in loans, 1,000 more than SIGAR reported last quarter. Despite these successes, USAID noted that Afghan political and legal obstacles delayed ADF legal registration and access to lending funds, which, in turn, reduced the number of loans approved and the number of beneficiaries.⁴²³

Incentives Driving Economic Alternatives—North, East, and West

Incentives Driving Economic Alternatives—North, East, and West (IDEA-NEW) is a five-year cooperative-agreement project that provides agricultural assistance and economic alternatives to growing poppies in select provinces in eastern Afghanistan and in poppy regions in the northern and western parts of the country. As of March 30, 2013, USAID has obligated \$127.1 million to the IDEA-NEW program and has disbursed \$118.2 million. IDEA-NEW helps farmers shift to legal agricultural production by increasing commercial opportunities, extending access to financial services, and promoting value-chain development for key regional industries and trade corridors. It also facilitates connections between producers, traders, and buyers through market information activities and sales promotion.⁴²⁴

After an extensive review, IDEA-NEW has shifted away from infrastructure activities, voucher programs, and production-level assistance to farmers. Instead, it is focusing its efforts further up the value chain and working with businesses, cooperatives, associations, farm service centers, and other intermediaries.⁴²⁵

USAID reported that more than 950,000 households have directly benefitted from IDEA-NEW, which resulted in over 46,000 full time jobs and \$4.35 million in agricultural exports. However, oversight remains a challenge. Site visits are a vital part of effective monitoring, but safety and site access are becoming more acute concerns as provincial reconstruction teams and foreign combat forces leave Afghanistan.⁴²⁶ SIGAR has consistently expressed concern about this constraint.

Commercial Horticulture and Agricultural Marketing Program

Commercial Horticulture and Agricultural Marketing Program (CHAMP), a \$40.3 million program begun in 2010, aims to help farmers plant and operate

more profitable orchards and vineyards. CHAMP works with farmers to improve crop quality and promotes export and trade corridors. The program also works with traders to improve harvesting, packing, cold storage, and shipping methods.⁴²⁷

Approximately 6,000 hectares of new commercial fruit orchards and vineyards have been established through CHAMP assistance, benefitting more than 18,000 farmers. As of March 30, 2013, USAID has obligated \$24.3 million and disbursed almost \$23.3 million. However, insecurity continues to be CHAMP's most acute challenge to full implementation and material distribution. Insurgent groups threaten both CHAMP staff and farmers, particularly in Kandahar, Helmand, Zabul, Wardak, Logar, and Ghazni provinces.⁴²⁸

ESSENTIAL SERVICES/DEVELOPMENT

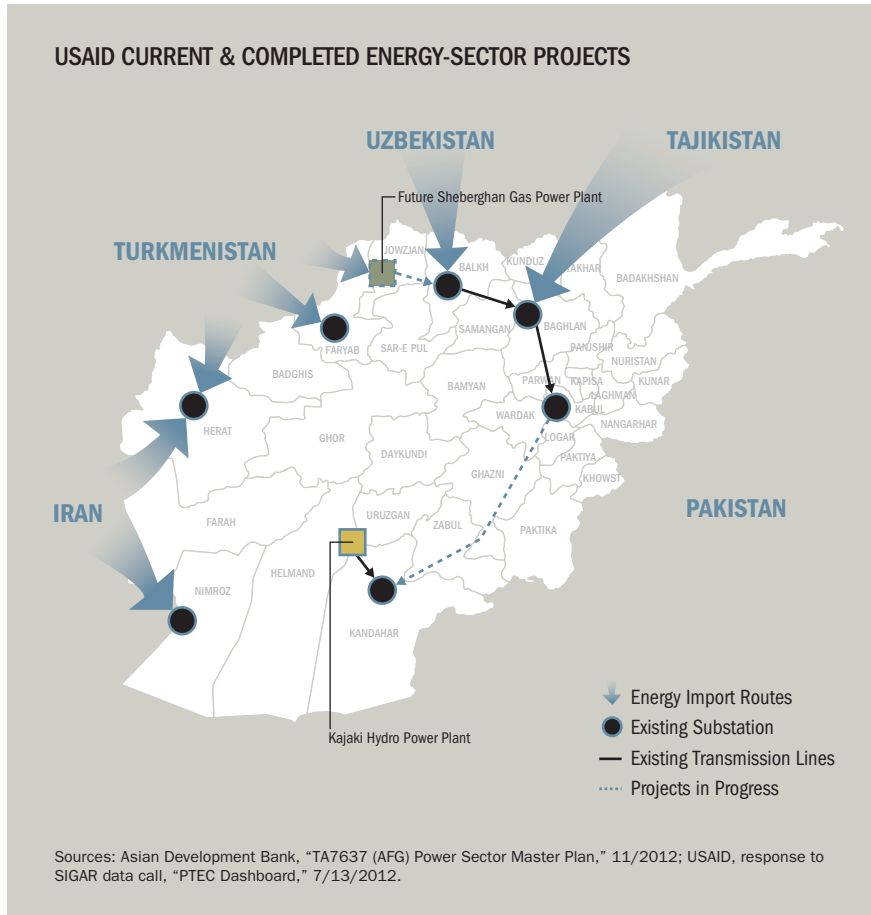
Since 2002, the United States has provided reconstruction funds to increase electricity, build roads and bridges, and improve health and education. This section addresses key developments in U.S. efforts to improve the government's ability to deliver essential services such as electricity, transportation, health, and education.

Energy

This quarter, one energy-related NPP was approved—the National Energy Supply Program (NESP). NESP is the third of four NPPs in the Infrastructure Development cluster, which is comprised of infrastructure investments, mineral resources development, and regional integration to drive economic growth. It will be implemented in conjunction with the Afghanistan Power Sector Master Plan. Through NESP, Afghanistan will make priority investments in the power-supply chain, encourage public-private partnerships and energy-sector reforms, and strengthen government capacity and accountability to support its goal to increase its energy supply by 10% annually. Its three-year budget, beginning in January 2013, is \$3.48 billion, of which Afghanistan has secured \$1.98 billion, leaving a shortfall of almost a \$1.49 billion. The portion of aid to be provided on-budget has not been decided.⁴²⁹

Electricity is critical to Afghanistan's development. In collaboration with the Afghan government and in alignment with their stated priorities, the United States has made developing an integrated energy sector one of its top reconstruction priorities since 2002. From 2002–2011, USAID alone has provided close to \$2 billion from the ESF to build generators, substations, and transmission lines, and provide technical assistance to the sector. It plans to spend at least \$900 million more over the next few years.⁴³⁰ In addition, DOD has provided \$292 million for electricity projects through CERP and \$530 million through the AIF, which is jointly managed by DOD and

FIGURE 3.37



State.⁴³¹ This assistance has lifted the number of Afghans with access to electricity from 5% of the population in 2001 to 30% in 2012.⁴³²

Afghanistan currently has nine separate power systems. The primary two are: the Northeast Power System (NEPS) and the Southeast Power System (SEPS). USAID has three projects to connect and increase the electricity supply in both systems, as shown in Figure 3.37.⁴³³

Sheberghan Program

USAID is implementing its part of the Sheberghan Program through two mechanisms: the \$90 million on-budget Sheberghan Gas Development Project (SGDP), and the \$35 million off-budget Sheberghan Gas Generation Activity.⁴³⁴ The Overseas Private Investment Corporation is backing financing of a \$300 million privately funded 200 MW gas-fired power plant; the Asian Development Bank (ADB) will support construction of the associated transmission lines.⁴³⁵

Bidding for the drilling and rehabilitation of SGDP opened this quarter; evaluations are in progress. The contract award is expected in June 2013. However, USAID noted the project scope is up to four wells. Drilling companies view that as a job with a small return on investment given the security and political risks.⁴³⁶

In other developments at Sheberghan, TFBSO is assisting the MOMP to tender operations of the compressed natural gas (CNG) station that TFBSO funded and handed over to the MOMP in 2012. Private investors are being sought for possible expansion of activities at the site. CNG is 50% cheaper than gasoline, as well as cleaner; if taken to a scalable level, use of CNG should reduce Afghanistan's reliance on imported fuel.⁴³⁷ As of March 31, 2013, TFBSO has obligated \$11.2 million and committed \$345,000 toward this effort.⁴³⁸

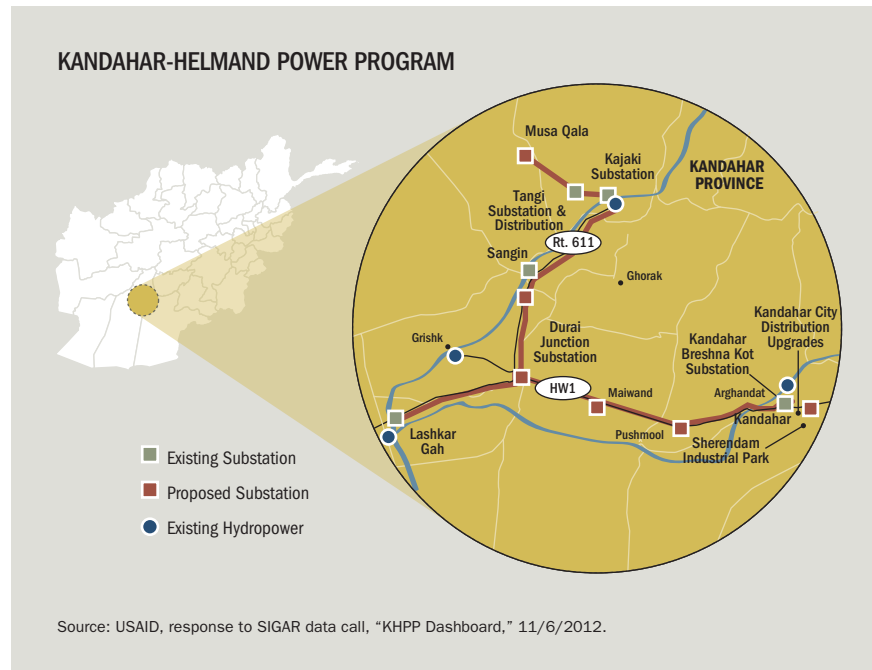
Kandahar-Helmand Power Project

The Kandahar-Helmand Power Project (KHPP), shown in Figure 3.38, considered an important element of the counterinsurgency strategy in southern Afghanistan, is intended to simultaneously increase the power supply in Kandahar and make it more accessible to the population. In 2010, USAID awarded a \$266 million contract to Black and Veatch to rehabilitate power substations, upgrade the medium-voltage distribution system in Kandahar City, install a third turbine at the Kajaki Dam, and design and install new diesel-powered generators. DOD is committed to funding the fuel for these and other U.S. Army Corps of Engineers-installed generators through 2014 using AIF. This fuel subsidy will be extended, but USAID expects it to decrease as Afghanistan's national utility, DABS, takes the required steps to secure the revenue needed to sustain the fuel costs.⁴³⁹ As of March 15, 2013, USAID had obligated \$229.6 million of ESF funds for the KHPP, an increase of \$90.1 million from last quarter. Of that, \$152.2 million had been disbursed.⁴⁴⁰



The turbine hall at the Kajaki hydroelectric station in Helmand Province currently has two turbines like the one visible at left. U.S. aid will provide for installation of a much-needed third turbine delivered in 2008. (State Department photo)

FIGURE 3.38



In response to a request by President Karzai to President Obama during a January 2013 visit to Washington, DC, installation of a third turbine at Kajaki Dam has been descoped from the KHPP contract. Instead, USAID will provide \$60–80 million of on-budget assistance through the MOF to DABS to install the turbine.⁴⁴¹ On April 9, 2013, SIGAR announced a review of USAID's plans for providing this direct assistance, its assessments of DABS' capacity to manage it, and its measures to support DABS in managing this money.⁴⁴²

USAID is helping DABS advertise and award a contract for the turbine installation. This new implementation strategy will shift the timeline for completion to late 2015. The Black and Veatch contract, which includes technical assistance, expires on September 30, 2013, leaving little time for DABS to make progress on the installation before the contractor departs.⁴⁴³ All other components of KHPP are expected to be completed by that date, according to USAID.⁴⁴⁴

U.S. Forces-Afghanistan, the U.S. Army Corps of Engineers, and USAID are working closely on related power-infrastructure efforts within SEPS. KHPP has continued to encounter logistical difficulties this quarter. USAID reported a three-month delay in getting more than 100 shipping containers of equipment and supplies across the Pakistani border due to new customs rules, protests, and strikes. On the Afghan side of the border, it took eight weeks to repair 14 transformers damaged by thieves who stole copper components. Additionally, DABS lacks capacity in quality control, causing delays

in upgrading Kandahar power distribution. USAID is helping DABS staff strengthen its capabilities by involving them directly in expanding and maintaining the distribution system.⁴⁴⁵ Other project components proceed on or ahead of schedule, such as the replacement of 10.5 MW of diesel generation at the Breshna Kot substation, which was 68 days ahead of schedule.⁴⁴⁶

SIGAR AUDIT

This quarter SIGAR published an audit of U.S.-funded projects to help commercialize DABS found that DABS-Kandahar, which is to assume responsibility for this portion of the grid, has little capacity to acquire, operate, install, or manage systems equipment independently. For more information see Section 2, page 26.

Power Transmission Expansion and Connectivity Program

Power Transmission Expansion and Connectivity (PTEC), a U.S.-funded program designed to strengthen and expand the power-generation, transmission, and distribution systems, directly supports the National Energy Supply Program of the Afghanistan National Development Strategy. The strategy calls for improving the collection rate against energy billings and increasing the supply of power.

