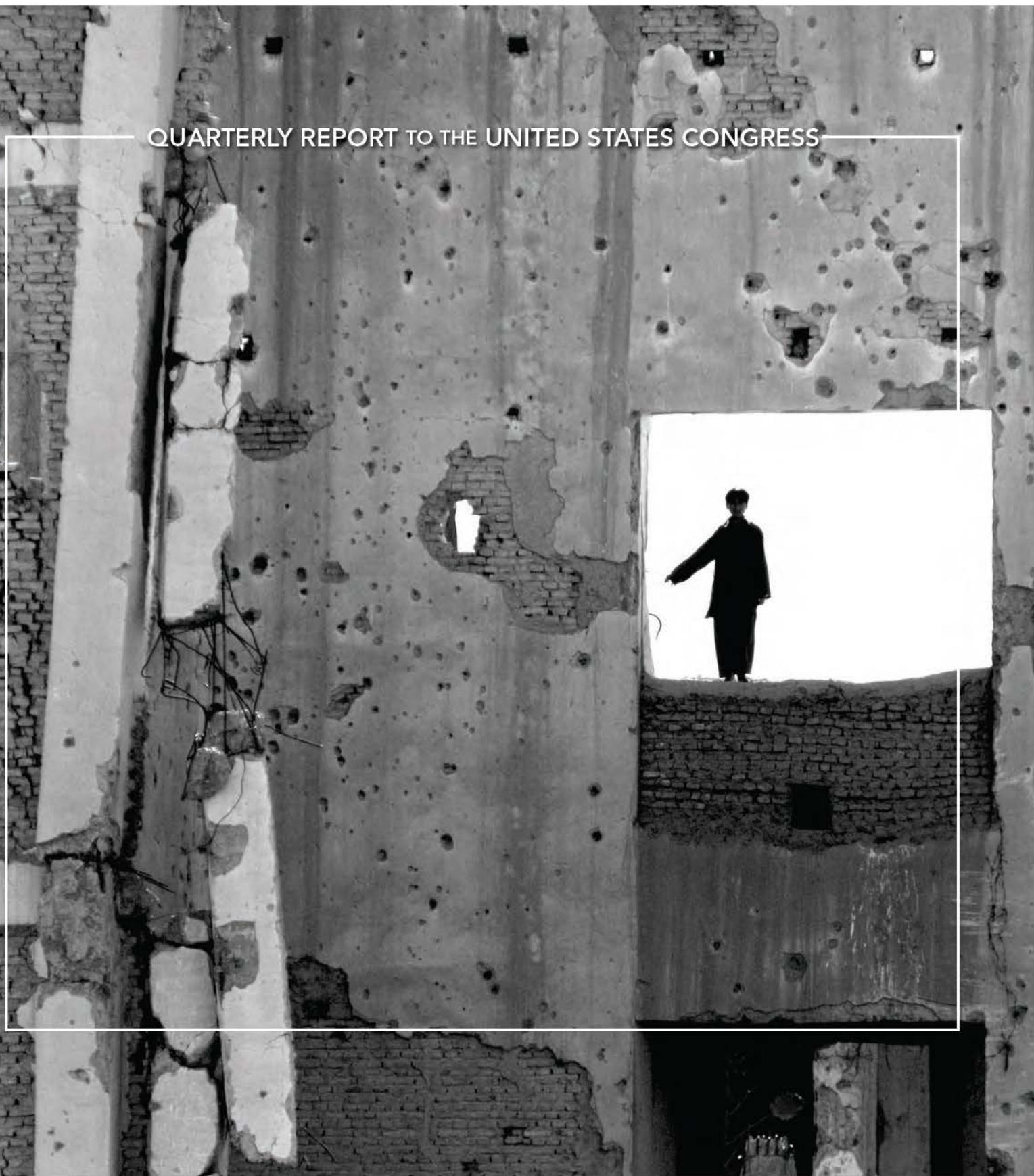


SIGAR

Special Inspector General for
Afghanistan Reconstruction

JUL 30
2015

QUARTERLY REPORT TO THE UNITED STATES CONGRESS



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The National Defense Authorization Act for FY 2008 (Pub. L. No. 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: Pub. L. No. 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:

An Afghan youth stands in bombed-out building at Tarnak Farms, a former Al-Qaeda training camp in Kandahar, Afghanistan. (Photo by Kenny Holston, U.S. Air Force, via Creative Commons)



SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION

I am pleased to submit to Congress, and the Secretaries of State and Defense, SIGAR's 28th quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

With U.S. and Chinese officials observing, the Afghan government and the Taliban held their first official meeting this quarter in Pakistan. Although Taliban attacks continue in Afghanistan, the meeting was a positive development. As Section 3 of this report discusses, many experts believe that ending the war is the only way, even under the most optimistic of economic scenarios, for Afghanistan to become a self-sufficient, sustainable state. Halfway through their first fighting season without U.S. combat support, the Afghan National Defense and Security Forces (ANDSF) managed to hold all provincial capitals, but took increased casualties and found themselves stretched thin. Meanwhile, the Taliban is increasingly fractured, with some commanders claiming allegiance to the Islamic State in Iraq and the Levant (ISIL).

This quarter SIGAR was concerned about two issues that arose with the U.S. Agency for International Development (USAID). In May 2014, USAID responded to a request from our criminal investigators in Afghanistan by providing SIGAR with the geospatial coordinates for health-care facilities funded by the agency's \$210 million Partnership Contracts for Health (PCH) program. This June SIGAR notified USAID that we had determined that nearly 80% of the coordinates were incorrect. This was a troubling discovery, as geospatial technology is an increasingly important tool for verifying aid outcomes as on-the-ground oversight capabilities dwindle in Afghanistan. Also troubling was USAID's subsequent admission that it was aware of "precision issues" in the coordinates it gave SIGAR. Evidently, USAID provided the coordinates for a SIGAR criminal investigation without any appropriate caveats on their use, even though it had little or no confidence in the information.

SIGAR also launched an inquiry in June regarding the reliability of data used by USAID to oversee and fund its education programs in Afghanistan, in part because of concerns raised by the new minister of education before the Afghan parliament. After my most recent meetings this month with senior Afghan officials, I remain unconvinced that either USAID or the Afghan ministries are able to accurately account for the investments in health and education made by the United States and our allies.

During my last trip to Afghanistan, I met again with President Ashraf Ghani and Chief Executive Officer Abdullah Abdullah to discuss SIGAR's efforts to help the national-unity government crack down on corruption in the \$109.7 billion U.S.-funded reconstruction effort. Last quarter, SIGAR and the Combined Security Transition Command-Afghanistan (CSTC-A) briefed the government on our investigation of corruption in the award of a nearly \$1 billion Ministry of Defense fuel contract. SIGAR and CSTC-A continue to support the Afghan government's procurement reforms and are the only U.S. government entities to attend the meetings of the new National Procurement Commission that President Ghani established to regulate contract awards.

This report also examines the issue of conditionality, which will be on the agenda at the Senior Officials Meeting of the Tokyo Mutual Accountability Framework this September. Section 1 of this report looks at how placing conditions on international assistance to Afghanistan can help achieve its purposes of thwarting corruption and making the country capable of standing on its own while still providing accountability for the use of donor-nation taxpayers' money. It examines the increasing number of conditions CSTC-A and other U.S. agencies are placing on aid to the Afghan government, and at some of the ways poorly conceived or executed conditionality can cause problems for both donors and recipients of aid. It proposes ten tasks donors should consider when using conditions to make assistance both accountable and effective.

In other work this quarter, SIGAR issued 21 audits, inspections, alert letters, and other products. One of SIGAR's performance audits found that the Federal Aviation Administration was not able to train enough air-traffic controllers for Afghanistan to operate airspace management on its own, and that the United States was not able to transition airspace-management responsibilities to the Afghans as planned in 2014. A second performance audit reported that U.S. government agencies do not have a comprehensive strategy to help develop the rule of law in Afghanistan, and that problematic performance-management systems make it difficult for agencies to fully determine the effectiveness of rule-of-law programs.

This quarter, SIGAR's financial audits identified over \$37.4 million in questioned costs involving internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$279.5 million in questioned costs and \$289,880 in unremitted interest on advanced federal funds or other revenue amounts payable to the government.

Additionally, SIGAR published two inspection reports. One report found that project construction at the Counter Narcotics Judicial Center mostly met contract requirements, despite two construction deficiencies, and that the detention center was being used as intended. The second report found that the Defense Logistics Agency warehouse facility at Kandahar Airfield was well built, despite minor deficiencies, but that lengthy construction delays led to the facility never being used as intended.

SIGAR released a special project report that summarizes nearly two years of investigation into the construction by the Department of Defense (DOD) of an unwanted, unneeded, and unused 64,000-square-foot command-and-control facility in Afghanistan. In addition, the Office of Special Projects began inquiries into a \$43 million compressed natural gas project implemented by DOD's Task Force for Business and Stability Operations and the underutilization of the Tarakhil Power Plant.

During the reporting period, SIGAR investigations achieved significant results. Cost savings to the U.S. government amounted to approximately \$214.7 million; civil-settlement recoveries totaled more than \$6.9 million; and fines, forfeitures, and restitutions totaled over \$675,000. There were also four arrests, eight criminal charges, six convictions, and five sentencings. In addition, 17 individuals were barred from U.S. military installations in

Afghanistan. SIGAR initiated 27 new investigations and closed 40, bringing the total number of ongoing investigations to 310.

The accomplishments of the fiscal quarter bring the cumulative total in criminal fines, restitutions, forfeitures, civil-settlement recoveries, and U.S. government cost savings from SIGAR's ongoing investigations to \$794 million. Investigative outcomes include 101 arrests, 130 criminal charges, 93 convictions, and 69 sentencing. Since its inception, SIGAR has conducted 865 investigations in total. These achievements illustrate the tremendous impact SIGAR investigations have had in the reconstruction oversight effort.

SIGAR's suspension and debarment program referred 17 individuals and 25 companies for suspension or debarment from receiving U.S. government contracts. Since 2008, SIGAR has made 650 referrals—343 individuals and 307 companies. As of last quarter, a majority of these individuals and entities have been publicly listed in the General Services Administration (GSA) System for Award Management, providing a readily accessible notice to contracting officers and prime contractors that the listed individuals and entities should be restricted from receiving contracts, grants, and cooperative agreements. SIGAR will continue to press to have all such individuals and entities added to GSA's list.

None of this would have been possible without the dedication of SIGAR's 194 investigators, auditors, and other professionals, who often work in dangerous conditions. We at SIGAR remain committed to working with Congress and other stakeholders to combat waste, fraud, and abuse in the single most costly reconstruction program ever undertaken by the United States.

Respectfully,

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

John F. Sopko
Special Inspector General for Afghanistan Reconstruction

EXECUTIVE SUMMARY

This report summarizes SIGAR's oversight work and updates developments in the three major sectors of Afghanistan's reconstruction effort from April 1 to June 30, 2015.* It also includes a discussion of the ways in which improved conditionality can increase accountability for donor funds while delivering better outcomes for Afghanistan. During this reporting period, SIGAR published 21 audits, inspections, alert letters, and other reports assessing the U.S. efforts to build the Afghan security forces, improve governance, and facilitate economic and social development. These reports identified a number of problems, including a lack of accountability, failures of planning, and construction deficiencies. The cost savings to the U.S. government from SIGAR's investigative work amounted to approximately \$214.7 million; civil-settlement recoveries totaled more than \$6.9 million; and fines, forfeitures, and restitutions totaled over \$675,000. SIGAR investigations also resulted in four arrests, eight criminal charges, six convictions, five sentencing, and the exclusion of 17 individuals from access to U.S. military installations. Additionally, SIGAR referred 17 individuals and 25 companies for suspension or debarment based on allegations that they engaged in fraud and non-performance in contracts.

SIGAR OVERVIEW

AUDITS

SIGAR produced two performance audits, 11 financial audits, and two inspections.

The **performance audits** found:

- The Federal Aviation Administration was not able to train enough air-traffic controllers for Afghanistan to operate airspace management on its own, and the United States was not able to transition airspace-management responsibilities to the Afghans as planned in 2014.
- U.S. government agencies do not have a comprehensive strategy to help develop the rule of law in Afghanistan, and problematic performance-management systems make it difficult for agencies to fully determine the effectiveness of rule-of-law programs.

The **financial audits** identified \$37.4 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included failure to follow competitive procurement procedures, business-class airfare purchased without acceptable justifications, disbursing 80% of payments to employees and vendors in cash instead of utilizing banking services or electronic

payments, unauthorized overtime compensation, charging in excess of the 35% danger-pay allowance, failure to retain invoices and supporting documentation, incorrect exchange rates applied on conversion of U.S. dollars to local currency, failure to submit monitoring and evaluation reports, incorrect allocation rates applied to certain field-office costs, invoicing the U.S. Agency for International Development (USAID) for taxes to the Afghan government that are not eligible for reimbursement, overbilling for indirect costs, incomplete inventory records and equipment disposal documentation, and failure to obtain government approval on local procurements in excess of \$5 million.

The **inspection reports** of U.S.-funded facilities found:

- Project construction at the Counter Narcotics Judicial Center mostly met contract requirements, despite two construction deficiencies, and the detention center was being used as intended.
- The Defense Logistics Agency warehouse facility at Kandahar Airfield was well built, despite minor

* SIGAR may also report on products and events occurring after June 30, 2015, up to the publication date.

EXECUTIVE SUMMARY

deficiencies, but lengthy construction delays led to the facility never being used as intended.

NEW AUDITS AND INSPECTIONS

This quarter, SIGAR initiated three new performance audits which will assess U.S. efforts to sustain Afghanistan's road infrastructure, USAID's efforts to sustain land reform in Afghanistan, and U.S. salary supplements for Afghan government employees and technical advisors. SIGAR also initiated five new inspections of State/USAID- and Department of Defense-funded construction projects, Afghan National Army Camp Commando Phases III and IV, the Ministry of Interior Headquarters Complex, and the Ministry of Defense Headquarters Support and Security Brigade.

SPECIAL PROJECTS

During this reporting period, the Office of Special Projects issued five products, including a special report and inquiry letters addressing issues including:

- The results of SIGAR's investigation of the \$36 million unwanted, unneeded, and unused command-and-control facility at Camp Leatherneck
- The challenges facing the Downstream Gas Utilization Project that was implemented by the Task Force for Business and Stability Operations
- The reliability of data used by USAID to oversee and fund its education programs in Afghanistan, and to measure the effectiveness of those programs
- The use of the \$355 million Tarakhil Power Plant to supply back-up power to Kabul
- The accuracy of location information for health-care facilities funded by the USAID Partnership Contracts for Health program

INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in cost savings to the U.S. government of approximately \$214.7 million; civil-settlement recoveries totaled more than \$6.9 million; and fines, forfeitures, and restitutions totaled over \$675,000. Criminal

investigations resulted in four arrests, eight criminal charges, six convictions, five sentencing, and the exclusion of 17 individuals from U.S. military installations in Afghanistan. SIGAR initiated 27 new investigations and closed 40, bringing the total number of ongoing investigations to 310. SIGAR's suspension and debarment program referred 17 individuals and 25 companies for suspension or debarment.

Investigations highlights include:

- A civil investigation yielded a nearly \$7 million recovery for the U.S. government.
- A civilian contracting officer was charged and a U.S. military officer pled guilty as the result of a SIGAR investigation that was initiated from a hotline tip.
- A bribery investigation resulted in criminal charges and a guilty plea.
- As the result of an investigation into conspiracy to commit bribery, two U.S. military members pled guilty and were sentenced.
- A U.S. Army staff sergeant was arrested and indicted on charges of conspiracy, bribery, money laundering, and theft.
- A U.S. contractor was sentenced for bribery.
- Two contractor employees were sentenced for conspiracy to defraud the U.S. government.
- A U.S. contractor employee pled guilty to theft of U.S. property.
- SIGAR recognized a U.S. military member for identifying fuel theft of \$2.5 million.

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“If we don’t continue to prove to
[Afghan aid] donors that we’re spending
money wisely, the money will go away ...
I think conditions are the way to do that.”