A key component of PTEC is constructing a transmission line between Kabul and Kandahar to connect NEPS with SEPS. This 530 kilometer connection, together with the rehabilitation of the Kajaki Hydropower Plant, was identified in 2010 as the only viable, long-term solution to displace costly and unsustainable diesel-power generation in Kandahar with affordable and reliable power. PTEC will be implemented in stages. The ADB is responsible for the first 40 kilometer, Kabul–Arghandi substation connector. USAID will fund construction of the next 120 kilometer section from Arghandi to Ghazni through on-budget aid to DABS. USAID approved DABS's bid-package solicitation. Meanwhile, the U.S. Army Corps of Engineers is constructing the transmission line from Arghandi to Pul-e Alam and Gardez.⁴⁴⁷

Some \$417 million of PTEC's total estimated cost of \$814 million is being transferred on-budget to DABS through the multi-donor-funded Afghanistan Infrastructure Trust Fund (AITF), implemented by the ADB. The ADB established the AITF in December 2010, to allow bilateral, multilateral, and individual contributors to partner with the ADB in financing infrastructure investments. USAID is working on the transfer agreement. In other developments, USAID approved and DABS released bid-solicitation documents for the DABS Capacity Building and Commercialization project, which is expected to be awarded in May 2013. USAID also helped design and develop bid packages for the Salang Tunnel substation, a high-voltage transmission line from Jalalabad to Hisar-e Shahi Industrial Park, and improvements to existing NEPS infrastructure.⁴⁴⁸

DOD-Funded Programs

This quarter, DOD continued implementing several priority energy-sector projects using FY 2012 and FY 2013 AIF money. These included:

- the Kandahar Power Bridging Solution
- Kandahar–Durai Junction transmission lines
- Charikar–Bazirak and Charikar–Mahmood Raqi transmission lines and power substations

Kandahar Power Bridging Solution

This project provides fuel for the diesel power generators in Kandahar City until the KHPP has been completed. FY 2012 funding remains at \$79.8 million. The estimated FY 2013 cost is \$100 million, which includes \$90 million for fuel and \$10 million for operations and maintenance (O&M).⁴⁴⁹ DOD plans to continue purchasing fuel and providing O&M support through FY 2015.⁴⁵⁰ It sees this electricity as critical to the counterinsurgency strategy to help stabilize Kandahar by supporting economic development and improving citizens' quality of life. DOD said the Kandahar Bridging Solution is a central to the Afghanistan Electrification Plan and the State Department's development plan for Afghanistan.⁴⁵¹

A July 2012 SIGAR audit of FY 2011 AIF projects found, in part, that until alternative fuel sources can be found to replace the diesel generators or increase the amount of fuel going to Kandahar City, there is no indication that the costs of the bridging solution will decrease.⁴⁵²

Kandahar to Durai Junction Transmission Lines

Part of the effort to expand SEPS, this project continues earlier efforts to install or repair transmission lines from Kandahar City to Durai Junction and to construct or repair substations at Maiwand and Pashmul. The project cost remains \$40 million in FY 2012 funds, \$115,000 of which has been disbursed, according to DOD's FY 2012 End of Year AIF report to Congress. This transmission line will help address the need for reliable electricity in Afghanistan's south and southeast and constitutes a key element for the larger PTEC project linking SEPS and NEPS.⁴⁵³ DOD's goal is to promote economic growth, security, stability, and capacity-building efforts within DABS to improve the commercialization of power that will allow it to generate sufficient revenues to fund capital improvements to the grid.⁴⁵⁴ Completion of this project is essential to distribute power generated by the third turbine awaiting installation at Kajaki Dam, according to DOD.⁴⁵⁵

Charikar-Bazirak and Charikar-Mahmood Raqi Transmission Lines and Power Substations

This project will install 52 kilometers of transmission lines from Charikar to Bazirak and from Charikar to Mahmood Raqi, and will build three substations to expand NEPS. The \$48 million allocated for the project was moved to FY 2013 with another \$22 million added, for a total estimated cost of \$71 million, according to a DOD notification to Congress. Annual estimated costs are \$580,000.⁴⁵⁶ DOD told Congress the project will bring reliable electricity to 1.15 million Afghans across three provinces and help fuel private-sector growth, especially in the agriculture, processing, manufacturing, and mining sectors.

DOD assumes that DABS will take over responsibility for national-grid O&M as well as for completed infrastructure improvements, and will

be able to sustain them with improved revenue sources and capacity.⁴⁵⁷ However, as noted above, SIGAR has raised questions about DABS's capacity, and other audits have said Afghanistan lacks the resources necessary to fulfill O&M commitments.⁴⁵⁸

CERP Projects in the Electricity Sector

DOD also uses CERP funds to pay for small-scale electricity projects across the country, such as installing generators, solar panel systems, and utility poles. During the first quarter of FY 2013, funding for eight new CERP electricity projects was obligated (valued at \$56,312). The largest of these new projects (\$28,500) will repair power poles and power lines in Parwan that were damaged by military vehicles, causing outages to 18 homes and a mosque. This project will employ 45 citizens for 12 weeks.⁴⁵⁹

TRANSPORTATION

Afghanistan's lack of transportation infrastructure continues to hinder trade and economic growth.⁴⁶⁰ The country has one of the worst road systems in the world. It has less than 100 miles of railroad, and is 2,000 kilometers from the nearest seaport—one of the longest distances from a seaport among all landlocked developing countries.⁴⁶¹ In addition, neighboring countries often have incentives to make movement of Afghan goods across their borders difficult.⁴⁶²

Afghanistan's infrastructure shortcomings are especially problematic for the service and agriculture sectors, which currently contribute most to GDP. They also hold back the extractives industry, whose future revenues the Afghan government and international donor community are counting on to supplement declining aid.⁴⁶³ According to a World Bank analysis, restoring the transportation sector is imperative for economic recovery and development.⁴⁶⁴ This quarter, the United States continued its efforts to develop transportation laws, ministry capacity, and compliance with international standards.

Road

Most of Afghanistan's 39,000 kilometers of roads need repair, according to the World Bank, which said the country required an investment of \$3 billion to put Afghan roads in a maintainable state. The road network is scheduled to expand to 46,000 kilometers in 2014.⁴⁶⁵

The United States has funded road construction primarily through the ESF and CERP. Since 2002, USAID has provided \$2.1 billion to build roads and bridges, with road and bridge building accounting for approximately 25% of all USAID spending in Afghanistan.⁴⁶⁶ According to USAID, these projects have completed and helped maintain more than 2,000 kilometers of roads.⁴⁶⁷



Community members discuss street-widening plans. (USAID photo)

Donors have generally emphasized building and rehabilitating roads as opposed to carrying out O&M, according to the World Bank. Only \$28 million was allocated in Afghanistan's 2011/2012 core budget for O&M of roads and bridges, while an estimated \$290 million was needed. That figure is expected to rise to \$394 million in 2014. This severe underfunding of O&M threatens donor investments in the transportation sector.⁴⁶⁸

USAID is planning to phase out investments in new road construction. Instead the agency will focus on sustainability by improving O&M, and by strengthening Afghan government capacity and institutional reform so that it can manage construction quality and operate its transportation infrastructure. It will do so with the assistance of the U.S. Department of Transportation, under its forthcoming Road Sector Sustainability (RSS) project, which will include a combination of off-budget and multi-donor on-budget assistance to help key ministries develop construction plans, specifications, and standards; vehicle operations oversight and regulation standards; and priority institutions, such as a Road Authority, Road Fund, and Transportation Institute.⁴⁶⁹

RSS will address short-term needs through a \$5 million, off-budget, emergency O&M account. In the medium term, there will be a \$33 million, on-budget road O&M program to be implemented through the ADB's AITF, as well as a \$33 million effort to build the Ministry of Public Works' capacity for oversight and management. In the long term, RSS will provide \$35 million in technical assistance for the Road Authority, Road Fund, and Transportation Institute. The AITF will make funding for new road construction conditional on the Afghan government's ability to adequately maintain existing facilities.⁴⁷⁰

In addition, DOD uses CERP funds on road construction projects to support its mission. More than \$509 million of CERP had been spent on road projects in Afghanistan since 2005; 44 projects worth \$44 million are ongoing at this time.⁴⁷¹ During the first quarter of FY 2013, 11 new CERP-funded road construction projects were obligated (valued at \$830,249). The largest of these new projects was an emergency repair to a highway in Paktika that is critical to the flow of commerce in that province.⁴⁷²

In its January 2013 report to Congress on the implementation of the Afghanistan Infrastructure Program, DOD reported one ongoing road project using FY 2011 funds (valued at \$22 million) and two using FY 2012 funds (\$45.6 million).⁴⁷³ DOD relinquishes responsibility for inspecting and maintaining roads it has built once they are handed over to the Afghan government. If maintenance or reconstruction is required, the government can apply for CERP funds through the standard application process.⁴⁷⁴

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. Currently, Afghanistan has no meaningful railroad development, operational experience, or capacity. Only one completed rail line exists—a 75 kilometer line from Hairatan, on the border with Uzbekistan, to Mazar-e-Sharif.⁴⁷⁵

U.S. assistance includes helping the Ministry of Public Works stand up the Afghan Rail Authority and develop a national railway plan. U.S. work has also included assessments of several railroad “ports” or cargo-handling areas with roads, ramps, equipment, and structures.⁴⁷⁶ A DOD-funded Afghanistan National Rail Plan (ANRP) feasibility study is ongoing. A U.S. government working group as well as officials from the Ministry of Public Works and Ministry of Mines and Petroleum reviewed drafts of the data, models, and analysis in the study. The final report is scheduled to be published in July 2013.⁴⁷⁷

On March 20, 2013, Afghanistan signed a memorandum of understanding with Turkmenistan and Tajikistan to build an interlinking rail line, providing increased trade and export opportunities. The proposed 400 kilometers line will connect Atamurat-Yamnazar in Turkmenistan to Akina-Andkhoy in Afghanistan, then proceed to Pyandzh, Tajikistan, through Sher Khan rail port in Kunduz province. The memorandum calls for construction to begin in Turkmenistan by July 2013.⁴⁷⁸

EDUCATION

Since 2002, USAID has supported education through aid for building schools, developing curricula, and conducting training. USAID’s ongoing priority programs in the Education sector funded through the ESF this quarter include:



A policeman patrols alongside a new railway track in northern Afghanistan. (AFP photo)

- Basic Education, Literacy, and Technical-Vocational Education and Training (BELT)
- Higher Education Project (HEP)
- American University of Afghanistan (AUAF)

Basic Education, Literacy, and Technical-Vocational Education and Training

Basic Education, Literacy, and Technical-Vocational Education and Training (BELT) is a three-year (December 2011–October 2014), \$173 million on-budget program that aims to improve access to quality basic education in communities typically beyond the reach of the government. The program provides technical-vocational education and training, as well as literacy programs. As of March 31, 2013, USAID obligated \$20 million and of that, disbursed approximately \$4.7 million.⁴⁷⁹

Technical Vocational Education and Training (TVET) is a forthcoming component of BELT. Its objective will be to provide quality education and training to Afghan children and youth to make them more employable, especially girls in rural and remote areas. USAID and the Ministry of Education have agreed on a set of performance milestones that, if reached, will trigger on-budget disbursement of funds. USAID expects to sign an implementation letter for funding in May 2013, and identify TVET schools by the end of 2013.⁴⁸⁰ The implementation letter will spell out the performance milestones, means of verification, and the funding level associated with each milestone. USAID will establish the number and criteria for selecting participating schools in the program, but selection will be by the Ministry of Education.⁴⁸¹

BELT TVET is another on-budget component of this effort to build the quality and professionalism of TVET educators. It aims to provide graduate, secondary, and post-secondary students with accredited, certified skills, and will set up a national accreditation system for and equivalency for TVET in the Ministry of Education.⁴⁸²

Higher Education Project

Since the Higher Education Project (HEP) project began in 2006, it has successfully supported the Ministry of Higher Education execute its National Higher Education Strategic Plan, according to USAID. HEP's latest phase, scheduled to end in August 2013, provides technical assistance to increase ministry capacity through professional training, quality assurance and accreditation, curriculum review, university partnerships, academic policies, and regulation. USAID said that as it operates in an environment replete with logistical and security challenges, HEP does not have significant outcome data to quantify its impact. However, USAID is considering an evaluation design for the follow-on HEP (2013–2017) that will include greater attention to outcome measures and data collection.⁴⁸³ As



U.S. Ambassador James Cunningham speaks at an American University of Afghanistan convocation about U.S. support of higher education and the new International Center for Afghan Women's Economic Development. (State Department photo)

of March 31, 2013, USAID had obligated \$21.2 million toward HEP and disbursed \$12.4 million, representing no change since last quarter.⁴⁸⁴

American University of Afghanistan

This five-year (August 2008–July 2013), \$42 million program is designed to support development of American University of Afghanistan's (AUAF) English-language undergraduate and continuing-education programs, with a concentration on liberal arts. Undergraduate degrees include business administration, information technology and computer science, political science and public administration, and mass communication. AUAF also offers a master's degree in business administration. As of March 31, 2013, USAID had obligated \$39.6 million and disbursed \$37.6 million toward this effort, representing no change since last quarter.⁴⁸⁵

LABOR

Assessing the transition's impact on Afghanistan's labor market is difficult given the limited and inconclusive available data, according to the World Bank. 2009 figures showed just 6.8% of Afghans unemployed, but more than 48% were underemployed (working fewer than 35 hours a week, on average). Conflict-affected provinces faced less unemployment than non-conflict ones, but had higher underemployment. The World Bank surmised this was caused by short-term job opportunities created by provincial reconstruction teams in those areas.⁴⁸⁶

Labor Market Surveys

SIGAR has previously noted the generally poor quality of Afghanistan's higher-education curriculum. USAID is working with the Afghan government and others to help the country's public-sector technical schools provide training for the skills needed to meet business and industry requirements. In 2012, USAID started aligning Afghanistan's education goals with

industry needs through a series of labor-market surveys of small- and medium-sized enterprises in six urban areas. USAID planned to conduct four surveys over a two-year period; two were completed. USAID reported this quarter that the third survey did not occur because the contract was descope and a close-out letter was issued to the implementing partner.⁴⁸⁷

Afghanistan Workforce Development Program

USAID's Afghanistan Workforce Development Program (AWDP) aims to offer access for 25,000 Afghan men and women to labor-market-driven vocational education and training, business-development support, business-management training programs, financial credit, and job-placement services. AWDP is trying to mitigate high unemployment and the scarcity of technically skilled Afghan labor and trained Afghan business managers. The goal of the program is to facilitate job creation, develop a skilled workforce at mid-career and semi-professional levels, increase self-employment, and promote economic growth in Afghanistan.⁴⁸⁸

The AWDP is also supporting efforts to build the capacity of technical/vocational educators and trainers. AWDP seeks to both improve the quality of these training programs through public-private partnerships, and make them more accessible. As of January 31, 2013, the AWDP expended approximately \$3.7 million of the \$5 million originally obligated to the program. On March 10, 2013, an additional \$6.7 million was allocated to AWDP for a total of \$11.7 million.⁴⁸⁹

HEALTH

No sector has benefited more from Afghanistan's reconstruction than the health sector. Afghanistan has experienced extraordinary improvements in its health indicators since 2002. Although the country still has one of the highest mother-and-child mortality rates in the world, life expectancy has improved by as much as 15–20 years according to the USAID-funded Afghanistan Mortality Study 2010.⁴⁹⁰ Although National Public Radio reported that some experts who worked on the survey question the validity of its results, USAID remains confident in the data and has not revised it.⁴⁹¹

From FY 2002 through FY 2011, U.S. on-and-off budget assistance to Afghanistan's health sector totaled \$926 million, as shown in Figure 3.39 on the following page.⁴⁹² On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, medical and non-medical supplies, in-service training, minor renovations of facilities, medical equipment, and monitoring and supervision. Off-budget assistance comprises pharmaceuticals and contraceptives.⁴⁹³

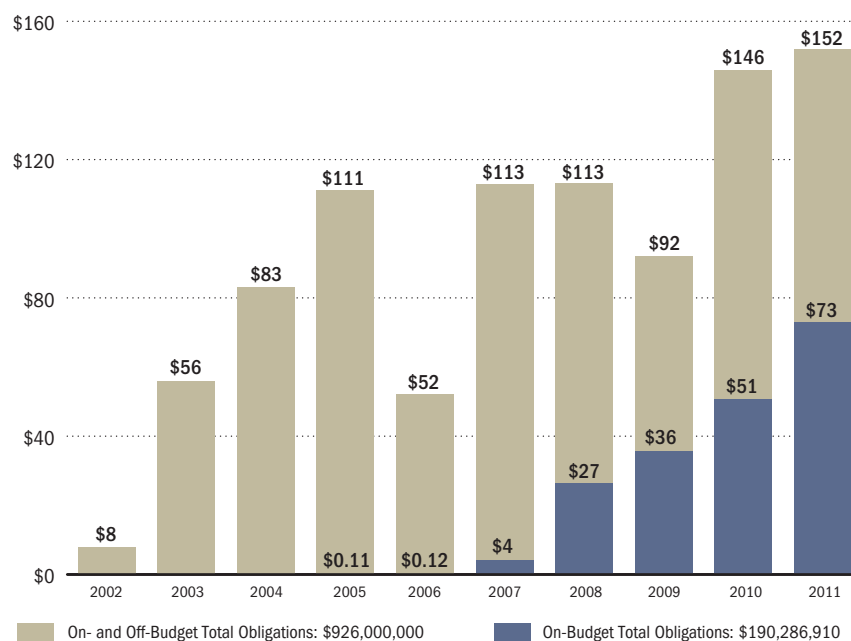
Out of the more than 1,970 primary health-care facilities in Afghanistan, the United States funds 545 across 13 provinces, including 27 non-provincial hospitals. The United States also funds tertiary care in

SIGAR AUDIT

A SIGAR audit released this quarter questioned Afghanistan's ability to financially sustain two new USAID-funded hospitals under construction and appropriately staff five existing USAID-funded provincial hospitals. For more information, see Section 2, page 28.