—*U.S. Army Major General Todd Semonite*

1 SETTING SMART CONDITIONS FOR AID



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A member of the U.S. Army's 25th Combat Aviation Brigade conducts sheet-metal training for Afghan soldiers at Kandahar Airfield, Afghanistan. (U.S. Army photo by Sgt. Daniel Schroeder)

SETTING SMART CONDITIONS FOR AID

ATTACHING STRINGS IS OFTEN A GOOD IDEA

Although more than 60% of the \$109.7 billion appropriated since 2002 for the U.S. reconstruction of Afghanistan has been security-related, much of the aid provided to Afghan ministries to support army and police forces originally was given with no strings attached. That has changed, and the U.S. military's recent increase of conditions on security assistance to Afghanistan illustrates the reasons for and challenges of devising and using aid conditions effectively. As more U.S. and other international assistance goes onto Afghan ministry budgets, striving for more effective and efficient conditionality is an important task for both donors and Afghans.

"In 2013, we had no conditions" on funds flowing through the Combined Security Transition Command-Afghanistan (CSTC-A) to support Afghan defense and interior ministries, CSTC-A commander Major General Todd Semonite told SIGAR.¹ The exigent demands of fighting a war trumped many other considerations.

In 2014, the year in which Semonite took command of CSTC-A, the operating environment changed as CSTC-A prepared for the end of the U.S. combat role in Afghanistan. The Afghan Ministry of Defense (MOD) signed a commitment letter—a bilateral agreement that specifies the donor's conditions for aid and the ministry's acknowledgment—with 17 conditions for receiving security aid, while the Ministry of Interior (MOI) signed on to 14 conditions. In 2015, the two ministries are subject to 93 conditions, 45 for the MOD and 48 for the MOI.²

The conditions can be quite targeted. The Afghan commitment letters with CSTC-A link U.S. aid disbursements to conditions such as Afghan ministries' using electronic personnel-information systems and submitting corps- or province-level spending plans, as well as plans for the use of military hardware. CSTC-A's December 2014 commitment letter with the MOD imposes a condition of an annual 100% inventory of weapons, with loss reports due within 30 days. If discrepancies are not reconciled or resolved, CSTC-A can freeze deliveries and withhold some repair support.³

Semonite said new iterations of commitment letters will include more conditions and changes to close loopholes in current language. (Highlights from SIGAR's interview with the general appear on pages 16–17 of this essay.)



Building assembly begins at a facility for the Afghan National Army. (U.S. Air Force photo)

The Department of Defense Inspector General (DOD IG) provides support for the approach—and adds an important proviso. A recent DOD IG audit said, “Providing senior advisors to mentor the [Afghan] ministries and including strict internal controls within the commitment letters will help build capacity and transparency as long as CSTC-A officials hold GIROA [Government of the Islamic Republic of Afghanistan] accountable.” The DOD IG report also noted that CSTC-A’s “controlled failure” approach “allows GIROA officials to struggle so they learn to cope with the consequences” of failing to meet conditions like documenting fuel needs, deliveries, and usage.⁴

They do struggle. The International Monetary Fund’s (IMF) May 2015 country report on Afghanistan observes that “Development expenditure execution rates linger around 50%.” Further, the IMF observes, “Increasing on-budget aid, especially through the transfer on-budget of security expenditures previously managed by donors, is challenging [Afghan] absorption capacity.”⁵ Conditionality offers a way to proceed with risk-mitigating and damage-controlling measures in a challenging environment for aid implementation.

The CSTC-A conditions, DOD has told Congress, are “intended to ensure the proper implementation and integration of financial accounting, payroll, human resources, and real property systems; and provide mechanisms to prevent funds from being misappropriated or otherwise misused.”⁶ Success would serve U.S. and other donors’ interests in visibility and accountability for the use of funds, and Afghan interest in bolstering their government’s effectiveness and preserving the aid flows that cover most of their national budget.

Afghanistan's "Decade of Transformation" envisions a more robust and sustainable nation-state by 2025, in which Afghans do more things for themselves, build government capacity, and provide for their own security. Nonsecurity aid such as programs and projects supported by the U.S. Agency for International Development (USAID) already make extensive use of up-front requirements, benchmarks, reporting, and other conditions. Placing more security-related aid under conditions as well can help focus attention on those results even as the U.S. presence in Afghanistan shrinks and as more aid goes "on-budget" with Afghan ministries.

Considering these trends, the majority staff of the U.S. Senate Committee on Foreign Relations recommended late last year that in addition to refocusing on Afghanistan's responsibility for fulfilling the conditions agreed upon in the Tokyo Mutual Accountability Framework for assistance,

The U.S. should also condition a higher percentage of its funding: if done properly by ensuring Afghan buy-in, conditioning U.S. assistance can improve the accountability of our aid, strengthen reformers and institutions in the Afghan government and result in better development outcomes.⁷

SIGAR has taken a similar position. In early 2015, the Special Inspector General for Afghanistan Reconstruction testified to a Senate subcommittee that

One way to improve Afghan ministries' ability to manage and account for on-budget assistance is to make this assistance conditional on the ministries taking defined actions to improve their financial management, procurement, strategic planning, and auditing capabilities, among others.⁸

President Ashraf Ghani also voiced his support for conditionality on assistance provided to the Afghan government in a February 2015 meeting with the Special Inspector General, saying that he plans to use conditionality to keep his government focused on meeting performance targets and prioritizing its key tasks.⁹ Ghani, a former World Bank official with a doctorate from Columbia University, has long advocated conditionality. In the 2008 book *Fixing Failed States*, co-authored with governance expert Clare Lockhart, he proposed "shared responsibilities or explicit conditionalities" as part of a "sovereignty strategy" to align internal and external stakeholders in development "through the joint formulation, calibration of, and adherence to the rules of the game."¹⁰

Meanwhile, the United States has supported conditionality-incentive features in international programs like the World Bank-managed Afghanistan Reconstruction Trust Fund and the IMF's Extended Credit Facility, while USAID routinely attaches conditions to its bilateral aid to Afghanistan and other countries.¹¹ USAID, by contrast, typically focuses on up-front specifications ("conditions precedent," such as requiring copies of externally audited financial reports from an aid client), project milestones, and other

programmatic incentive triggers rather than on changes in Afghan policy, government organization, or structure of local institutions.¹²

Whether donors' motivations are geopolitical, developmental, or human-rights-oriented, blank checks are rarely, if ever, offered. As a report prepared for the Norwegian Ministry of Foreign Affairs said flatly, "It should be unnecessary to repeat: aid has never been given unconditionally."¹³ Even direct, government-to-government aid transfers operate under the implicit condition that the recipient's conduct remains at least acceptable to the donor.

Conditionality, in sum, is widely endorsed. The question for donors wanting to help Afghanistan and similarly situated countries is not so much whether to use conditionality, but how to use it smartly.

THE BROAD REACH OF CONDITIONALITY

Conditionality abounds in private and public life as well as in international affairs. People may stipulate that a donation to their alma mater be used only for scholarships to benefit students from Flat Rock, North Carolina. Wills may establish a trust that will pay out to a niece only if she finishes school and doesn't smoke. Business contracts dictate standards, materials, services, and deadlines. Unemployment-insurance benefits are conditioned upon recipients' actively seeking a job.

In the lexicon of international affairs, the Organization for Economic Cooperation and Development (OECD) notes, "Aid conditionality does not have a universally agreed definition and covers a spectrum of different types of engagements."¹⁴ Conditions can affect anything from a recipient government's adopting reforms to its tax code, to reporting requirements, to construction deadlines for an irrigation project.

Conditionality objectives can also vary. They might entail achieving policy, process, or behavioral outcomes by using money as an incentivizing lever, rather than simply monitoring and verifying the use of money. In 1984, for example, the U.S. Congress imposed conditions on federal Highway Trust Fund allocations to states: the federal statute required states to devote at least 8% of the funds they received to developing programs for child safety restraints unless at least three-quarters of children under four were already using car seats, and mandated a 10% withholding of allocations for any state that permitted alcoholic-beverage purchases or possession by people under 21.¹⁵

More recently, conditionality loomed large in the summer 2015 Greek financial and debt-relief crisis. Greek international debt to the IMF, the European Commission, and the European Central Bank reportedly amounts to almost 180% of the country's entire gross domestic product, while the country's domestic budget was sinking deeper into deficit. Greece was struggling with international creditors and lenders on a mutually acceptable set of terms and conditions for further loans to avert a debt default and

banking collapse. Points of contention included creditors' demands for new or increased taxes, reduced pension costs via higher retirement ages and increased contributions, and restraint on public-sector spending. Lenders were demanding conditions that they argued could help ensure new loans could be repaid; Greek officials were resisting a reform package that they claimed would inflict hardship.¹⁶ The argument was, in short, about conditionality as well as equity and hardship.