FIGURE 3.39

USAID FUNDING TO HEALTH SECTOR FY 2002–FY 2011, ON- AND OFF-BUDGET (\$ MILLIONS)



Note: Numbers have been rounded.

Source: USAID, responses to SIGAR data call, 4/11/2013 and 4/1/2013.

five provincial hospitals and one national hospital, as shown in Figure 3.40.⁴⁹⁴ According to USAID, 60% of Afghans are now within one hour's walk from a health-care facility.⁴⁹⁵

In 2002, the MOPH, with the help of the international community, devised a strategy to deliver a basic package of health services (BPHS) that encompasses cost-effective interventions aimed at vulnerable populations. It does so, in part, by contracting out the delivery of local health services to nongovernmental organizations (NGOs) so that the ministry can focus on Afghanistan's national healthcare system. NGOs are currently working in 31 of Afghanistan's 34 provinces. MOPH staff provides services in the remaining three.⁴⁹⁶

Under the BPHS, Afghanistan's primary health care system comprises six types of facilities, described here from most basic to most extensive:

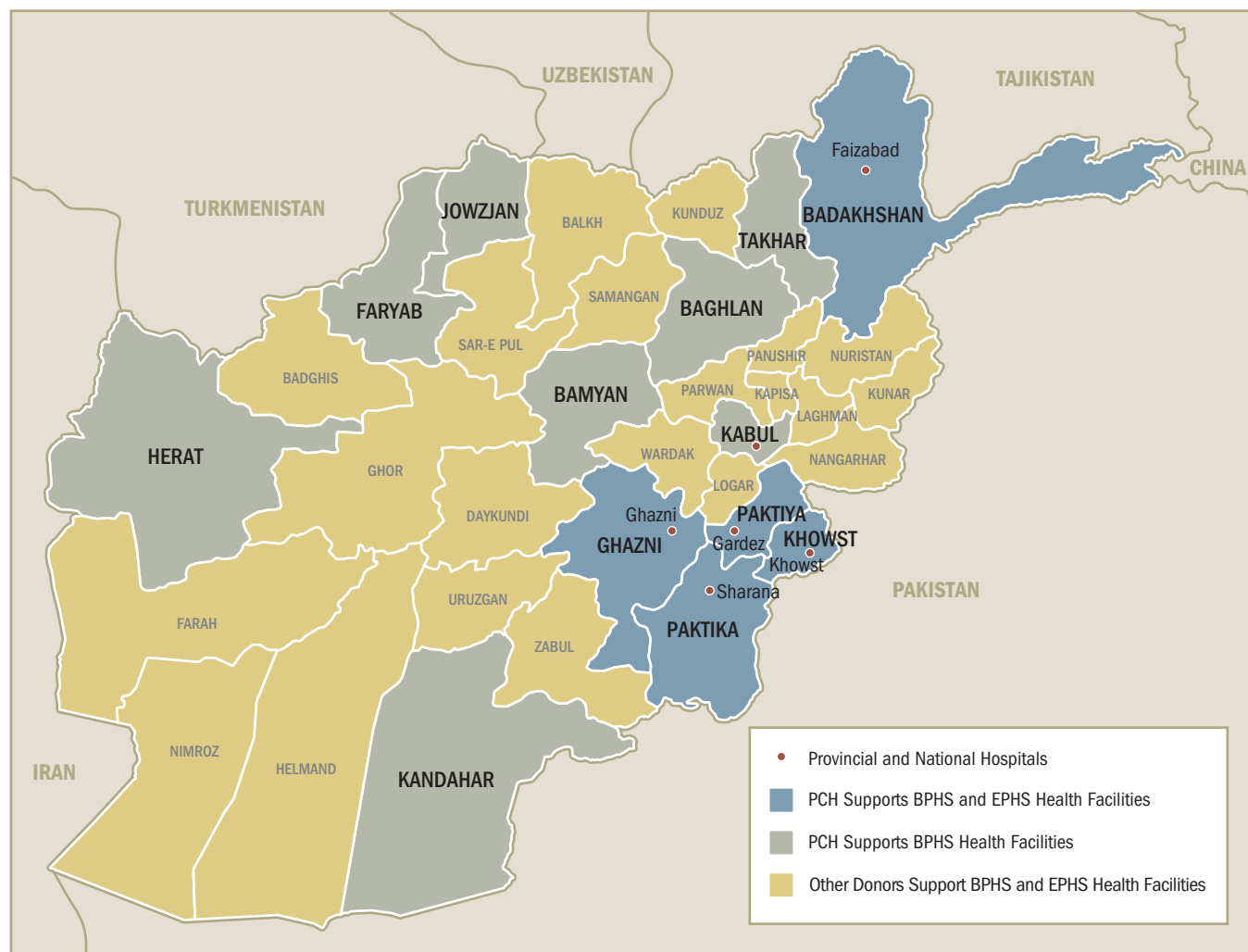
Health Posts are community extensions of primary health care facilities, ideally staffed by three volunteer community health workers—two male and one female—who deliver limited services out of their homes to an area of 1,000–1,500 people. Services include diagnosis and treatment of malaria, family planning, and nutrition supplements and counseling. The workers also treat minor illnesses and identify disabilities and mental

SIGAR INSPECTION

A SIGAR inspection this quarter found the CERP-funded Qala-I-Muslim Medical Clinic in Kabul to be well-sustained and serving its 4,000-member community effectively. More than 1,500 patients have been treated since opening in 2011. For more information, see Section 2, page 38.

FIGURE 3.40

U.S.-FUNDED TERTIARY CARE HOSPITALS



Note: Tertiary care is specialized consultative care in a center that has personnel and facilities for special investigation and treatment.

Sources: USAID, response to SIGAR data call, 4/11/2013; USAID, "Partnership for Contract Health, Fact Sheet," 1/2013, accessed 4/16/2013; Johns Hopkins Medicine, "Tertiary Care Definition," accessed 4/19/2013.

conditions. Female community-health workers promote pregnancy and birth preparedness and basic essential newborn care.⁴⁹⁷

Health Sub-Centers are temporary health centers that offer services at levels between health posts and other BPHS facilities. Health Sub-Centers (HSC) provide care to underserved, rural populations of 3,000–7,000 people. They are run out of private houses and should be no more than a two-hour

walk for patients. HSCs are potential precursors for more permanent facilities depending on established need and community commitments. Services include health education, immunization, antenatal care, family planning, tuberculosis detection, referral and follow up, and diarrhea and pneumonia treatment. HSCs are staffed by a male nurse and a community midwife, as well as a cleaner/guard.⁴⁹⁸

Basic Health Centers provide primary outpatient care, including immunizations, antenatal, delivery, postpartum and newborn care, nonpermanent contraception, integrated management of childhood illnesses, malaria and tuberculosis treatment, identification of disabilities and mental conditions, and issues referrals and follow-up care. Basic Health Centers (BHC) supervise the activities of the health posts in their area of responsibility, comprising 15,000–30,000 people, depending on location. Minimum staffing requirements are one nurse, one community midwife, and two vaccinators.⁴⁹⁹

Mobile Health Teams are extensions of BHCs that provide the same services to small, remote communities. Mobile Health Teams are comprised of one male doctor or nurse, one female community midwife or nurse, a vaccinator, and a driver.⁵⁰⁰

Comprehensive Health Centers offer a greater range of services than BHCs. They can handle complications during childbirth, serious childhood disease, difficult cases of malaria, and outpatient mental health care. Comprehensive Health Centers have a larger staff than a BHC, including male and female doctors and nurses, midwives, one psychosocial counselor, as well as laboratory and pharmacy technicians. Physiotherapists from the district hospital visit on an outreach basis.⁵⁰¹

District Hospitals handle all BPHS services, including major surgery, x-rays, emergency obstetric care, sterilizations, comprehensive mental-health care, and physiotherapy rehabilitation. District hospitals offer a wider range of essential drugs, treatment of severe malnutrition, and laboratory services. They are staffed with female obstetricians/gynecologists, a surgeon, a pediatrician, an anesthetist, a mental-health doctor, psychosocial counselors/supervisors, midwives, laboratory and X-ray technicians, a pharmacist, a dentist and dental technician, and two physiotherapists (male and female). Each district hospital accommodates between 100,000 and 300,000 people.⁵⁰²

USAID's highest-priority programs in the health sector this quarter include:

- Partnership Contracts for Health (PCH) Services
- Health Policy Project (HPP)
- Leadership, Management, Governance Project (LMG)

Partnership Contracts for Health Services

A five-year (2008–2013), \$218 million on-budget program, Partnership Contracts for Health (PCH) supports the MOPH's efforts to provide the BPHS and the Essential Package of Hospital Services across Afghanistan.

As noted on page 163, the United States is supporting 545 of these health facilities. A SIGAR audit this quarter assessed Afghanistan's ability to sustain two PCH hospitals under construction and staff the five provincial ones funded by USAID. The audit found that USAID did not assess the MOPH's ability to operate and maintain these facilities once completed, and some provincial hospitals are experiencing staffing shortages in key medical positions. As of March 30, 2013, USAID had obligated \$190.3 million to this program and disbursed \$121.3 million.⁵⁰³

PCH delivers health care ranging from basic to highly specialized diagnostic and treatment services. It also supports Community Midwifery Education (CME) contracts, which help reduce both maternal and child mortality. This quarter, 136 CME students graduated and most deployed to health facilities, 17 non-governmental organization contracts were extended to December 20, 2013, and a second round of CME contracts are being procured. USAID reported several challenges to better program implementation, including insecurity, an increasing unavailability of air transportation to monitor activities in kinetic areas, political interference in PCH priorities, and shortages of female health staff at all levels.⁵⁰⁴

Health Policy Project

The Health Policy Project (HPP), an 18-month (June 2012–November 2013), \$18 million program, is building MOPH capacity to address basic health needs through public-private partnerships. As of March 31, 2013, USAID had obligated \$8.8 million to the program. HPP works to expand private-sector capacity to deliver high-quality services, improve HIV care and prevention policies, and promote behavioral change through social media marketing. Accomplishments of the HPP include fully staffing a Public Private Partnership Unit within the MOPH, completing an assessment of Jumhoriyat Hospital's commercial viability and value, and providing technical assistance to the Afghanistan Social Marketing Organization's board of directors. Challenges to implementation include insecurity in provinces, the lack of a legal framework governing public-private partnerships, and private industry's difficulty in navigating the bureaucratic morass of the Afghan government.⁵⁰⁵

Leadership, Management, Governance Project

The 18-month (September 2012–February 2014), \$25 million Leadership, Management, Governance (LMG) Project works with the MOPH and the Ministry of Education, at both the provincial and central level to build leadership, management, and governance capacity within Afghanistan's health and education systems. It also aims to improve transparency and accountability within the MOPH and helps both ministries manage on-budget assistance. As of March 31, 2013, USAID had obligated \$16.3 million and disbursed \$2.5 million for the program.⁵⁰⁶

USAID reported this quarter that all 14 LMG participatory hospitals have gone from controlling no part of their budgets to managing 76–100%. The agency also said these facilities established management committees and formed four provincial maternal and child health committees. The MOPH developed governance guides and an assessment tool for provincial and district health coordination, and trained all 74 departments at the ministry on standardized reporting techniques. USAID reported no specific security threats to the program on a provincial level, but stressed the need to monitor potential security vacuums in some communities once U.S. forces withdraw.⁵⁰⁷

PRIVATE SECTOR DEVELOPMENT

The United States is supporting private-sector development through the ESF, TFBSO, and CERP. USAID's priority economic-growth projects, funded through the ESF, include:⁵⁰⁸

- Assistance in Building Afghanistan by Developing Enterprises (ABADE)
- Economic Growth and Governance Initiative (EGGI)
- Trade Accession and Facilitation for Afghanistan (TAFA) I and II

Assistance in Building Afghanistan by Developing Enterprises

USAID's newly initiated, \$105 million Assistance in Building Afghanistan by Developing Enterprises (ABADE) program is focused on helping productive, Afghan-registered, small-to-medium enterprises add jobs, increase investment, and improve sales of domestic products and services. ABADE will support private-sector businesses that offer the best leverage and opportunity for sustained economic growth. Last quarter, ABADE hired staff and finalized its work plan and performance metrics.⁵⁰⁹ In this reporting period, ABADE held a formal inaugural event and conducted road shows in Kabul, Jalalabad, Herat, and Mazar-e-Sharif to reach out to potential business partners.⁵¹⁰

Economic Growth and Governance Initiative

The \$92 million Economic Growth and Governance Initiative (EGGI) program aims to strengthen government capacity to conduct more effective public financial management. It provides assistance for national budgeting, tax administration, and revenue generation. It also provides Women in Government internships to increase women's civil-service participation to 30%, which is the Millennium Development Goal. As of January 31, 2013, 208 women had graduated the internship program in FY 2012, of whom 76% found full-time employment.⁵¹¹