World Bank and IMF loans and grants have long had conditions attached, such as recipients' agreeing to revenue, trade, monetary-policy, or governance reforms. The IMF, for example, has used policy conditionality such as addressing trade imbalances in funding programs since the mid-1950s, with conditionality evolving over time into more emphasis on "structural adjustment" in privatization and reforms of public enterprise and social security reform, and on program monitoring.¹⁷ Bilateral aid donors, multilateral trust funds, and nongovernmental organizations also attach conditions to their assistance, such as program criteria and project milestones or results indicators.

The international donors who met in Tokyo in 2012 embedded conditionality in the Tokyo Mutual Accountability Framework (TMAF) that set the ground rules for future assistance to Afghanistan. "Monitoring of development and governance benchmarks in a transparent manner," the TMAF document says, "is a powerful means to enable accountability to the Afghan people, and reinforce reciprocal commitments of donors and the Afghan Government to improved development performance."¹⁸ Applying that principle led to the TMAF declaration of donors' intent to raise the share of funding provided through incentive mechanisms to 20% by the end of Afghanistan's "Transformation Decade" in 2025 with the goal that "Incentive programs should seek to provide the Afghan Government with more flexible, on-budget funding in conjunction with progress on specific economic development achievements."¹⁹ The United States, while a subscriber to the TMAF principles and a contributor to international aid initiatives like the Afghanistan Reconstruction Trust Fund, has also used conditions-based incentives in its bilateral aid to Afghanistan.

Whatever the details and whatever the venue, conditionality can serve several purposes, including:

- as a mechanism for securing policy, program, or process changes
- as a way to encourage recipient-country capacity building
- as a means of prompting specific security or developmental outcomes
- as device to influence recipient attitudes and behavior
- as a way to improve visibility and accountability for donor's money

Like Greece, Afghanistan is a focus of attention for conditionality. Unlike Greece, it can rely on foreign donors to cover about 60% of its budget, so it has little external debt—less than 7% of GDP. Unfortunately, as SIGAR

and other organizations have long documented and reported, the list of Afghanistan's problems extends far beyond public finance. Carrying out the reconstruction program there requires considering the various ways in which conditionality can stray from satisfying donors' intentions and sometimes even undercut them.

CHALLENGES TO EFFECTIVE CONDITIONALITY

In its 2005 *Conditionality Revisited* report, the World Bank said, "More conditionality cannot compensate for weak government commitment or implementation capacity."²⁰

That warning remains pertinent in Afghanistan. The Asian Development Bank's latest fact sheet on Afghanistan notes "operational challenges" that include "instability in national security, political uncertainty, disjointed governance, and a fragility in the rule of law." The Bank adds that Afghanistan needs policy and institutional reform, expanded capacity in its largely informal economy, and progress against drug trafficking. "These challenges," the Bank concludes, "have led to corruption and weak performance in the public sector, making [development] project implementation more difficult" and raising their costs.²¹

SIGAR has repeatedly reported that Afghanistan reconstruction since 2002 has proceeded under a number of harsh constraints, including ministerial-capacity limitations that keep execution rates for the development budget low and widespread corruption. As a June 2015 report from the independent Afghanistan Public Policy Research Organization noted:

For most of the population, and individuals and organizations that take the development aid profession seriously, Afghanistan is one of the most difficult and corrupt places in which to function. A testament to this is the fact that there are 27 different expressions for alerting service users that they should pay a bribe.²²

Corruption is, in a common view, not only endemic in Afghanistan, but may even constitute, as former International Security Assistance Force commander General John Allen put it, "the existential threat to the long-term viability of modern Afghanistan."²³

SIGAR has reported on large-level corruption in matters like the \$200 million fuel-theft scandal that led President Ghani to create a national procurement authority, the looting of Kabul Bank, and apparently biased decisions against prosecuting well-connected individuals. But corruption extends into many smaller niches of Afghan life as well. For one example, Afghanistan's multinational Independent Joint Anti-Corruption Monitoring and Evaluation Commission (MEC) found conditions ripe for corruption during its recent review of disability-compensation payments at the Ministry of Labor, Social Affairs, Martyrs, and Disabled. In its June 2015 report,

the MEC found the ministry's eligibility process "convoluted, redundant, and time-consuming," with insufficient staff to process citizens' disability applications. The situation "creates opportunities for corrupt government officials to demand bribes for processing the appropriate paperwork in a more timely manner."²⁴

Two Dutch researchers—one of them now a World Bank development specialist—say "Afghanistan can be considered as a weak rentier state, subsisting on aid" as some other states subsist on oil revenues. "State building in this context cannot be successful," Dutch scholars Willemijn Verkoren and Bertine Kamphuis write, for a state that does not depend on domestic taxation for revenue and feels limited accountability pressure from citizens may do little to build institutions or develop the economy. Resource windfalls or aid flows may instead reinforce patronage networks, encourage economic rent-seeking, and foster corruption and waste. In a rentier state, the authors say, "What aid officials call 'corruption' is not an excess that can be eliminated, but a central feature of governance."²⁵

Corruption, of course, is nothing new and is certainly not unique to Afghanistan. Throughout history, writes Stanford University professor Stephen D. Krasner, rulers have seen controlling the state as the path to personal wealth and power, so "Corruption is not an aberration, it is the lubricant that makes their governing possible." Consequently, and despite foreign efforts to promote good elections, their outcomes "are often perverted or produce leaders who have no interest in sustaining accountable governance."²⁶

Local Leaders' Attitudes Make A Difference

The literature on foreign aid teems with references to the importance of recipient-nation buy-in and "ownership." For example, the State Department's Bureau of International Narcotics and Law Enforcement Affairs cautions in its guide to correctional-program assistance, "It is *imperative* to gain the political buy-in of the host country's leadership *before* embarking on a reform program."²⁷

Without genuine understanding, support, and embrace of aid programs and their conditions, the appearance of agreement may conceal underlying realities that undermine aid objectives. Recipient-nation leaders could be focused on opportunities for short-term control of funds and unconcerned about longer-term outcomes. They may construct compliance charades like enacting high-sounding but unenforced laws and conceal day-to-day practices. They may be willing to tolerate penalties for failing to enact reforms they do not actually want. Or they may simply lack the political or administrative clout to deliver compliance in the first place.

"Governments will agree to almost anything" to obtain aid, the National Academy of Public Administration observed in its report on the failure of international aid programs for Haiti. "Whether they support it is another



A U.S. Army major and an Afghan construction-company owner discuss work to be done at the Afghan National Police station in Dara District. (Resolute Support photo by Specialist James Wilton)

matter.” And once aid flows start, the Academy noted, political pressures may keep it flowing despite waste, because “Cutting off or slowing assistance can wreck or undo progress.”²⁸ This phenomenon can lead to other problems. Aid agencies “often fail to enforce conditions,” says Vassar College economist Christopher Kilby, whose statistical research finds correlations between recipient-country support of World Bank donors’ voting positions at the United Nations and weak enforcement of loan conditions. “This pattern,” he writes, “undermines the credibility of conditionality, weakening incentives to implement policy reforms.”²⁹

Whether the lack of conditionality-enforcement rigor stems from unclear requirements, loss aversion, security concerns, or other sources, the effect can be pernicious. Aid-receiving country leaders may conclude that donors’ political sensitivities about perceptions of failure, reluctance to write off gains, or prioritization of strategic over developmental objectives will shield them against donor enforcement of conditions. As Stanford’s Professor Krasner has observed, threats to cut off capacity-building aid are more credible when recipients lack resources or are not the object of donors’ security-interest calculations. “In contrast,” he says, in Angola, “where there were ample natural resource revenues, or Afghanistan and Iraq, where the United States had core security interests, threats to withdraw aid were either irrelevant or not credible.”³⁰

Even worse, perhaps, actually cutting off aid may not achieve the intended incentivizing effect if the impact falls on the wrong people. “For example,” suggests a U.S. Institute of Peace (USIP) briefing paper on aid for Afghanistan, “withholding funding for gender programs on the basis of limited progress on gender issues may prove counterproductive given that some [local] actors may actually welcome cessation of such funds.”³¹ If conditionality penalties do not threaten the actual interests of the people agreeing to the conditions, similar reservations could apply to conditional penalties for programs aimed at reducing corruption, improving the judicial systems, or limiting election fraud.