EGGI continues to face implementation challenges. Its provincial budgeting component has been descoped from the program as of March 2013. Afghanistan's civil service commission has still not finalized changes to its

recruitment procedures, which, once complete, will require the Women in Government internship program to realign its efforts to adhere to any new requirements. EGGI also faces funding constraints.⁵¹²

Trade Accession and Facilitation for Afghanistan I and II

Parts I and II of Trade Accession and Facilitation for Afghanistan (TAFa), at a combined cost of \$83 million, are designed to generate economic growth, trade, and investment by improving the conditions for international trade and transit for both the government and private sector. TAFa assists the Afghan government in three areas: trade-policy liberalization, customs reform, and trade facilitation. TAFa promotes the New Silk Road initiative by facilitating Afghanistan's accession to the World Trade Organization, developing bilateral and regional trade agreements, and streamlining customs and export procedures. As of March 30, 2013, approximately \$19.8 million has been obligated to TAFa II and \$4 million expended.⁵¹³

This quarter, TAFa worked with the Afghan Customs Department to streamline and standardize customs procedures at six Inland Customs Depots and at Kabul International Airport. TAFa efforts strengthened risk management controls and helped improve the Automated System for Customs Data (ASYCUDA) at these locations, potentially saving the Afghan government \$90 million–\$100 million annually. In addition, TAFa is providing assistance to the Da Afghanistan Bank and the MOF in their efforts to implement an electronic-payment system of customs duties and taxes to help combat corruption.⁵¹⁴

Also this quarter, TAFa initiated a month-long risk-management training program for Afghan customs officials at Kabul International Airport. Training focused on best practices to inspect high-risk cargo while allowing legitimate trade to flow expeditiously. According to USAID, initial risk-management results show a marked increase in infraction reporting, which helps determine a trader's risk level. Traders with infractions are targeted with more inspections, while law-abiding traders are rewarded with fewer.⁵¹⁵

A TAFa review of its streamlining efforts in 2012 found the number of customs-clearing steps dropped from 23 to 12, on average, saving traders over \$40 million in time and money.⁵¹⁶ Additionally, U.S. assistance to the customs department reduced the overall customs-processing time from 24 hours in 2011 to seven in 2012. Despite these successes, USAID noted that the customs department is in the midst of shifting positions, which occurs every six to 12 months, challenging TAFa progress and Afghan capacity-building efforts. Furthermore, TAFa has still not reached an agreement with the Afghan government on composition of future assistance under the Strategic Objective Agreement. This, in turn, has caused delays in TAFa receiving its allocated funding, and threatened its ability to provide timely services.⁵¹⁷

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 4/3/2013.

In other private-sector developments this quarter, USAID moved forward on a Global Development Alliance (GDA) with the Aga Khan Foundation, a large non-profit development organization based in Geneva. On March 24, 2013, USAID awarded a collaboration agreement to the Aga Khan Development Network for implementing a business incubator, investment-fund project called the Multi-Input Area Development (MIAD) GDA.⁵¹⁸ This \$60.9 million, 5-year, off-budget program will begin in May 2013. It will leverage private-sector investment to help fund sustainable social and economic development in Badakhshan province. The program will have two components: a MIAD financing facility, which will invest in small-, medium-, and large-scale enterprises that will serve as economic drivers; and a MIAD social-development trust fund that will provide block grants to district-level government for rural development, social service delivery, and local government capacity-building activities.⁵¹⁹

USAID will contribute \$7.5 million to the MIAD financing facility, while the Aga Khan Foundation will provide \$22.5 million in mobilized capital. USAID will contribute \$22.5 million to the MIAD trust fund, with the Aga Khan Foundation paying \$7.5 million. USAID's first-year program funding will cap out at approximately \$5.5 million.⁵²⁰

The Aga Khan Foundation will conduct routine monitoring of program implementation and outcome/impact assessments. USAID will closely monitor these assessments and conduct site visits to confirm results. USAID will also develop a performance-monitoring plan that includes performance and impact indicators such as the percentage of profits from economic drivers returned to the social-development trust fund; the net present value of economic drivers to Afghan beneficiaries; and the number of Badakhshan residents benefiting from social-development projects.⁵²¹

Task Force for Stability and Business Operations

In addition to helping the Afghan government develop natural resources, TFBSO has supported private-sector initiatives. TFBSO awarded the American University of Afghanistan a \$5 million grant to fund construction of a 5,500 square meter, state-of-the-art International Center for Afghan Women's Economic Development on its campus in Kabul. The Center is scheduled to open April 2013 and will lead and coordinate international and Afghan public- and private-sector efforts to advance women's role in economic growth.⁵²²

TFBSO also sourced and conducted due diligence on 50 companies this quarter, bringing the total number of companies assessed to 650, as of March 31, 2013. TFBSO also helps carpet, jewelry, and cashmere producers and other indigenous Afghan businesses meet international standards and access international markets.⁵²³

TRADE

Given Afghanistan's geographic position between South and Central Asia, regional economic integration, as called for in the New Silk Road initiative, could net it substantial customs revenues, according to a Congressional Research Service report. But despite the Central Asian countries' long-standing interest in a moderate and stable Afghanistan, the United States has not succeeded in its efforts to convince all of Afghanistan's neighbors to put the country's stability in the region above their particular interests.⁵²⁴ Tolo News reported in February that Pakistan fined Afghan traders \$50 million for approximately 3,700 containers that were held up by Pakistani authorities for 85 days in the Port of Karachi. These delays disrupt the free flow of goods and add fuel and transportation costs for Afghan traders.⁵²⁵

On February 27, 2013, officials from the United States and Afghanistan met in Washington, DC, to evaluate progress under the United States-Afghanistan Trade and Investment Framework Agreement signed in 2004. Discussions included an introduction to the U.S. Generalized Systems of Preferences, Afghanistan's accession to the World Trade Organization, and intellectual-property rights, as well as sector-specific investment challenges and impediments to greater trade and investment flows between the two countries.⁵²⁶

COMMUNICATIONS

Afghanistan's private-sector-led telecommunications sector is growing rapidly, and is one of the country's economic success stories.⁵²⁷ In 2010/2011, telecom contributed 45% of total tax revenue and is expected to continue driving economic growth and development next year.⁵²⁸

As of March 9, 2013, USAID has allocated and disbursed almost \$15.2 million, on-budget, to the Ministry of Communications and Information Technology (MCIT) for two projects—the District Communications Network and the Policy Capacity Initiative, both of which have ended. USAID is not providing any ongoing assistance to MCIT.⁵²⁹

According to UNAMA, the Afghan government is planning to either launch its own communications satellite into space through a competitive bidding process or link to an existing satellite. Three international companies submitted proposals to the government, but the official bidding process has not yet begun. The winner would be responsible for all costs, which would be recouped through service charges.⁵³⁰

4 OTHER AGENCY OVERSIGHT



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Photo on previous page

Afghan soldiers and police, supported by Spanish troops and ISAF elements, lead an operation against insurgents in the Murghab Valley in Badghis province, April 2013.
(DOD photo courtesy of Spanish Army)

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 submitted, with minor changes to maintain 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 perform oversight activities in Afghanistan and provide results to SIGAR:

- Department of Defense Office of Inspector General (DOD OIG)
- Department of State Office of Inspector General (State OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

OTHER AGENCY OVERSIGHT

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the nine oversight projects related to reconstruction that participating agencies reported as completed this quarter.

TABLE 4.1

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF MARCH 31, 2013			
Agency	Report Number	Date Issued	Project Title
DOD OIG	DODIG-2013-062	3/28/2013	Policies and Procedures Needed to Reconcile Ministry of Defense Advisors Program Disbursements to other DOD Agencies
DOD OIG	DODIG-2013-058	3/22/2013	Assessment of U.S. Efforts to Develop the Afghan National Security Forces Command, Control, and Coordination System
DOD OIG	DODIG-2013-053	3/13/2013	Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable Afghan National Security Forces Medical Logistics at the Dawood National Military Hospital
DOD OIG	DODIG-2013-052	3/8/2013	Inadequate Contract Oversight of Military Construction Projects in Afghanistan Resulted in Increased Hazards to Life and Safety of Coalition Forces
DOD OIG	DODIG-2013-040	1/31/2013	Critical Information Needed to Determine the Cost and Availability of G222 Spare Parts
DOD OIG	DODIG-2013-037	1/15/2013	Quality Controls for the Rotary Wing Transport Contracts Performed in Afghanistan Need Improvement
DOS OIG	AUD/MERO-13-20	3/2013	Review of Emergency Action Plan-Embassy Kabul
GAO	GAO-13-218-sp	2/11/2013	Afghanistan: Key Oversight Issues
GAO	GAO-13-182	1/29/2013	Military Personnel: DOD Has Taken Steps to Meet the Health Needs of Deployed Servicewomen but Actions are Needed to Enhance Care for Sexual Assault Victims

Sources: DOD OIG, response to SIGAR data call, 3/22/2013; DOS OIG, response to SIGAR data call, 3/22/2013; GAO, response to SIGAR data call, 3/25/2013; USAAA, response to SIGAR data call 3/21/2013; USAID OIG, response to SIGAR data call, 3/21/2013.

U.S. Department of Defense Office of Inspector General

During this quarter, DOD OIG issued four reports related to Afghanistan reconstruction.

Policies and Procedures Needed to Reconcile Ministry of Defense Advisors Program Disbursements to Other DOD Agencies

(Report No. DODIG-2013-062, Issued March 28, 2013)

This is the second in a series of reports on the Ministry of Defense Advisors (MODA). In this current report, DOD OIG identified that MODA program officials did not develop adequate controls over the distribution of funds to other DOD agencies for deployed civilians' premium pay, backfill, and training costs. Instead, program officials relied on other DOD agencies to ensure \$19.3 million in estimated costs for 118 military interdepartmental purchase requests (MIPR) issued in FY 2010 to FY 2012 were adjusted to the final payment amounts.

This occurred because MODA program officials did not develop and implement policies and procedures to obtain actual-cost data, perform reconciliations, and adjust final payments made to DOD agencies. As a result, for \$3.6 million disbursed through 56 MIPRS, MODA program officials potentially overpaid 9 MIPRs by \$124,195, and potentially underpaid

13 MIPRs by \$318,892. The remaining 34 MIPRs did not require adjustment. Without taking corrective action, MODA program officials risk augmenting MODA's or other DOD agencies' appropriations, which could result in Antideficiency Act violations.

Assessment of U.S. Efforts to Develop the Afghan National Security Forces Command, Control, and Coordination System

(Report No. DODIG-2013-058, Issued March 22, 2013)

The DOD OIG identified that U.S. efforts to develop an effective ANA command, control, and coordination system have yielded a foundational Command and Control capability. The extensive and on-going U.S. and Coalition effort to develop security sector capacity in Afghanistan had produced a marginally sufficient Afghan National Army (ANA) Command and Control System that was adequately resilient, coherent, and capable of transitioning to Afghan lead in plans and operations by 2014. However, the capacity for sustained continuity of an effective ANA command and control system was fragile and remained highly dependent upon required ISAF enablers and secondarily, upon external factors that could diminish the effectiveness of its foundational command and control capacity.

- International Security Assistance Force (ISAF) enablers are those capabilities that are force multipliers permitting successful combat operations. Required enablers after 2014 are still being identified, but will include intelligence, surveillance, and reconnaissance capabilities with an analysis capability, counter-IED technology and mine clearance assets, (indirect and aerial) fires capability, ground and air mobility, and logistics sustainment.
- External factors that may impact upon the ANA command and control system included the need to improve upon:
 - internal Afghan governance capacity at the province and district level,
 - recurring border issues with Pakistan, minimizing corruption, reliance upon the Afghan National Police for local security, and ensuring a means to pay police and soldiers.

Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable Afghan National Security Forces Medical Logistics at the Dawood National Military Hospital

(Report No. DODIG-2013-053, Issued March 13, 2013)

This is the fourth in a series of reports published by the DOD OIG that focus on the development of a sustainable medical logistics and healthcare capability in support of the Afghan National Security Forces (ANSF). In this current report, the DOD OIG noted 11 examples where progress had been made in the areas of planning; development of ANSF healthcare standards, including development of a tool to evaluate the hospital's achievement

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and compliance with these standards; focused pre-deployment training for U.S. medical advisors; and initiatives to improve the treatment of patients and the healthcare management at the Dawood National Military Hospital (NMH), including hospital sanitation, accountability of staff, and medical logistics support.

Although progress had been made since DOD OIG's previous visits in 2010, 2011, and February 2012, ISAF, North Atlantic Treaty Organization Training Mission-Afghanistan (NTM-A), and ANA Medical Command (MEDCOM) continued to face challenges in sustaining effective health-care operations and medical logistics for the NMH, as well as at other medical facilities within the ANA. Specifically, ISAF and NTM-A needed revised policies and procedures that ensured timely and informed decision-making regarding the transfer of ANSF patients from Coalition medical facilities to the NMH. Additionally, although improved, the control and security of medications in the NMH pharmacy required additional work to prevent theft and mismanagement of these medications. Furthermore, current practices at the NMH relating to the availability and utilization of essential medical equipment, including patient monitoring units, required improvement to ensure that this medical equipment was available for all patients who could benefit.

Additionally, although the overall numbers of ANA medical personnel increased over the past year, personnel shortages continued to affect the NMH, specifically in nursing and in the pharmacy.

ANA hospitals also lacked qualified medical-equipment repair technicians to sustain effective medical-equipment maintenance and repair programs. Although there were some improvements noted in this program effort at NMH, the company contracted to conduct an inventory of all medical equipment throughout the ANA was unable to do so because they did not have qualified technicians coupled with other deficiencies; therefore the contract was terminated. Students currently enrolled in the Bio-Medical Equipment Technician training program at the Armed Forces Academy of Medical Sciences were expected to provide some technical relief once they completed phase two of their on-the-job training and graduate from the program in the second quarter of FY 2013.

Finally, improvements were needed in the logistics system to ensure the reliable availability of disinfectants and other cleaning supplies necessary to properly sanitize the hospital and prevent the spread of infectious disease.

Inadequate Contract Oversight of Military Construction Projects in Afghanistan Resulted in Increased Hazards to Life and Safety of Coalition Forces

(Report No. DODIG-2013-052, Issued March 8, 2013)

The Air Force Center for Engineering and the Environment (AFCEE) Contingency Construction Division officials did not provide effective oversight of military construction projects in Afghanistan. Specifically, AFCEE

officials did not develop a formal process to monitor, assess, and document the quality of work performed by contractor personnel for four projects valued at \$36.9 million. AFCEE officials stated that this occurred because they relied completely on the technical expertise of their contractor personnel. In addition, AFCEE officials stated the Federal Acquisition Regulation requirement for a quality-assurance surveillance plan did not apply to architect-engineer services contracts.