While an aid cutoff in such cases may send the broad message that aid is not guaranteed and that there are consequences for not meeting conditions, desirable programs may suffer while the behavior of the officials causing, welcoming, or tolerating noncompliance remains unaffected. As the USIP brief cautions, “An overly firm reaction to inadequate [Afghan] performance ... may also result in a vicious circle in which the Afghan government receives less funding, reducing its capacity, resulting in even less support.”³²

Effective Conditionality Faces Other Constraints

U.S. agencies’ inspectors general other than SIGAR have also observed problems with setting up and enforcing requirements in general. The USAID Inspector General’s Country Office Director, for example, noted in an October 2014 memo that—contrary to guidance—objectives, results,

resources, and timelines had not been clearly documented in programs involving Afghan workforce development, health services, power supply, airports, and education. The memo said lack of clarity invites misunderstandings, and can impede implementation and risk mitigation. “Further,” the USAID IG office noted, “poorly worded documents can make it difficult to hold the implementing entities accountable.”³³

Another constraint on effective implementation of conditionality could be real or perceived pressure to support national or agency high-level objectives ahead of observing operational standards. SIGAR’s 2014 audit of Afghan ministerial assessments found that while ministries met USAID conditions precedent before funds were disbursed to them, those conditions reflected only a small number of the 333 risk-mitigation measures USAID/Afghanistan had previously identified as necessary for the ministries to manage direct-assistance funds.³⁴

In February 2015, the DOD Inspector General reported concerns regarding CSTC-A’s efforts to develop capacity at Afghanistan ministries. The DOD IG was told of “internal pressure to not allow the Afghans to fail,” that “pressure to maintain hard-fought gains” led to “overlooking ministerial shortcomings,” and that CSTC-A officials “often performed ministerial functions, did not enforce commitment letter requirements, and allowed MOF [Ministry of Finance] to exclude their monitoring presence.”³⁵

Without debating the DOD IG’s report, CSTC-A’s current commander has told SIGAR that he is taking a hard line on conditionality. Major General Semonite told SIGAR that he won’t stand by if Afghan ministry failure to satisfy conditions threatens loss of life or battlefield defeat, but otherwise believes fiscal-discipline and capacity-building imperatives forbid rescuing Afghan ministries every time they have problems.³⁶

When Special Inspector General Sopko made a February 2015 trip to Kabul, the briefing CSTC-A gave him included this lesson-learned slide text:

Commitment Letter enforcement is critical
—GIROA [Government of the Islamic Republic of
Afghanistan] will **never** learn to spend within their budget
until the Coalition allows them to fail [emphasis in original]
—“CSTC-A always pays” must change³⁷

Trust Funds, Burdens, and Buy-In Matter

Even with the best of intentions and attention to detail, conditions monitoring can be constrained by external circumstances, including the limited U.S. leverage over conditionality imposed by multilateral trust funds. Multilateral trust funds like the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA) use conditions, but they are set by managers who are not under U.S. operational control. SIGAR has several times expressed concern over trust-fund monitoring of conditions and the use of U.S. contributions.³⁸

The United States has pledged some \$2.8 billion to the ARTF. The fund is administered by the World Bank, which employs the British firm BDO UK LLP as its monitoring agent. In its February 2015 quarterly report, BDO noted that its staff could not visit five of Afghanistan's 34 provinces "owing to ongoing security concerns."³⁹ BDO said it was discussing the matter with the World Bank. Given the size of the U.S. commitment to the ARTF, that discussion could be important to the United States.

Enforcing conditions has also been a point of contention with the LOTFA, a UN Development Programme (UNDP)-controlled fund that provides payroll management and support to the Afghan MOI and the Afghan National Police. Fifteen donors, including the United States, the European Union, and Japan fund LOTFA. At the end of June 2015, the MOI and the UNDP announced signing of a three-phase, 18-month phase-out of LOTFA that includes progress reviews against specific benchmarks at the end of each phase. For example, proposed conditions to be met by December 2016 for transferring LOTFA's payroll-management function to the Ministry of Interior include issuance of unique identification cards to 100% of police, real-time updating capability of recording personnel and pay changes on computer systems, achievement of 100% automated payments, and independent validation of the payroll process.⁴⁰ LOTFA will channel about \$843 million to the Afghan Ministry of Finance for Afghan National Police salaries, and finance \$38 million for capacity development and reforms in security and justice.⁴¹

Another change in conditionality for aid to Afghanistan is in the works for a revision of the Tokyo Mutual Accountability Framework that Afghanistan and international donors agreed upon in 2012. That framework made a portion of donors' assistance conditional on Afghan achievement of reforms or "hard deliverables" in areas like elections and anticorruption measures. Following Afghan failures to meet some targets, and with the new Afghan national-unity government in place, the parties agreed to revisit the framework. The State Department says "The goal is for the refreshed framework to be approved at the Senior Officials meeting now scheduled for early September in Kabul."⁴²

Another consideration in using conditionality is what impact it has on the recipient country. UKAN, the UK Aid Network that counts UNICEF, CARE, and Oxfam among its 37 member organizations, recently commented that, besides showing "little regard for democratic processes or country needs," some policy conditions "have also been harmful to the economic interests of countries especially structural-adjustment conditions—privatisation, trade liberalisation, and public-sector reforms."⁴³

UKAN also notes that a profusion of conditionalities can create administrative burdens on countries that already have limited institutional capacity: "It is not uncommon for developing countries to be required to implement scores of conditions by groups of donors each with their own priorities."⁴⁴ The



At a U.S. Army Corps of Engineers project, heavy equipment prepares ground for a facility to house Afghan soldiers. (U.S. Army photo by Mike Beeman)

U.S. State Department confirms: “The main concern in the implementation of incentive programs is that multiple donors will set out multiple uncoordinated conditions of assistance funding that will tie up Afghan government officials and disrupt the flow of needed development assistance.”⁴⁵

A policy paper from the multinational OECD, of which the United States is a member, raises another caution: “The imposition of conditions runs counter to ownership, a principle of aid effectiveness which emerged following the recognition that past attempts to impose policies from the outside had not proven effective.”⁴⁶ The OECD language mirrors the urging of Ghani and Lockhart’s book *Fixing Failed States* that conditions be jointly developed in a “sovereignty strategy.”

Focusing on performance and results as the currency of conditionality is the obvious alternative to policy-based conditionality. However, as the World Bank observed in a 2005 review, *Conditionality Revisited*, potential drawbacks of the outcomes-based approach include “the limited accountability of the governments for determining the actual outcomes, unclear results chains, and the limited availability of relevant data.”⁴⁷ Stanford University’s Krasner later reached a similar conclusion: “It is very difficult to make foreign assistance outputs (the actual results of aid) as opposed to inputs, legible,” that is, clearly visible. Krasner explains that donors seldom control activities in recipient countries, have limited knowledge of local environments, and can find it difficult to identify aid effects when many causal factors could be in play.⁴⁸

Even careful design of conditionality and strict enforcement of penalties for non-attainment, however, can run afoul of practical realities in Afghanistan. DOD reports that “The Afghan government’s success in executing [development] funds provided to it by international donors has been quite poor” so far in 2015. “This means that financial penalties are extracted from the funds that would likely not have been spent anyway, resulting in little practical effect.”⁴⁹

In such cases, framing condition attainment as qualification for incentives, rather than as a liability for penalty, might increase impact. Incentive funds can be allocated to Afghan accounts that have immediate needs and execution capability, as CSTC-A does for some funds, or deposited with multilateral trust funds where the expiration dates built into appropriations for bilateral aid no longer apply. Such treatments could mitigate the risk that condition-based penalties might be perceived as empty threats that will not or cannot be carried out.

TEN TASKS FOR SMART CONDITIONALITY

The United States and its international-coalition partners have a strong strategic interest—even as their personnel and financial presence in the country declines—in seeing that Afghanistan becomes a stable, sustainable

nation-state that will not again serve as a springboard for terrorist attacks on other countries.