As a result, AFCEE's process for developing and reviewing contract requirements design was not adequate to prevent conflicting electrical standards from being cited in one contract's Statement of Work and Statement of Requirement and incorrect fire-protection standards from being cited in two contracts' Statements of Requirement used during construction. In addition, AECOM personnel at Camps Bastion/Leatherneck did not identify significant deficient work performed. The deficiencies led to serious increased hazards to the life and safety of coalition forces who occupy two of the four facilities reviewed at Camps Bastion/Leatherneck, and contributed to over a six-month delay in government acceptance of one facility.

DOD OIG notified AFCEE officials of those deficiencies during a site visit to Afghanistan in May 2012 and again during meetings held in June 2012. According to Air Force Civil Engineer Center officials, all electrical deficiencies were corrected as of October 2012. In addition, Air Force Civil Engineer Center officials stated that additional strobe lights were installed in one facility on October 15, 2012, and the fire department conducted its official fire alarm and functionality test on that same date and found no issues. Air Force Civil Engineer Center officials also stated that they planned to install additional egress doors on the second floor of one facility; however, they did not plan to install a fire-suppression system in either facility.

U.S. Department of State Office of Inspector General-Middle East Regional Office

During this quarter, State OIG issued one report related to Afghanistan reconstruction.

Review of Emergency Action Plan-Embassy Kabul

(Report No. AUD/MERO-13-20, Issued March 2013)

The results of this evaluation are Sensitive But Unclassified.

Government Accountability Office

During this quarter, GAO issued two reports related to Afghanistan reconstruction.

OTHER AGENCY OVERSIGHT

Afghanistan: Key Oversight Issues

(Report No. GAO-13-218-sp, Issued February 11, 2013)

The key issues, based on existing GAO work, suggest specific areas for oversight on the following topics:

- Afghanistan's security environment. Afghanistan's security situation remains volatile in part due to an increase in insider attacks.
- Transition of lead security to Afghan security forces. The security transition is under way, and international forces are shifting to an advise-and-assist mission.
- Future cost and sustainability of Afghan security forces. A shortfall currently exists in Afghan domestic revenue and international commitments to cover the anticipated costs of Afghan security forces, and despite past recommendations and a congressional mandate, DOD has not routinely provided long-term cost estimates for sustaining those forces.
- DOD planning for the drawdown of equipment in Afghanistan. DOD has applied some lessons learned from Iraq to its planning and has taken several steps to prepare for the drawdown in Afghanistan, but has not fully considered the costs and benefits of returning excess equipment.
- Afghanistan's donor dependence. Afghanistan's domestic revenues do not cover its total public expenditures, over 90 percent of which are covered by the United States and international partners. The international community has pledged its continued support.
- Oversight and accountability of U.S. funds to support Afghanistan. The United States continues to take steps to improve Afghanistan's financial management capacity, as well as the accountability of U.S. direct assistance.
- Oversight and streamlining of development assistance to Afghanistan. Oversight of U.S. programmatic funds has been enhanced, but U.S. development efforts in Afghanistan could benefit from a shared database.
- Oversight of U.S. contracts in Afghanistan. Contract management and contractor vetting require continued attention.
- Planning for the future U.S. presence in Afghanistan. The military to civilian-led transition in Iraq could offer lessons for similar efforts in Afghanistan as the United States plans for five diplomatic sites and the future U.S. military presence is under negotiations.

Military Personnel: DOD Has Taken Steps to Meet the Health Needs of Deployed Servicewomen but Actions are Needed to Enhance Care for Sexual Assault Victims

(Report No. GAO-13-182, Issued January 29, 2013)

The roles for women in the military have been expanding and evolving. Servicewomen today are integral to combat, combat support, and counterinsurgency operations, and serve in many roles they previously did

not hold. Public Law 112-81, Sec. 725 (2011) mandated that GAO conduct a review of the female-specific health care services provided by DOD to female service members, including the treatment of servicewomen who are victims of sexual assault. In this report, GAO evaluates the extent to which (1) DOD is addressing the health-care needs of deployed servicewomen; (2) female-specific health-care services are available to deployed servicewomen; and (3) medical and mental health care are available to servicewomen who are victims of sexual assault. GAO reviewed pertinent DOD policies, guidance, and data. GAO also met with health-care providers, servicewomen, and others during site visits to 18 locations where servicewomen are currently serving or deployed, including 15 installations in Afghanistan and Navy vessels.

DOD is taking steps to address the health-care needs of deployed servicewomen. For example, DOD has put in place policies and guidance that include female-specific aspects to help address the health-care needs of servicewomen during deployment. Also, as part of pre-deployment preparations, servicewomen are screened for potentially deployment-limiting conditions, such as pregnancy, and DOD officials and health-care providers with whom GAO met noted that such screening helps ensure that many female-specific health-care needs are addressed prior to deployment. GAO also found that DOD components have conducted reviews of the health-care needs of servicewomen during deployments and are collecting data on the medical services provided to deployed servicewomen.

At the 15 selected locations GAO visited in Afghanistan and aboard Navy vessels, health-care providers and most servicewomen indicated that the available health-care services generally met deployed servicewomen's needs. In Afghanistan and aboard Navy vessels, health-care providers said they were capable of providing a wide range of the female-specific health-care services that deployed servicewomen might seek, and servicewomen GAO spoke with indicated that deployed women's needs were generally being met. Specifically, based on information provided by the 92 servicewomen GAO interviewed, 60 indicated that they felt the medical and mental-health needs of women were generally being met during deployments; 8 indicated they did not feel those needs were generally being met during deployments; an additional 8 indicated a mixed opinion; and 16 said they did not have an opinion. For example, some servicewomen told GAO that they were satisfied with their military health care, given the operating environment. Among those who expressed dissatisfaction with their military health care, GAO heard a concern about difficulty in obtaining medications. Among those who expressed mixed views, a comment was raised that junior health-care providers were limited in the types of procedures they could perform and lacked practical experience.

DOD has taken steps to provide medical and mental health care to victims of sexual assault, but several factors affect the availability of care. For

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example, this care can vary by service and can be impacted by operational factors, such as transportation and communication challenges, that are inherent to the deployed environment. Further, military health-care providers do not have a consistent understanding of their responsibilities in caring for sexual-assault victims because the department has not established guidance for the treatment of injuries stemming from sexual assault, which requires that specific steps are taken while providing care to help ensure a victim's right to confidentiality. Additionally, while the services provide required annual refresher training to first responders, GAO found that some of these responders were not always aware of the health-care services available to sexual-assault victims because not all of them are completing the required training. Without having a clearer understanding of their responsibilities, health-care providers and first responders will be impeded in their ability to provide effective support for servicewomen who are victims of sexual assault.

U.S. Army Audit Agency

The USAAA did not complete any audits related to Afghanistan reconstruction this quarter.

U.S. Agency for International Development Office of Inspector General

During this quarter, USAID OIG did not complete any reports related to Afghanistan reconstruction.

ONGOING OVERSIGHT ACTIVITIES

As of March 31, 2013, the participating agencies reported 28 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.

Department of Defense Office of Inspector General

The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). The DOD OIG has identified priorities based on those challenges and high risks. In FY 2013, DOD OIG is focusing oversight on overseas contingency operations 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. In addition, DOD OIG oversight in Afghanistan will also address matters pertaining to the drawdown of forces in Afghanistan and shifting of operations.

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TABLE 4.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF MARCH 31, 2013			
Agency	Project Number	Date Initiated	Project Title
DOD OIG	D2013-D000AS-0097.000	2/8/2013	Mi-17 Cockpit Modifications Under Task Order W58RGZ-09-D-0130-0102
DOD OIG	D2013-D000AT-0083.000	1/3/2012	Price Reasonableness Determinations for Datron World Communications, Inc. Contracts Awarded by the U.S. Army Contracting Command for the Afghan National Security Forces
DOD OIG	D2013-D00SPO-0087.000	12/18/2012	Assessment of Planning for the Effective Development and Transition of Critical Afghanistan National Security Forces Enablers to Post-2014 Capabilities
DOD OIG	D2013-D000FL-0056.000	12/3/2012	Examination of Department of Defense Execution of North Atlantic Treaty Organization Contributing Countries Donations to Afghanistan National Army Trust Fund for Approval Sustainment Projects as of September 30, 2012
DOD OIG	D2013-D000AS-0052.000	11/1/2012	Shindand Training Contracts
DOD OIG	D2013-D000AS-0001.000	10/5/2012	Surveillance Structure on Contracts Supporting the Afghanistan Rotary Wing Program for the U.S. Transportation Command
DOD OIG	D2012-D000JA-0221.000	9/28/2012	Contract Management and Oversight of Military Construction Projects for the Special Operation Forces Complexes at Bagram Airfield, Afghanistan
DOD OIG	D2012-D00SPO-0210.000	8/21/2012	Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Advise the Afghan Border Police
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-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-D000AS-0075.000	12/7/2011	Task Orders for Mi-17 Overhauls and Cockpit Modifications
DOS OIG-MERO	13AUD052	2/2013	Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11 for Movement and Static Security Services in Jerusalem and Afghanistan
DOS OIG-MERO	12AUD79	12/2012	Audit of the Department of State Transition Planning for a Reduced Military Presence in Afghanistan
DOS OIG-MERO	12AUD30	12/2011	Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Correction System Support Program in Afghanistan
GAO	121119	3/6/2013	Department of State and U.S. Agency for International Development Contingency Contracting
GAO	351798	1/18/2013	Afghanistan Equipment Reduction and Base Closures
GAO	320962	1/14/2013	Afghan Insider Attacks
GAO	351772	10/17/2012	DOD's Approach to Identifying Post Combat Role of U.S. Forces in Afghanistan
GAO	121096	10/11/2012	Procurement of Mi-17 Helicopters
GAO	351743	6/19/2012	Advisory Teams in Afghanistan
GAO	351747	6/11/2012	DOD's Transition to the Afghan Public Protection Force
USAID OIG	FF100712	11/28/2012	Audit of USAID/Afghanistan's Transition Plans
USAID OIG	FF101412	10/14/2012	Review of USAID/Afghanistan's Use of Third Country National Employees
USAID OIG	FF100612	10/9/2012	Review of USAID/Afghanistan's Management Controls over Premium Pay
USAID OIG	FF101112	5/1/2012	Audit of USAID/Afghanistan's Kandahar Helmand Power Initiative
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, 3/22/2013; DOS OIG, response to SIGAR data call, 3/22/2013; GAO, response to SIGAR data call, 3/25/2013; USAAA, response to SIGAR data call 3/21/2013; USAID OIG, response to SIGAR data call, 3/21/2013.

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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 Afghanistan Security Forces (ASF). The DOD OIG planned oversight efforts address the administration and oversight of contracts for equipping ASF, such as rotary wing aircraft, airplanes, ammunition, radios, and night vision devices. The 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. 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.

The DOD OIG led Southwest Asia Joint Planning Group coordinates and deconflicts Federal and DOD OCO-related oversight activities. The DOD OIG continues to work with the SIGAR as well as fellow Inspectors General and Defense oversight community members to execute the now-issued FY 2013 strategic audit plan for the oversight 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

DOD OIG ongoing OEF-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 projects; oversight of the contract for training the Afghan police; logistical distribution within Afghanistan; retrograde operations, health care; and acquisition planning and controls over funding for Afghan Security Forces.

Mi-17 Cockpit Modifications under Task Order W58RGZ-09D-0130-0102

(Project No. D2013-D000AS-0097.000, Initiated February 8, 2013)

Modifications Under Task Order W58RGZ-09-D-0130-0102. The DOD IG is conducting a follow-on audit to the Audit of Task Orders for Mi-17 Overhauls and Cockpit Modifications (Project No. D2012-D000AS-0075.000). In this follow-on audit, the DOD IG is determining whether DOD officials properly awarded and administered indefinite-delivery, indefinite-quantity contract W58RGZ-09-D-0130, Task Order 0102, for the Modification of DOD-owned Mi-17 variant aircraft in accordance with Federal and DOD regulations and policies. Under the prior project, DOD OIG reviewed the

procurement of overhaul services and parts for Pakistan-owned Mi-17 variant aircraft, awarded by Modification to Task Order 0102.

Price Reasonableness Determinations for Datron World Communications, Inc. Contracts Awarded by the U.S. Army Contracting Command for the Afghan National Security Forces

(Project No. 2013-D000AT-0083.000, Initiated January 3, 2013)

The DOD IG is determining whether the U.S. Army Contracting Command obtained fair and reasonable prices for communications equipment and components procured from Datron World Communications Inc. for the Afghan National Security Forces (ANSF). This project is the second in a series of audits focusing on Datron World Communications Inc. contracts. The first audit in this series is D2012-D000AT-0129.000.

Assessment of Planning for the Effective Development and Transition of Critical Afghanistan National Security Forces Enablers to Post-2014 Capabilities

(Project No. D2013-D00SPO-0087.000, Initiated December 18, 2012)

The DOD OIG is determining whether U.S. and Coalition goals, objectives, plans, guidance, and resources are sufficient to effectively develop, manage, and transition critical ANSF operational enablers to Afghan National Army and Afghan National Police capabilities. In addition DOD OIG is determining what critical enabling task capabilities will require further development beyond the end of 2014. Also, DOD OIG is determining whether mitigating actions are planned and what they consist of for any critical ANSF enabling capabilities that are expected to be or may still be under development after 2014. In essence, DOD OIG will review what plans and activities are in place to mature enabling force functions deemed critical for the ANSF to conduct and sustain independent operations.

Examination of Department of Defense Execution of North Atlantic Treaty Organization Contributing Countries Donations to Afghanistan National Army Trust Fund for Approval Sustainment Projects as of September 30, 2012

(Project No. D2013-D000FL-0056.000, Initiated December 3, 2012)

The Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD [USD(C)/CFO] requested this examination. The USD(C)/CFO plans to assert that the following schedules are fairly presented in all material respects:

- Schedule of Contributing Country Donations to Afghanistan National Army Trust Fund Approved Sustainment Projects as of September 30, 2012
- Schedule of Financial Status of Contributing Country Donations to Afghanistan National Army Trust Fund Transferred to the United States of America for Approved Sustainment Projects as of September 30, 2012

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The DOD OIG is determining whether the USD(C)/CFO fairly presented receipts and expenditures of funds contributed to the Afghanistan National Army Trust Fund and transferred to DOD for execution under the terms of the Memorandum of Understanding Among the United States of America and North Atlantic Treaty Organization and Supreme Headquarters Allied Powers-Europe Regarding Management and Administration of Trust Fund Donations for Support and Sustainment of the Afghanistan National Army. In addition, DOD OIG will review internal controls over financial reporting and compliance with laws and regulations as it relates to its engagement objective. The USD(C)/CFO is responsible for the aforementioned schedules. The DOD OIG's responsibility is to express an opinion based on its examination.