Those concerns have been the basis for more than a decade of bountiful reconstruction aid. In dispensing such aid, the OECD has noted, “Donors are right to insist on transparency and good fiduciary practices” to safeguard funds, on respect for human rights, and on results for money spent. Otherwise, “taxpayers will withdraw their support for aid programmes.”⁵⁰

Those concerns and considerations argue for conditionality, which has powerful conceptual appeal at a general level. But practical, real-world outcomes show that conditionality is a tool, not a magic bullet. As with mechanical tools, issues of design, suitability for job, skillful use, careful adjustment, and measurement can make the difference between success and disappointment. Meanwhile, providing aid in a low-income, conflict-torn, strategically valued state like Afghanistan magnifies the difficulty of designing and applying conditionality in ways that serve both donors or recipients well.

Even a general review of case studies, oversight reports, and research literature suggests that instances of smart conditionality have some similarities in their approaches to design, negotiation, and application to take account of donors’ goals and interests, while respecting recipients’ priorities, capabilities, social setting, and legitimate desires for autonomy. Practicing smart conditionality in reconstruction aid to Afghanistan—or similarly situated countries now or in future—might be facilitated by checking on ten preparatory tasks and their related questions:

1. **Framing and buy-in:** Do proposed conditions have a realistic causal link between their achievement and overall goals? Have conditions been held to a reasonable number, confined to results that are within the recipient’s control, and structured to avoid undue compliance and reporting burdens? Are conditions well understood and supported by the Afghan officials, staffs, and other stakeholders who must implement and who will be affected by them, so that they are clear on the reason for the conditions and on the benefits of meeting them?
2. **Scouting obstructions:** Have the assumptions and implications of the conditions been cross-walked against local norms, expectations, and practices to identify practical barriers, avoid unnecessary conflict, and devise mitigating measures?
3. **Practicing coordination:** Have contemplated conditions been checked against other agencies’, bilateral donors’, and trust funds’ conditions to avoid or reduce contradictions and burdens on Afghan ministries?
4. **Considering capabilities:** Have conditionality framers taken a realistic view of Afghan institutions’ technical and resource capacity to achieve the desired outcomes and to provide the access and data needed for audits and other confirmation?

5. **Scoping antagonists:** Have conditionality framers identified persons or groups who will perceive the desired conditions as a threat to their personal, agency, or group interests and who may therefore try to oppose, evade, or game them?
6. **Seeking civil-society partners:** Has conditionality design considered how non-state actors in Afghan civil society, such as media, religious leaders, research organizations, and advocacy groups might be approached to support (or at least not oppose) state agreement to aid-conditionality terms?
7. **Providing flexibility:** Have conditionality framers provided reasonable flexibility in waiving, extending, or modifying terms if economic crisis, security threats, natural disasters, or other forces beyond recipient control prevent full or timely attainment of a condition? Equally important, has providing flexibility avoided undermining the credibility of consequences for lack of effort?
8. **Mixing motivations:** Does the proposed conditionality include a combination of incentives and penalties to maximize motivational considerations for recipients?
9. **Avoiding trauma:** Are conditionality penalties structured in ways that will send a compliance message, but avoid completely shutting down desirable programs and scattering experienced staff if they are triggered?
10. **Building in hand-off momentum:** Where appropriate, has the conditionality been designed to embed itself in recipient agencies' systems and work culture so that desired processes and outcomes survive the end of the specific assistance program and of its financial incentives?

As CSTC-A observed in its February 2015 briefing to SIGAR, the critical reason for attending to these and other possible precautionary tasks is that “conditionality [is] needed for accountability and donor confidence” because “defined goals and penalties for not meeting criteria incentivizes behavior.”⁵¹

With the United States pledged to aid Afghanistan for years to come, accountability, donor confidence, behavior change, and results are all in high demand. Smart conditionality can help achieve these results—and may be a prerequisite. Joint Chiefs of Staff Chairman General Martin Dempsey pointed out the need in his response to a question about Iraq, but whose implications extend to Afghanistan. “Support needs to be conditional,” he said, requiring action by its recipients. If the local government fails to build an inclusive state and address grievances, the general added. “then nothing we do will last. It will be painting over rust.”⁵²

A FRONT-LINE TAKE ON CONDITIONALITY

U.S. Army Major General Todd Semonite's job is to support the Afghan National Defense and Security Forces (ANDSF). So he wants them to get rid of some buildings.

"They have over 360 excess facilities" that are costing the Coalition money for lights, heat, and repairs—money his Combined Security Assistance Command-Afghanistan (CSTC-A) could be applying to other ANDSF purposes. The old buildings were supposed to be disposed of once new construction was ready for use. But the Afghan ministries receiving security aid hung on to many of the old structures.

So Semonite is giving his Afghan partners choices: donate, sell, or demolish excess facilities, or lose aid money. The Ministry of Interior (MOI), which controls Afghan National Police forces, produced a letter listing 104 facilities for disposal. But it was unsigned. "We said, either get the minister to sign it or you don't get \$19 million." General Semonite laid out a similar scenario for the Afghan Ministry of Defense, which faces the prospect of losing out on \$29 million.

Semonite is a firm believer in conditionality: "The best way to hold [the Afghans] accountable is to leverage money" with conditions that penalize poor compliance—but also reward good performance and good behavior.

CSTC-A's main responsibilities are to channel funding and provide support to the ANDSF for budget administration, equipment procurement and sustainment, facilities and their sustainment, and contracts. But above those, Semonite's focus is on his strategic missions: (1) supporting the warfighter and (2) enforcing the fiscal discipline needed to maintain donor confidence.

Other people's confidence seldom figures in military missions, but Afghanistan is not a typical military mission. As Semonite notes "If we don't continue to prove to donors that we're spending money wisely, the money will go away," and that means cutting the size of the ANDSF. The force will get smaller as time passes and conditions permit, but "If we don't have a very, very

gradual ramp as to how we right-size this force, then you'll end up having a cliff, which will give you a mass of unemployed soldiers, and that only goes bad." He does not use the word "Iraq."

So maintaining donor confidence is a mission-critical task, and "The way to do that, I think, is conditions." One condition for the MOI was getting all Afghan National Police personnel coded on the electronic Afghan Human Resource Information Management System (AHRIMS) by March 1, 2015. "They worked very hard," Semonite says, but were only 80% done on March 1. "I had members of my team come running in and saying, '80%—This is good. You can't fine them.'" But the Coalition withheld funds as per the condition.* At the start of July, the national police are about 96% coded in AHRIMS. "I think that only would have happened because they knew that they were going to continue to get money pulled back from them," the general says.

But how are the Afghans taking all this fiscal discipline? Semonite says buy-in at senior ministry and military levels is good: "These leaders definitely understand" that it's in their interest to meet conditions and preserve donor confidence. "They are passionate about their country," he adds, and appreciate that they won't be able to defend it against insurgents without continuing international support.

Semonite does have some concerns. "We worry all the time about 'advisor fratricide'"—donors piling multiple lines of advice or requirements on Afghan officials with limited ability to comply and report. And as CSTC-A presence pulls back from a "hub-and-spokes" model with personnel in Kabul as the hub and in ANDSF corps as spokes, to just a hub presence, "I do worry about [losing] those touch points" in the field. His counter-measure is to have small teams of CSTC-A civilian employees at ministry and tactical levels to continue support and monitoring.

* \$255,400 in March and April, then \$1.4 million in May.



Major General Todd Semonite, commander of CSTC-A, addresses Afghan guests and Coalition partners during the Oversight and Coordination Body at the Ministry of Finance in Kabul on June 16, 2015. (DOD photo by Lieutenant Junior Grade Charity Edgar)

He also worries about the challenge of building Afghan capacity after years of U.S. and Coalition focus and control on the exigent demands of warfighting. He says one senior Afghan official, reviewing a list of CSTC-A aid conditions, commented that they made it sound as if the Afghans were all at fault. Semonite recalls the official as saying, “We never had to have systems: the Coalition always took care of us. You have never let us fail.” Semonite agrees “That was the strategy for the first 13 or 14 years; that was what you have to do to win a war.” But now things are different.

For years, Semonite says, “We gave them overwhelming fuel—never wanted them to run out,” but lost a lot to theft. CSTC-A has since cut fuel allotments drastically to match documented need. At that level, he explains, if someone steals 20% of it to sell on the black market, there are consequences, as when Afghan soldiers in Kandahar had no lights or heat for three nights because their generators could not run. Consequences motivate people to turn in thieves, Semonite says, and motivate soldiers to complain to their leaders.