Shindand Training Contracts

(Project No. D2013-D000AS-0052.000, Initiated November 1, 2012)

The DOD OIG is determining whether pilot-training contracts for fixed-wing and rotary-wing aircraft at Shindand Air Base are properly managed and administered in accordance with Federal and DOD requirements. Specifically, DOD OIG will determine whether contract requirements are being met and evaluate the effectiveness of contract oversight.

Surveillance Structure on Contracts Supporting the Afghanistan Rotary Wing Program for the U.S. Transportation Command

(Project No. D2013-D000AS-0001.000, Initiated October 5, 2012)

The DOD OIG is conducting its second in a series of audits on the Afghanistan rotary-wing transport contracts. The overall objective is to determine whether U.S. Transportation Command and U.S. Central Command officials have adequate oversight of processes and procedures for the contracts. The first audit was "Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command" (D2012-D000AS-0031.000).

Contract Management and Oversight of Military Construction Projects for the Special Operation Forces Complexes at Bagram Airfield, Afghanistan

(Project No. D2012-D000JA-0221.000, Initiated September 28, 2012)

The DOD OIG is determining whether DOD is providing effective oversight of military construction projects in Afghanistan. Specifically, DOD OIG will determine whether the U.S. Army Corps of Engineers is properly monitoring contractor performance and adequately performing quality assurance oversight responsibilities for construction projects for Special Operations Forces at Bagram Airfield.

Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Advise the Afghan Border Police

(Project No. D2012-D00SPO-0210.000, Initiated August 21, 2012)

The DOD OIG is determining whether the planning and operational implementation of efforts by U.S. and Coalition Forces to train, equip, and advise in the development of the Afghan Border Police (ABP) is effective. This includes evaluating output/outcome at ABP locations at various stages of their life cycle to determine the effectiveness of U.S. and Coalition involvement in developing the ABP and Minister of Interior ability to manage the program.

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)

The DOD OIG is conducting the second in a series of audits on the Afghan National Police Mentoring/Training and Logistics support contract. DOD OIG's 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, the North Atlantic Treaty Organization Training Mission Afghanistan/ Combined Security Transition Command-Afghanistan, and the Defense Contract Management Agency had adequate oversight processes and procedures for the contract. Additionally, DOD OIG will determine whether the Army, the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan, and the Defense Contract Management Agency conducted adequate contractor surveillance. The first audit in this series is "Afghan National Police Mentoring/Training and Logistics Support Contract," DODIG-2012-094, issued May 30, 2012.

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

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)

The 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. DOD OIG will also assess the status of DOD OIG recommended corrective actions from previous fire suppression system assessments. A series of reports is planned and this project will be enjoined with the assessment of electrical standards (Project No. D2012-DT0TAD-0001.000). The first report will address electrical and fire protection at Kandahar and Bagram Airfields. The second report will address Kabul Base Cluster.

Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan

(Project No. D2012-DT0TAD-0001.000, Initiated February 14, 2012)

The 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. A series of reports is planned and this project will be enjoined with the assessment of fire suppression standards (Project No. D2012-DT0TAD-0002.000). The first report will address electrical and fire protection at Kandahar and Bagram Airfields. The second report will address Kabul Base Cluster.

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 IDIQ contract number W58RGZ-09-D-0130.

Department of State Office of Inspector General–Middle East Regional Office

State OIG initiated one new project this quarter related to Afghanistan reconstruction.

Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Orders 2, 9, and 11 for Movement and Static Security Services in Jerusalem and Afghanistan

(Project No. 13AUD052, February 2013)

The overall audit objective is to determine the effectiveness of the Department's management and oversight of the WPS Contract Task Orders 2, 9, and 11. Specifically, the audit team will determine whether the contractor is performing in accordance with contract terms and conditions, the contractor's work is adequately monitored, and invoice review and approval procedures are in place to ensure accuracy and completeness of costs.

Audit of the Department of State Transition Planning for a Reduced Military Presence in Afghanistan

(Project No. 12AUD79, Initiated December 2012)

The overall audit objective is to evaluate the Department's planning for the transition from a predominately military to a civilian-led mission in Afghanistan. Specifically, OIG will determine whether the Department has adequately defined its mission and support requirements, evaluated its personnel and funding needs, and integrated its planning with the Department of Defense and other relevant U.S. agencies, the Government of Afghanistan, and other non-U.S. government agencies. OIG will also determine whether planning has incorporated lessons learned from the transition in Iraq.

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.

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Government Accountability Office

Department of State and U.S. Agency for International Development Contingency Contracting

(Project No. 121119, Initiated March 6, 2013)

The Department of State (State) and U.S. Agency for International Development (USAID) have relied extensively on contractors in Iraq and Afghanistan. While the use of contractors in such contingency operations is not new, GAO and others have found that State and USAID experienced challenges managing contracts in these operations. To what extent have State and USAID: (1) assessed their organizational structures related to contracting for contingency operations and determined whether related changes are needed, (2) assessed their contract award and management policies for contingency operations and determined whether changes to those policies are needed, (3) assessed their workforces, including reliance on contractors, for contingency operations and determined whether changes are needed?

Afghanistan Equipment Reduction and Base Closures

(Project No. 351798, Initiated January 18, 2013)

DOD has stated that it will cost at least \$5.7 billion to draw down an estimated 90,000 containers of material and 50,000 vehicles from Afghanistan. Given the large number of bases and difficult conditions in Afghanistan, an efficient and cost-effective drawdown will likely depend on DOD knowing how much equipment it has in Afghanistan and making cost-effective decisions about its disposition. Key Questions: To what extent (1) has DOD implemented base-closure procedures, including the accountability of equipment, to meet command-established objectives and timelines? (2) Are command-established objectives and timelines for the Afghanistan equipment drawdown supported by DOD facilities and processes? (3) Is DOD using cost and other information to help ensure it is making cost-effective disposition decisions?

Afghan Insider Attacks

(Project No. 320962, Initiated January 14, 2013)

Afghan National Security Force (ANSF) personnel and impersonators have attacked DOD personnel repeatedly since 2007. GAO reported in April 2012 on steps DOD, NATO, and ANSF were taking to track attacks, identify and address their causes, and develop safeguards to protect DOD personnel. The pace of attacks has since accelerated, with the number in 2012 exceeding the total from prior years. Key Questions: (1) To what extent have DOD, NATO, and ANSF identified the causes of attacks by ANSF and impersonators on DOD personnel? (2) What additional safeguards against attacks, if

any, have they established since the 2012 review and how have they been implemented? (3) What progress, if any, has DOD made in obtaining access to the Afghan government's biometric and background information on ANSF candidates and personnel?

DOD's Approach to Identifying Post Combat Role of U.S. Forces in Afghanistan

(Project No. 351772, Initiated October 17, 2012)

GAO will review the nature and extent of planning under way by DOD for the role of the U.S. military and the Department in Afghanistan post 2014, including progress in: (1) developing a framework for making key decisions such as assigning organizational responsibilities and structures within DOD; (2) establishing a planning approach to include identifying: (a) key assumptions about the environment in Afghanistan and role of the Department, the U.S. military, and contractors; (b) how the Department will collaborate with other agencies; and (c) issues to be resolved such as the level of support DOD will provide to other agencies and the disposition of U.S. equipment and assets; (3) identifying key decision points and related milestones for taking actions to implement decisions; and (4) identifying potential risks and mitigation strategies.

Procurement of Mi-17 Helicopters

(Project No. 121096, Initiated October 11, 2013)

Previously, DOD had competitively purchased civilian variants of Mi-17 helicopters through U.S. companies to assist the Afghan military. After canceling a competitive solicitation in 2010, DOD contracted on a sole-source basis with a Russian state-owned arms export company, Rosoboronexport, to purchase 21 military Mi-17s. Key Questions: (1) What were the reasons for DOD's cancellation of a 2010 competitive solicitation for 21 Mi-17s? (2) To what extent did DOD evaluate the availability and feasibility of alternative procurement approaches for military or civilian variants of the Mi-17? (3) To what extent did DOD assess the impact that contracting directly with Rosoboronexport may have on the risk of access to technical data, aircraft safety, and counterfeiting?

Advisory Teams in Afghanistan

(Project No. 351743, Initiated June 19, 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

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equipment requirements for the advisory teams, including any impacts on reported readiness.

DOD's Transition to the Afghan Public Protection Force

(Project No. 351747, Initiated June 11, 2012)

The Afghan Public Protection Force (APPF) is to assume security responsibilities for DOD installations by March 2013. 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?

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 Transition Plans

(Project No. FF100712, Initiated November 28, 2012)

Does USAID/Afghanistan have plans to address contingencies related to the U.S. Government's transition in Afghanistan?

Review of USAID/Afghanistan's Use of Third Country National Employees

(Project No. FF101412, Initiated October 14, 2012)

To determine if USAID/Afghanistan is using third country nationals for implementing mission programs efficiently while training Afghan staff to assume their responsibilities.

Review of USAID/Afghanistan's Management Controls over Premium Pay

(Project No. FF100612, Initiated October 9, 2012)

Objective: To determine if USAID/Afghanistan is using sufficient management controls over the submission, authorization, approval, and

certification of premium-pay benefits for its staff in accordance with federal time-and-attendance policies and procedures.

Audit of USAID/Afghanistan's Kandahar Helmand Power Initiative

(Project No. FF101112, Initiated May 1, 2012)

Objective: 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?

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.

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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), and to the semiannual reporting requirements prescribed for inspectors general more generally under the Inspector General Act of 1978, as amended (5 U.S.C. App. 3) (Table A.2).

TABLE A.1

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Purpose			
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
Supervision			
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
Duties			
Section 1229(f)(1)	OVERSIGHT OF AFGHANISTAN RECONSTRUCTION – 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)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
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
Federal Support and Other Resources			
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
Reports			

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(i)(1)	QUARTERLY REPORTS – 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 –	Report – 30 days after the end of each calendar quarter Summarize activities of the Inspector General Detailed statement of all obligations, expenditures, and revenues	Full report Appendix B
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)	In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* – (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (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 (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	Describe contract details	Note 1

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(i)(3)	PUBLIC AVAILABILITY – The Inspector General shall publish on a publicly 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 www.sigar.mil Dari and Pashtu translation in process	Full report
Section 1229(i)(4)	FORM – 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), 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

TABLE A.2

CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) ("IG ACT")			
IG Act Section	IG Act Language	SIGAR Action	Section
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies	Extract pertinent information from SWA/JPG member reports List problems, abuses, and deficiencies from SIGAR audit reports, investigations, and inspections	Other Agency Oversight See Letters of Inquiry at www.sigar.mil
Section 5(a)(2)	Description of recommendations for corrective action...with respect to significant problems, abuses, or deficiencies	Extract pertinent information from SWA/JPG member I reports List recommendations from SIGAR audit reports	Other Agency Oversight See Letters of Inquiry at www.sigar.mil
Section 5(a)(3)	Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed	List all instances of incomplete corrective action from previous semiannual reports	In process
Section 5(a)(4)	A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	Extract pertinent information from SWA/JPG member reports List SIGAR Investigations that have been referred	Other Agency Oversight
Section 5(a)(5)	A summary of each report made to the [Secretary of Defense] under section 6(b)(2) (instances where information requested was refused or not provided)	Extract pertinent information from SWA/JPG member reports List instances in which information was refused SIGAR auditors, investigators, or inspectors	Other Agency Oversight
Section 5(a)(6)	A listing, subdivided according to subject matter, of each audit report, inspection report and evaluation report issued...showing dollar value of questioned costs and recommendations that funds be put to better use	Extract pertinent information from SWA/JPG member reports List SIGAR reports	Other Agency Oversight
Section 5(a)(7)	A summary of each particularly significant report	Extract pertinent information from SWA/JPG member reports Provide a synopsis of the significant SIGAR reports	Other Agency Oversight A full list of significant reports can be found at www.sigar.mil
Section 5(a)(8)	Statistical tables showing the total number of audit reports and the total dollar value of questioned costs	Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of questioned cost from SIGAR reports	See reports of SWA/JPG members In process
Section 5(a)(9)	Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management	Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of funds put to better use by management from SIGAR reports	See reports of SWA/JPG members In process
Section 5(a)(10)	A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision	Extract pertinent information from SWA/JPG member reports Provide a synopsis of SIGAR audit reports in which recommendations by SIGAR are still open	See reports of SWA/JPG members None

APPENDICES

TABLE A.2 (CONTINUED)

CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) ("IG ACT")			
IG Act Section	IG Act Language	SIGAR Action	Section
Section 5(a)(11)	A description and explanation of the reasons for any significant revised management decision	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which significant revisions have been made to management decisions	None
Section 5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which SIGAR disagreed with management decision	No disputed decisions during the reporting period
Section 5(a)(13)	Information described under [Section 804(b)] of the Federal Financial Management Improvement Act of 1996 (instances and reasons when an agency has not met target dates established in a remediation plan)	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Provide information where management has not met targets from a remediation plan	No disputed decisions during the reporting period
Section 5(a)(14)(A)	An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or	SIGAR has posted in full the results of, and reports from, SIGAR's most recent peer reviews (completed during July 2010, prior to the current reporting period), on its Web site	Posted in full at www.sigar.mil
Section 5(a)(14)(B)	If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General	15 July 2010	Posted in full at www.sigar.mil
Section 5(a)(15)	A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete	None – all peer review recommendations effectively addressed, and remedial measures implemented, by 30 September 2010	Recommendations and related materials posted in full at www.sigar.mil
Section 5(a)(16)	Any peer reviews conducted by SIGAR of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review . . . that remain outstanding or have not been fully implemented	Not applicable (SIGAR did not conduct, or participate in the conduct, of a peer review of another Office of Inspector General during the reporting period)	SIGAR Oversight

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APPENDIX B

U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION (\$ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of March 31, 2013.

TABLE B.1

U.S. FUNDING SOURCES	AGENCY	TOTAL	FY 2002
SECURITY			
Afghanistan Security Forces Fund (ASFF)	DOD	52,749.87	0.00
Train & Equip (DOD)	DOD	440.00	0.00
Foreign Military Financing (FMF)	State	1,059.14	57.26
International Military Education and Training (IMET)	State	12.70	0.18
NDA Section 1207 Transfer	Other	9.90	0.00
Total - Security		54,271.61	57.44
GOVERNANCE & DEVELOPMENT			
Commander's Emergency Response Program (CERP)	DOD	3,639.00	0.00
Afghanistan Infrastructure Fund (AIF)	DOD	1,024.00	0.00
Task Force for Business and Stability Operations (TFBSO)	DOD	672.04	0.00
Economic Support Fund (ESF)	USAID	15,053.32	117.51
Development Assistance (DA)	USAID	885.10	18.30
Afghanistan Freedom Support Act (AFSA)	DOD	550.00	0.00
Child Survival & Health (CSH + GHAI)	USAID	554.33	7.52
Commodity Credit Corp (CCC)	USAID	31.65	7.48
USAID (other)	USAID	49.59	0.00
Non-Proliferation, Antiterrorism, Demining & Related (NADR)	State	505.70	44.00
Provincial Reconstruction Team Advisors	USDA	5.70	0.00
Treasury Technical Assistance	Treasury	4.45	0.90
Total - Governance & Development		22,974.88	195.71
COUNTER-NARCOTICS			
International Narcotics Control & Law Enforcement (INCLE)	State	3,584.33	60.00
Drug Interdiction & Counter-Drug Activities (DOD CN)	DOD	2,679.57	0.00
Drug Enforcement Administration (DEA)	DOJ	127.37	0.58
Total - Counter-Narcotics		6,391.27	60.58
HUMANITARIAN			
P.L. 480 Title I	USDA	5.00	0.00
P.L. 480 Title II	USAID	716.71	159.50
Disaster Assistance (IDA)	USAID	513.61	197.09
Transition Initiatives (TI)	USAID	36.23	8.07
Migration & Refugee Assistance (MRA)	State	782.08	135.47
Voluntary Peacekeeping (PKO)	State	69.33	23.93
Emergency Refugee & Migration Assistance (ERMA)	State	25.20	25.00
Food for Progress	USDA	109.49	0.00
416(b) Food Aid	USDA	95.18	46.46
Food for Education	USDA	50.49	0.00
Emerson Trust	USDA	22.40	0.00
Total - Humanitarian		2,425.71	595.52
INTERNATIONAL AFFAIRS OPERATIONS			
Oversight		216.99	0.00
Other		6,442.40	155.60
Total - International Affairs Operations		6,664.90	155.60
TOTAL FUNDING		92,728.37	1,064.85

Notes: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF. DOD reprogrammed \$1 billion from FY 2012 ASFF. P.L. 113-6 rescinded \$1 billion from FY 2012 ASFF. DOD transferred \$101 million from FY 2011 AIF to FY 2011 ESF to fund an infrastructure project to be implemented by USAID.

^a Final appropriation figures for FY 2013 have not been determined for many accounts, including State and USAID accounts.

Sources: DOD, responses to SIGAR data call, 4/17/2013, 4/16/2013, 4/2/2013, 4/1/2013, 10/22/2012, 10/14/2009, and 10/1/2009; State, responses to SIGAR data call, 4/15/2013, 4/10/2013, 4/5/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 4/5/2013; OMB, response to SIGAR data call, 1/3/2013; USAID, responses to SIGAR data call, 4/18/2013, 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. 113-6, 3/26/2013; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011; P.L. 111-212, 10/29/2010; P.L. 111-118, 12/19/2009; FY 2010 Defense Explanatory Statement.

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FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013 ^a
0.00	0.00	968.18	1,908.13	7,406.40	2,750.00	5,606.94	9,166.77	10,619.28	9,200.00	5,124.17
0.00	150.00	290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
191.00	414.08	396.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.39	0.67	0.95	0.98	1.19	1.66	1.40	1.76	1.56	1.18	0.80
0.00	0.00	0.00	0.00	0.00	9.90	0.00	0.00	0.00	0.00	0.00
191.39	564.75	1,655.92	1,909.11	7,407.59	2,761.56	5,608.34	9,168.53	10,620.84	9,201.18	5,124.97
0.00	40.00	136.00	215.00	209.00	488.33	550.67	1,000.00	400.00	400.00	200.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	299.00	400.00	325.00
0.00	0.00	0.00	0.00	0.00	0.00	14.44	59.26	239.24	241.82	117.28
239.29	893.83	1,279.49	473.39	1,210.71	1,399.51	2,088.32	3,346.00	2,168.51	1,836.76	0.00
42.54	153.14	169.21	184.99	166.81	149.43	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	0.00
49.68	33.40	38.00	41.45	100.77	63.07	58.23	92.30	69.91	0.00	0.00
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	4.90	6.25	7.18	1.84
34.70	66.90	38.20	18.20	36.60	26.60	48.60	57.80	69.30	64.80	0.00
0.00	0.00	0.00	0.00	0.00	0.00	5.70	0.00	0.00	0.00	0.00
1.00	0.06	0.95	0.19	0.13	0.75	0.47	0.00	0.00	0.00	0.00
534.04	1,327.33	1,911.84	933.22	1,724.02	2,158.82	2,774.61	4,564.78	3,255.29	2,951.11	644.12
0.00	220.00	709.28	232.65	251.74	307.57	484.00	589.00	400.00	324.00	6.08
0.00	71.80	224.54	108.05	290.97	192.81	230.06	392.27	376.53	420.47	372.07
2.87	3.72	16.77	23.66	20.38	40.59	18.80	0.00	0.00	0.00	0.00
2.87	295.52	950.59	364.36	563.09	540.97	732.86	981.27	776.53	744.47	378.15
5.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
46.10	49.20	56.60	60.00	60.00	177.00	65.41	27.40	15.50	0.00	0.00
85.52	11.16	4.22	0.04	0.03	16.90	27.13	29.73	66.10	61.41	14.26
11.69	11.22	1.60	0.00	0.00	0.00	0.75	0.87	1.11	0.70	0.22
61.50	63.30	47.10	41.80	53.80	44.25	76.79	81.48	65.00	98.93	12.66
9.90	20.00	15.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00
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	0.00
248.08	204.66	165.14	150.16	123.30	281.10	182.37	139.48	147.72	161.04	27.14
0.00	0.00	0.00	0.00	2.50	14.30	25.20	34.40	37.20	59.00	49.90
35.30	207.60	136.10	131.90	207.80	434.40	1,060.70	1,761.70	905.10	1,406.20	0.00
35.30	207.60	136.10	131.90	210.30	448.70	1,085.90	1,796.10	942.30	1,465.20	49.90
1,011.68	2,599.86	4,819.59	3,488.75	10,028.31	6,191.15	10,384.08	16,650.15	15,742.67	14,523.00	6,224.28

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APPENDIX C

SIGAR WRITTEN PRODUCTS

SIGAR AUDITS

Completed Audits

SIGAR completed three audits during this reporting period:

COMPLETED SIGAR AUDITS AS OF APRIL 30, 2013		
Report Identifier	Report Title	Date Issued
SIGAR Audit 13-9	Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not Be Sustainable and Existing Hospitals Are Facing Shortages in Some Key Medical Positions	4/2013
SIGAR Audit 13-7	Afghanistan's National Power Utility: Commercialization Efforts Challenged by Expiring Subsidy and Poor USFOR-A and USAID Project Management	4/2013
SIGAR Audit 13-6	Contracting with the Enemy: DOD Has Limited Assurance that Contractors with Links to Enemy Groups are Identified and Their Contracts Terminated	4/2013

New Audits

SIGAR initiated six audits during this reporting period:

NEW SIGAR AUDITS AS OF APRIL 30, 2013		
Audit Identifier	Project Title	Date Initiated
SIGAR 081A	Assessments of Afghan Ministerial Capacity	4/2013
SIGAR 080A	U.S. Government Reconstruction Transition Plan	3/2013
SIGAR 079A	Reliability of Afghan National Security Forces Personnel Data	2/2013
SIGAR 077A	USAID Assistance to Afghanistan's Water Sector	2/2013
SIGAR 075A	Afghan Government's Implementation of the Verified Payroll Program	2/2013
SIGAR 074A	Effect of the Transition from Private Security Contractors (PSCs) to the Afghan Public Protection Force (APPF) on USAID Reconstruction Projects	2/2013

Ongoing Audits

SIGAR had nine audits in progress during this reporting period:

ONGOING SIGAR AUDITS AS OF APRIL 30, 2013		
Audit Identifier	Project Title	Date Initiated
SIGAR 073A	Training of Afghan Justice Sector Personnel	12/2012
SIGAR 072A	Afghan National Security Literacy Training	11/2012
SIGAR 071A	\$230 Million in Missing Repair Parts	10/2012
SIGAR 070A	Afghan National Police Petroleum, Oils, and Lubricants	9/2012

ONGOING SIGAR AUDITS AS OF APRIL 30, 2013 (CONTINUED)		
Audit Identifier	Project Title	Date Initiated
SIGAR 069A	Ongoing Construction Projects for the ANSF	9/2012
SIGAR 065A	State's Financial Audit Coverage of Costs in Afghanistan	8/2012
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 058A	USAID's Southern Region Agricultural Development Project's Partnership with International Relief and Development Inc.	4/2012

New Financial Audits

SIGAR initiated 11 financial audits during this reporting period:

NEW SIGAR FINANCIAL AUDITS AS OF APRIL 30, 2013		
Audit Identifier	Project Title	Date Initiated
SIGAR-F013	USAID Cooperative Agreement with Central Asia Development Group, Inc. (CADG) for the Food Insecurity Response for Urban Populations Program (FIRUP) in Southern and Eastern Afghanistan	4/2013
SIGAR-F014	USAID Task Orders with Checchi and Company Consulting Inc. to improve USAID's Afghanistan program information system and to provide technical support to the Rule of Law Stabilization Program	4/2013
SIGAR-F015	USAID Task Order and Cooperative Agreement with Creative Associates International for support to the Basic Education Program in Afghanistan	4/2013
SIGAR-F016	USAID Cooperative Agreement with Jhpiego Corporation for support to the Health Service Support Project (HSSP)	4/2013
SIGAR-F017	USAID Cooperative Agreement with Mercy Corps International Relief and Development, Inc. for the Food Insecurity Response for Urban Populations Program (FIRUP) in Northern Afghanistan	4/2013
SIGAR-F018	USAID Cooperative Agreement with CARE International for the Food Insecurity Response for Urban Populations Program (FIRUP) in Kabul	4/2013
SIGAR-F019	USAID Cooperative Agreement with World Council of Credit Unions for support to the Rural Finance and Cooperative Development Program in Southern and Eastern Afghanistan	4/2013
SIGAR-F020	USAID Cooperative Agreement with Counterpart International, Inc. for support to the Initiative to Promote Afghan Civil Society (I-PACS)	4/2013
SIGAR-F021	USAID Task Order with International Resources Group for support to the Afghan Clean Energy Program (ACEP)	4/2013
SIGAR-F022	USAID Cooperative Agreement with World Vision for support to the Initiative to Promote Afghan Civil Society (I-PACS)	4/2013
SIGAR-F023	State Grants with Afghan Technical Consultants for the removal of land mines and unexploded ordnance in Afghanistan	4/2013

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Ongoing Financial Audits

SIGAR initiated 12 financial audits during this reporting period:

ONGOING SIGAR FINANCIAL AUDITS AS OF APRIL 30, 2013		
Audit Identifier	Project Title	Date Initiated
SIGAR-F001	DOD Contract with Afghan Integrated Support Services (Joint Venture between Anham FZCO and AECOM) for ANA's Technical Equipment Maintenance Program	10/2012
SIGAR-F002	USAID Contract with Chemonics for Alternative Livelihoods Program in Helmand Province	10/2012
SIGAR-F003	USAID Contract with Development Alternatives, Inc. for Alternative Livelihoods Program in Nangarhar Province	10/2012
SIGAR-F004	USAID Cooperative Agreement with The Asia Foundation for Strategic Support to the Afghan Government	10/2012
SIGAR-F005	USAID Contract with International Relief and Development, Inc. for the Human Resources and Logistic Support Program	10/2012
SIGAR-F006	USAID Cooperative Agreement with Management Sciences for Health for Technical Support to the Ministry of Public Health	10/2012
SIGAR-F007	USAID Contract with ARD, Inc. for the Alternative Development and Alternative Livelihoods Program Expansion North and West Project	10/2012
SIGAR-F008	USAID Contract with Emerging Markets Group for the Afghanistan SOE Privatization, Excess Land Privatization, and Land Titling Project	10/2012
SIGAR-F009	USAID Contract with Futures Group International, LLC for the Expanding Access to Private Sector Health Products and Services Program	10/2012
SIGAR-F010	USDA Cooperative Agreement with Volunteers for Economic Growth Alliance (VEGA) for the Capacity Building and Change Management Program for the Ministry of Agriculture, Irrigation, and Livestock	10/2012
SIGAR-F011	State Grants with Huda Development Organization for University Media Operations Center Projects	10/2012
SIGAR-F012	USAID Cooperative Agreement with International Relief and Development, Inc for the Strategic Provincial Roads Project in Southern and Eastern Afghanistan	12/2012

SIGAR INSPECTIONS

Completed Inspections

SIGAR completed three inspections during this reporting period:

COMPLETED SIGAR INSPECTIONS AS OF APRIL 30, 2013		
Report Identifier	Report Title	Date Issued
SIGAR Inspection 13-8	Forward Operating Base Salerno: Inadequate Planning Resulted in \$5 Million Spent for Unused Incinerators and the Continued Use of Potentially Hazardous Open-Air Burn Pit Operations	4/2013
SIGAR Inspection 13-7	Qala-I-Muslim Medical Clinic Serving the Community Well, But Construction Quality Could Not Be Fully Assessed	4/2013
SIGAR Inspection 13-6	Afghan National Police Main Road Security Complex, Kunduz Province is behind Schedule and May Not Be Sustainable	4/2013

SIGAR SPECIAL PROJECTS

Completed Special Projects

SIGAR issued one alert letter during this reporting period:

COMPLETED SIGAR SPECIAL PROJECTS AS OF APRIL 30, 2013

Project Identifier	Project Title	Date Initiated
SIGAR SP-13-3	K-Span Structures Can Pose Fire and Life Safety Risk	4/2013

New Special Projects

SIGAR announced three new special projects this reporting period:

COMPLETED SIGAR SPECIAL PROJECTS AS OF APRIL 30, 2013

Project Identifier	Project Title	Date Initiated
SP-12	Direct Assistance to the Afghan Ministries of Defense and Interior	4/2013
SP-10	Direct Assistance for the Kajaki Dam Energy Project	4/2013
SP-6	U.S. Government Anticorruption Goals	2/2013

Ongoing Special Projects

SIGAR had one ongoing special project this reporting period.

ONGOING SIGAR SPECIAL PROJECTS AS OF APRIL 30, 2013

Project Identifier	Project Title	Date Initiated
SP-3	Evaluation of Culvert Denial Systems	12/2012

OTHER SIGAR WRITTEN PRODUCTS

SIGAR Testimony

The Special Inspector General for Afghanistan Reconstruction, John F. Sopko, testified before Congress twice during this reporting period, and provided one written testimony for the record:

NEW SIGAR TESTIMONY AS OF APRIL 30, 2012

Testimony Identifier	Testimony Title	Testimony Date
SIGAR 13-11T	Reducing Waste, Improving Efficiencies, and Achieving Savings in U.S. Reconstruction of Afghanistan	4/18/2013
SIGAR 13-10T	Challenges Affecting U.S. Foreign Assistance to Afghanistan	4/10/2013
SIGAR 13-5T	Testimony before the House Subcommittee on National Security	2/13/2013

APPENDIX D

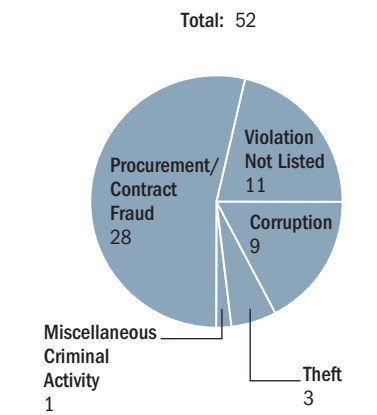
SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations

This quarter, SIGAR opened 52 new investigations and closed 22, bringing the total number of open investigations to 298. Of the new investigations, most involved procurement/contract fraud, corruption, and theft, as shown in Figure D.1. Of the closed investigations, most were closed due to unfounded allegations, as shown in Figure D.2.