Besides assisting in the struggle against waste, fraud, and abuse, conditionality can also help put the ANDSF on a better business model, Semonite says. If finding ways to make vehicles last seven years instead of four, and putting bases on the electric grid at 22 cents per kilowatt-hour rather than 53 cents for generator power saves money, then international donors, the ANDSF, and U.S. taxpayers gain.

Semonite counts on support for conditionality from the top of the Afghan government: “President Ghani knows, probably better than anybody, that he’s not going to be able to afford this force unless we can find ways to lean it out.”

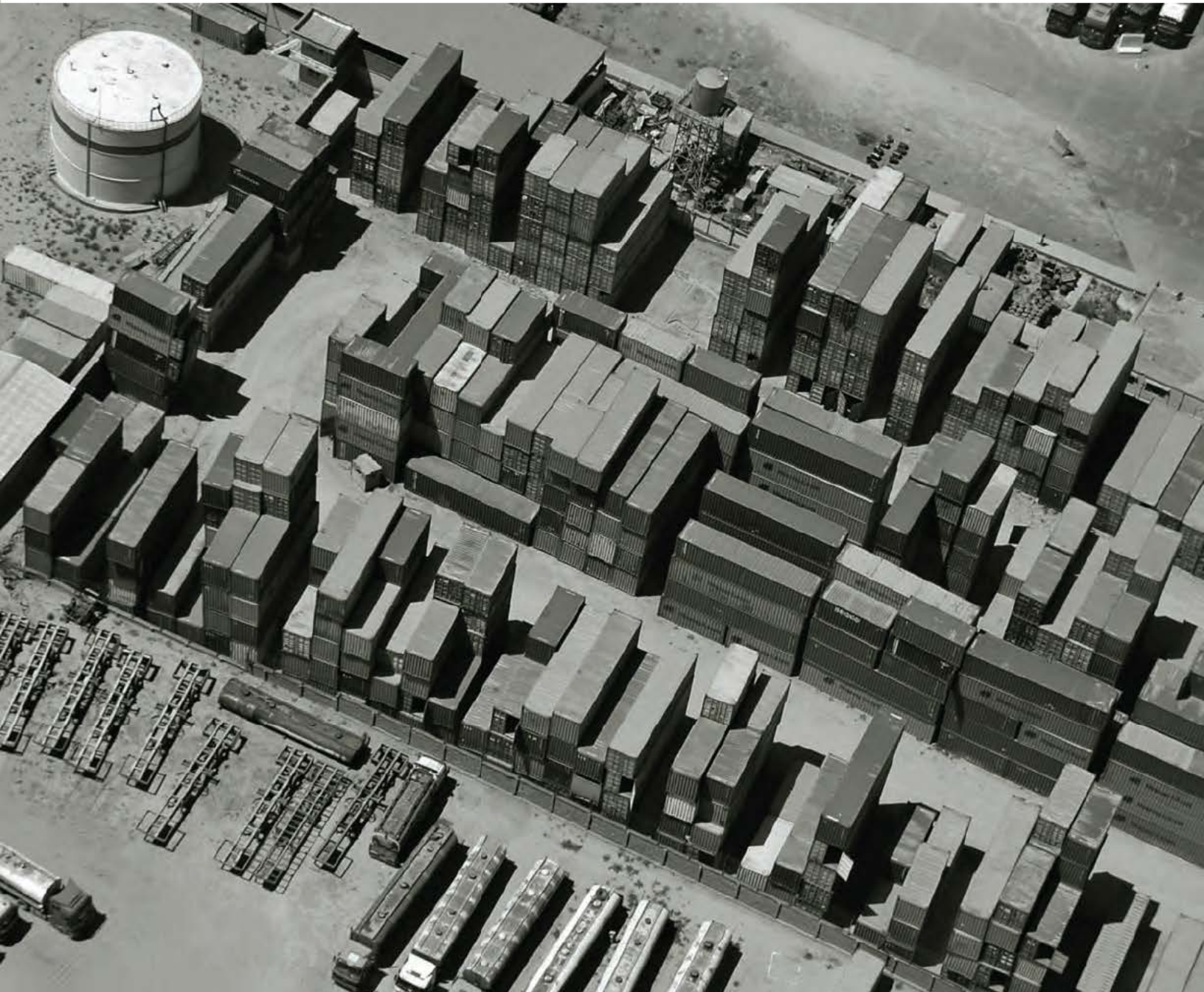
The general says the goals of supporting the fight, finding budget savings, and growing donor’s confidence sometimes conflict, “But we see substantial progress every day.”

Note: The information in this highlight is drawn from a 7/1/2015 interview with MG Semonite conducted by SIGAR’s Research and Analysis Directorate quarterly report team.

“Every dollar we spend now on training,
advising, and assisting the Afghans,
and on oversight, must be viewed as
insurance coverage to protect our nearly
trillion-dollar investment in Afghanistan
since 2001.”

—*Special Inspector General John F. Sopko*

2 SIGAR OVERSIGHT



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Stacks of shipping containers loom over trucks at a facility on the outskirts of Kabul, Afghanistan. (SIGAR photo by Michael Graham)

SIGAR OVERSIGHT ACTIVITIES

This quarter SIGAR issued 21 audits, inspections, alert letters, and other products. SIGAR's performance audits reviewed the U.S. government's efforts to improve Afghan civil aviation abilities and to develop the rule of law in Afghanistan, while its financial audits identified over \$37.4 million in questioned costs. SIGAR also released a special project report that summarizes nearly two years of investigation into the construction of an unwanted, unneeded, and unused 64,000-square-foot command-and-control facility in Afghanistan.

One of SIGAR's performance audits found that the Federal Aviation Administration (FAA) was not able to train enough air-traffic controllers for Afghanistan to operate airspace management on its own, and that the United States was not able to transition airspace-management responsibilities to the Afghans as planned in 2014. A second performance audit reported that U.S. government agencies do not have a comprehensive strategy to help develop the rule of law in Afghanistan, and that problematic performance-management systems make it difficult for agencies to fully determine the effectiveness of rule-of-law programs.

This quarter, SIGAR's financial audits identified over \$37.4 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$279.5 million in questioned costs and \$289,880 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of July 30, 2015, funding agencies had reached a management decision on 39 audits and are seeking recovery of nearly \$11.6 million in questioned amounts.

Additionally, this quarter SIGAR published two inspection reports. One report found that project construction at the Counter Narcotics Judicial Center (CNJC) mostly met contract requirements, despite two construction deficiencies, and that the detention center was being used as intended. A second report found that the Defense Logistics Agency (DLA) warehouse facility at Kandahar Airfield (KAF) was well built, despite minor deficiencies, but lengthy construction delays led to the facility's never being used as intended.

This quarter, SIGAR's Office of Special Projects issued a report on the 64,000-square-foot command-and-control facility at Camp Leatherneck

TESTIMONY GIVEN

- Testimony 15-56-TY: Why ANSF Numbers Matter: Inaccurate and Unreliable Data, and Limited Oversight of On-Budget Assistance Put Millions of U.S. Taxpayer Dollars at Risk

COMPLETED PERFORMANCE AUDITS

- Audit 15-58-AR: Civil Aviation
- Audit 15-68-AR: Rule of Law in Afghanistan

COMPLETED FINANCIAL AUDITS

- Financial Audit 15-59-FA: Audit of Costs Incurred by the Organization for Mine Clearance and Afghan Rehabilitation
- Financial Audit 15-61-FA: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening
- Financial Audit 15-63-FA: Audit of Costs Incurred by DRS Technical Services Inc.
- Financial Audit 15-64-FA: Audit of Costs Incurred by Internews Network
- Financial Audit 15-66-FA: Audit of Costs Incurred by CACI Technologies Inc.
- Financial Audit 15-69-FA: Audit of Costs Incurred by Pacific Architects and Engineers Inc.
- Financial Audit 15-71-FA: Audit of Costs Incurred by Clear Path International
- Financial Audit 15-72-FA: Audit of Costs Incurred by L-3 Services Inc.
- Financial Audit 15-73-FA: Audit of Costs Incurred by International Relief and Development Inc.
- Financial Audit 15-75-FA: Audit of Costs Incurred by AECOM International Development Inc. (SIKA-West)
- Financial Audit 15-76-FA: Audit of Costs Incurred by AECOM International Development Inc. (SIKA-East)

COMPLETED INSPECTIONS

- Inspection 15-70-IP: Detention Center at the Counter Narcotics Judicial Center
- Inspection 15-74-IP: Warehouse Facility at Kandahar Airfield

COMPLETED SPECIAL PROJECT PRODUCTS

- Report 15-57-SP: Command and Control Facility at Camp Leatherneck
- Inquiry Letter 15-60-SP: Downstream Gas Utilization Project
- Inquiry Letter 15-62-SP: Afghanistan Education Data
- Inquiry Letter 15-65-SP: Tarakhil Power Plant
- Inquiry Letter 15-67-SP: Geospatial Coordinates for PCH Health Facilities

SIGAR OVERSIGHT ACTIVITIES

Performance audits: provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence measured against stated criteria. Performance audits provide objective analysis so that management and those charged with governance can use the information to improve the program performance and operations, reduce costs, and facilitate decision-making by parties with responsibility to oversee or initiate corrective action for public accountability. Performance audits are conducted in accordance with generally accepted government auditing standards (GAGAS) and the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Federal Offices of Inspector General.