FIGURE D.1

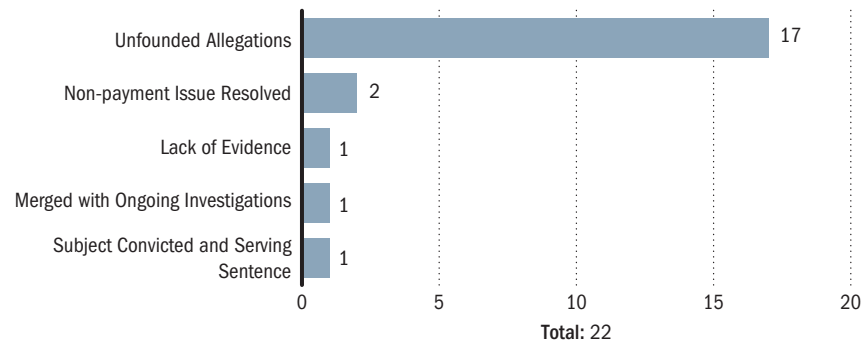
NEW SIGAR INVESTIGATIONS,
JANUARY 1-MARCH 31, 2013



Source: SIGAR Investigations Directorate, 4/5/2013.

FIGURE D.2

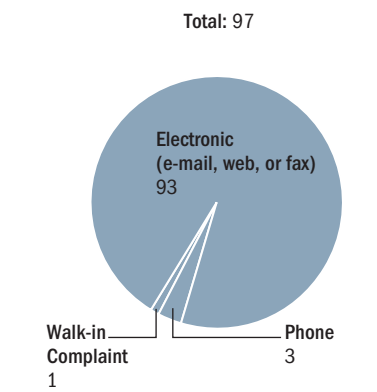
CLOSED SIGAR INVESTIGATIONS, JANUARY 1-MARCH 31, 2013



SIGAR Investigations Directorate, 4/4/2013.

FIGURE D.3

SOURCE OF SIGAR HOTLINE COMPLAINTS,
JANUARY 1-MARCH 31, 2013



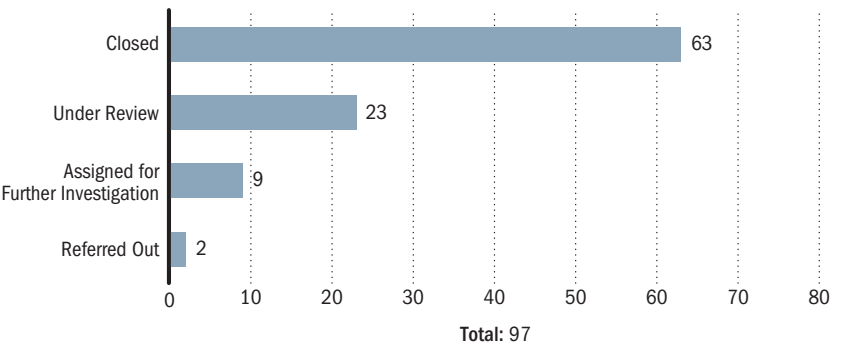
Source: SIGAR Investigations Directorate, 4/5/2013.

SIGAR Hotline

Of the 97 Hotline complaints received this quarter, most were received electronically, as shown in Figure D.3. Of these complaints, most were closed, as shown in Figure D.4.

FIGURE D.4

STATUS OF SIGAR HOTLINE COMPLAINTS, JANUARY 1-MARCH 31, 2013



Source: SIGAR Investigations Directorate, 4/5/2013.

Suspensions and Debarments From SIGAR Referrals

As of March 31, 2013, SIGAR's referrals for suspension and debarment have resulted in 59 suspensions and 56 debarments, as shown in chronological order in Table D.1.

TABLE D.1

SUSPENSIONS AND DEBARMENTS AS OF MARCH 31, 2013	
Suspensions	Debarments
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. – Herat	Handa, Sidharth
Aaria Supplies Company LTD	Jabak, Imad
Aaria Supply Services and Consultancy	Jamally, Rohullah
Atech International	Khalid, Mohammad
Atech International Pvt., Ltd.	Khan, Daro
Alam, Ahmed Farzad	Mariano, April Anne Perez
Albahar Logistics	McCabe, Elton Maurice
American Aaria Company LLC	Mihalczo, 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.

APPENDICES

TABLE D.1 (CONTINUED)

SUSPENSIONS AND DEBARMENTS AS OF MARCH 31, 2013	
Suspensions	Debarments
Wooten, Philip Steven	Noori, Noor Alam, a.k.a. "Noor Alam"
Domineck, Lavette Kaye	Northern Reconstruction Organization
Markwith, James	Shamal Pamir Building and Road Construction Company
All Points International Distributors, Inc.	Wade, Desi D.
Cipolla, James	Blue Planet Logistics Services
Hercules Global Logistics	Mahmodi, Padres
Schroeder, Robert	Mahmodi, Shikab
AISC LLC	Saber, Mohammed
American International Security Corporation	Watson, Brian Erik
Brothers, Richard S.	All Points International Distributors, Inc
David A Young Construction & Renovation Inc.	Hercules Global Logistics
Force Direct Solutions LLC	Schroeder, Robert
Harris, Christopher	Helmand Twinkle Construction Company
Hernando County Holdings LLC	Waziri, Heward Omar
Hide-A-Wreck LLC	Zadran, Mohammad
Panthers LLC	Afghan Mercury Construction Company, d.b.a. "Afghan Mercury Construction & Logistics Company"
Paper Mill Village, Inc	Mirzali Naseeb Construcion Company
Shroud Line LLC	Montes, Diyana
Spada, Carol	Naseeb, Mirzali
Taylor, Michael	Robinson, Franz Martin
Welventure LLC	Smith, Nancy
World Wide Trainers LLC	Sultani, Abdul Anas a.k.a. "Abdul Anas"
Young, David	
Espinoza, Mauricio	
Young, Tonya	

APPENDIX E

ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
4A	Assistance to Afghanistan's Anti-Corruption Authority
AAF	Afghan Air Force
ABADE	Assistance in Building Afghanistan by Developing Enterprises
ABP	Afghan Border Police
ACE	Agricultural Credit Enhancement
ACU	Anti-Corruption Unit
ADB	Asian Development Bank
ADF	Agricultural Development Fund
AFCEC	Air Force Civil Engineer Center
AGO	Attorney General's Office
AGS	Afghan Geological Survey
AIF	Afghanistan Infrastructure Fund
AIHRC	Afghanistan Independent Human Rights Commission
AIP	Afghanistan Infrastructure Program
AITF	Afghanistan Infrastructure Trust Fund
ALP	Afghan Local Police
AMCC	Afghan Mercury Construction Company
AMDEP	Afghanistan Media Development and Empowerment Project
ANA	Afghan National Army
ANCOP	Afghan National Civil Order of Police
ANP	Afghan National Police
ANRP	Afghanistan National Rail Plan
ANSF	Afghan National Security Forces
APL	American President Lines, LTD
APPF	Afghan Public Protection Force
APRP	Afghan Peace and Reintegration Plan
ARP	Afghanistan Reintegration Program
ARTF	Afghanistan Reconstruction Trust Fund
ASFF	Afghanistan Security Forces Fund
ASYCUDA	Automated System for Customs Data
ATFC	Afghan Threat Finance Center
ATT	Afghanistan Trade Transportation
AUAF	American University of Afghanistan
AUP	Afghan Uniform Police
AWDP	Afghanistan Workforce Development Plan
BELT	Basic Education, Literacy, and Technical-Vocational Education and Training
BHC	Basic Health Center
BMM	Border Management Model
BMTF	Border Management Task Force
BPHS	Basic Package of Health Service
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CHAMP	Commercial Horticulture and Agricultural Marketing Program
CHEF	Construction of Health and Education Facilities

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ACRONYM OR ABBREVIATION	DEFINITION
CID	U.S. Army Criminal Investigation Command
CIDNE	Combined Information Data Network Exchange
CJIATF-N	Combined Joint Interagency Task Force-Nexus
CM	Capability Milestone
CME	Community Midwifery Education
CNG	Compressed Natural Gas
CNJC	Counternarcotics Justice Center
CNPA	Counter-Narcotics Police of Afghanistan
CNPCI-W	China National Petroleum Corporation Watan Energy Afghanistan, Ltd.
COR	Contracting Officer's Representative
CSO	Central Statistics Organization
CSSP	Correctional System Support Program
CSTC-A	Combined Security Transition Command-Afghanistan
CUAT	Commander's Unit Assessment Tool
DABS	Da Afghanistan Breshna Sherkat
DCIS	Defense Criminal Investigative Service (U.S.)
DEA	Drug Enforcement Administration (U.S.)
DFIP	Detention Center Facility in Parwan
DLA	Defense Logistics Agency (U.S.)
DOA	Department of the Army (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
DOJ	Department of Justice (U.S.)
DOS	Department of State (U.S.)
DOS OIG	DOS Office of Inspector General
DOWA	Department of Women's Affairs (Afghan)
DST	District Support Team
ECF	Extended Credit Facility
EGGI	Economic Growth and Governance Initiative
EPHS	Essential Package of Hospital Services
ESF	Economic Support Fund
EVAW	Elimination of Violence Against Women law
FBI	Federal Bureau of Investigation
FDRC	Financial Disputes Resolution Commission
FinTRACA	Financial Transactions and Reports Analysis Center of Afghanistan
FOB	Forward Operating Base
FY	Fiscal Year
GAO	Government Accountability Office (U.S.)
GDA	Global Development Alliance
GDP	Gross Domestic Product
GLE	Governor-Led Eradication
GPI	Good Performer's Initiative
HCA	Head of a Contracting Activity
HEP	Higher Education Program
HIS	Homeland Security Investigations
HOO	High Office of Oversight for Anti-Corruption (Afghan)
HPP	Health Policy Project
HSC	Health Sub-Center

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ACRONYM OR ABBREVIATION	DEFINITION
HTCC	Helman Twinkle Construction Company
IBC	International Building Code
IDEA-NEW	Incentives Driving Economic Alternatives for North, East, and West
IDLG	Independent Directorate of Local Governance (Afghan)
IDLO	International Development Law Organization
IEC	Independent Election Commission (Afghan)
IED	Improvised Explosive Device
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.)
IOCC	Interagency Operations Coordination Center
I-PACS	Initiative to Promote Afghan Civil Society
IRD	International Relief and Development Inc.
ISAF	International Security Assistance Force
JCMB	Joint Coordination and Monitoring Board
JSOTF	Joint Special Operations Task Force
JSSP	Justice Sector Support Program
JTTP	Justice Training Transition Program
KCI	Kabul City Initiative
KHPP	Kandahar-Helmand Power Project
LARA	Land Reform in Afghanistan
LMG	Leadership, Management, Governance Project
LOTFA	Law and Order Trust Fund for Afghanistan
MAIL	Ministry of Agriculture, Irrigation, and Livestock (Afghan)
MCC	China Metallurgical Group Corporation
MCIT	Ministry of Communications and Information Technology (Afghan)
MCN	Ministry of Counternarcotics (Afghan)
MCTF	Major Crimes Task Force (Afghan)
MEC	Monitoring and Evaluation Committee (Afghan)
MIAD	Multi-Input Area Development
MIDAS	Mining Investment and Development for Afghan Sustainability
MNCC	Mirzali Naseeb Construction Logistic & Transportation Company
MOD	Ministry of Defense (Afghan)
MOF	Ministry of Finance (Afghan)
MOI	Ministry of Interior (Afghan)
MOIC	Ministry of Information and Culture (Afghan)
MOJ	Ministry of Justice (Afghan)
MOMP	Ministry of Mines and Petroleum (Afghan)
MOPH	Ministry of Public Health (Afghan)
MOWA	Ministry of Women's Affairs (Afghan)
NATO	North Atlantic Treaty Organization
NCIS	Naval Criminal Investigative Services (U.S.)
NCO	Noncommissioned Officer
NDAA	National Defense Authorization Act
NDS	National Directorate for Security
NEPS	Northeast Power System
NGO	Nongovernmental Organization
NKB	New Kabul Bank

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ACRONYM OR ABBREVIATION	DEFINITION
NMH	National Military Hospital
NPP	National Priority Program
NSOCC-A	NATO Special Operations Component Command-Afghanistan
NTM-A	NATO Training Mission-Afghanistan
NTV	Non-Tactical Vehicles
O&M	Operations and Maintenance
OAA	Office of Administrative Affairs
OCO	Overseas Contingency Operations
PCH	Partnership Contracts for Health Services
PEC	Presidential Executive Commission
PJST	Provincial Joint Secretariat Team (Afghan)
PM/WRA	Bureau of Political-Military Affairs - Office of Weapons Removal and Abatement (U.S.)
POD	Proof of Delivery
POL	Petroleum, Oil, and Lubricants
PPC	Provincial Peace Council
PRT	Provincial Reconstruction Team
PSC	Private Security Contractor
PTEC	Power Transmission Expansion and Connectivity
RAMP-UP	Regional Afghan Municipalities Program for Urban Populations
RC	Recurrent Cost
RC-North	Regional Command-North
ROL	Rule of Law
RSS	Road Sector Sustainability
SAIL	Steel Authority India Ltd.
SCC	Special Cases Committee (Afghan)
SEPS	Southeast Power System
SGDP	Sheberghan Gas Development Program
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIKA	Security in Key Areas
SMW	Special Missions Wing (Afghan)
SOJTF-A	Special Operations Joint Task Force-Afghanistan
SY	Solar Year
TAFI	Trade Accession and Facilitation in Afghanistan
TF	Task Force
TFBSO	Task Force for Business and Stability Operations in Afghanistan
TMR	Transportation Movement Request
TVET	Technical Vocational Education and Training
UN	United Nations
UNAMA	United Nations Assistance Mission in Afghanistan
UNDP	United Nations Development Programme
UNODC	UN Office on Drugs and Crime
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USFOR-A	U.S. Forces-Afghanistan
USGS	United States Geological Survey
VSO	Village Stability Operations

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Traditional costume, modern conveyance: Two burka-clad Afghan women get a ride on a motorbike. (SIGAR photo by Michael Foster)

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