Inspections: are systematic and independent assessments of the design, implementation, and/or results of an agency's operations, programs, or policies. SIGAR conducts inspections, in accordance with CIGIE Quality Standards for Inspection and Evaluation, to provide information to Congress and the public on the quality of construction of facilities and infrastructure throughout Afghanistan; and generally, to provide an assessment of the extent to which the facilities were constructed in accordance with the contract requirements, used as intended, and are being maintained.

Financial audits: provide an independent assessment of and reasonable assurance about whether an entity's reported condition, results, and use of resources are presented in accordance with recognized criteria. SIGAR performs financial audits in accordance with GAGAS, which includes both requirements contained in the American Institute of Certified Public Accountants Statements on Auditing Standards and additional requirements provided in GAGAS. SIGAR also reviews financial audits conducted by independent public accountants (IPA). When an IPA conducts a financial audit, SIGAR conducts reasonable procedures to ensure compliance with GAGAS, based on the intended use of the IPA's work and degree of responsibility accepted by SIGAR with respect to that work.

in Helmand Province, Afghanistan (the "64K building"). The report is the culmination of nearly two years of SIGAR's investigative work on the construction of the unwanted, unneeded, and unused facility.

The Office of Special Projects also wrote to the Department of Defense (DOD) to request information about the \$43 million Downstream Gas Utilization project implemented by the Task Force for Business and Stability Operations (TFBSO). An inquiry letter sent to the U.S. Agency for International Development (USAID) requested information on the data used by the agency to oversee, fund, and assess its education programs in Afghanistan. Other letters to USAID raised concerns about the underutilization of the Tarakhil Power Plant and the accuracy of location information for healthcare facilities funded by the Partnership Contracts for Health (PCH) program.

During the reporting period, SIGAR investigations achieved significant results. Cost savings to the U.S. government amounted to approximately \$214.7 million; civil-settlement recoveries totaled more than \$6.9 million; and fines, forfeitures, and restitutions totaled over \$675,000. Additionally, there were four arrests, eight criminal charges, six convictions, and five sentencing. In Afghanistan, 17 individuals were barred from U.S. military installations. SIGAR initiated 27 new investigations and closed 40, bringing the total number of ongoing investigations to 310. Savings to date from SIGAR investigations total over \$794 million.

SIGAR's suspension and debarment program referred 17 individuals and 25 companies for suspension or debarment from receiving U.S. government contracts. Eight of these individuals were referred for suspension based upon criminal charges being filed against them for misconduct related to or affecting reconstruction contracting in Afghanistan. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 650, encompassing 343 individuals and 307 companies to date.

AUDITS

SIGAR conducts **performance audits**, **inspections**, and **financial audits** of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued two performance audits, two inspections, and 11 financial-audit reports. This quarter, SIGAR also began three new performance audits, bringing the total number of ongoing performance audits to 15. The published performance-audit reports examined U.S. efforts to rebuild the Afghan civil-aviation system and to develop the rule of law in Afghanistan. The performance audits made a total of five recommendations; the inspections made two. The financial audits identified over \$37.4 million in questioned costs as a result of internal-control deficiencies and noncompliance issues.

Performance Audit Reports Published

This quarter SIGAR published two performance audits that examined U.S. efforts to rebuild the Afghan civil-aviation system and to develop the rule of law in Afghanistan.

Audit 15-58-AR: Civil Aviation

U.S. Efforts Improved Afghan Capabilities, but the Afghan Government Did Not Assume Airspace Management as Planned

Since 2002, the U.S. government, primarily DOD and FAA, has spent about \$562.2 million to support reconstruction of Afghanistan's civil-aviation system. The Ministry of Transport and Civil Aviation (MOTCA) and the Afghanistan Civil Aviation Authority oversee the civil-aviation system. The Afghan government helped develop a Civil Aviation Roadmap and Aviation Action Plan (AAP), which outlined steps for the United States and others to help increase aviation capacity and facilitate the transfer of airspace and airports to civil control. Under the AAP, DOD and FAA are responsible for assisting MOTCA in building civil-aviation capacity, transitioning airspace-management services to civilian control, and enhancing civil-aviation infrastructure. One key goal for FAA was to develop an aviation training program, including air-traffic controller training, so that airspace-management services could be transitioned to the Afghans at the end of 2014.

The objectives of this audit were to assess the extent to which DOD and FAA (1) helped strengthen Afghanistan's capability to operate and maintain its civil-aviation system, and (2) transitioned airspace-management services to the Afghan government at the end of 2014.

Since 2002, the U.S. government, primarily DOD and FAA, have helped Afghanistan rebuild its civil-aviation system, which was on the verge of collapsing. Although DOD had a military focus, its activities indirectly benefited the civil-aviation system. For example, DOD provided the Afghan government with \$159.2 million in aviation-related communication, navigation, and surveillance equipment. FAA helped (1) train Afghan civil-aviation personnel, (2) develop the MOTCA's regulatory regime, and (3) improve Kabul International Airport's infrastructure and services. For example, FAA spent \$8.3 million to install an approach-control surveillance system and to rehabilitate the airport's control tower, and \$1.9 million to construct a security building and airport perimeter fence. FAA also helped establish the Afghanistan Civil Aviation Authority in 2013 and helped develop the country's Civil Aviation Law.

Despite its efforts, FAA was not able to train enough air-traffic controllers for Afghanistan to operate airspace-management services on its own. FAA's basic air-traffic control training was supposed to be supplemented with on-the-job training, but due to security concerns, Afghan students could not access the facilities they needed for on-the-job training. FAA attempted to train students abroad, but faced problems obtaining passports

COMPLETED PERFORMANCE AUDITS

- Audit 15-58-AR: Civil Aviation: U.S. Efforts Improved Afghan Capabilities, but the Afghan Government Did Not Assume Airspace Management as Planned
- Audit 15-68-AR: Rule of Law in Afghanistan: U.S. Agencies Lack a Strategy and Cannot Fully Determine the Effectiveness of Programs Costing More Than \$1 Billion



Kabul International Airport is a key part of civil aviation in Afghanistan. Since 2002, the U.S. government has spent about \$562.2 million to support reconstruction of Afghanistan's civil-aviation system. (SIGAR photo by Kyu Sin)

and visas for the students, and some students did not return to Afghanistan after training. FAA also contacted training institutions abroad about sending instructors to Afghanistan, but these efforts were unsuccessful due to the lack of support services, such as secure housing.

The United States planned to transition airspace-management responsibilities back to the Afghans at the end of 2014, but, partly due to a lack of certified air-traffic controllers, that did not occur. In 2013, the U.S. recognized that the transition might not occur and assisted the Afghans in developing a contract for those services. The Afghan government narrowed its decision to two contractors, but it did not award the contract because it believed the bids were too high. Due to the potential for air-service disruption, the Department of State funded an interim, DOD-managed contract for \$29.5 million to provide the services through September 2015. If a follow-on contract is not awarded before this contract expires, the United States could be called on to fund another interim contract. Although Afghanistan may need some funding assistance for a contract initially, over time, the Afghan government has the potential to contribute a significant amount towards providing airspace-management services. In particular, the Afghan government's ability to fund the contract may increase if it collects additional over-flight revenue as planned and all such revenue is used to fund airspace-management services, which it has committed to doing.

SIGAR recommends that the Secretary of State ensure, to the extent possible, that the Afghan government awards a new airspace-management services contract before the current interim DOD contract expires in September 2015.

Audit 15-68-AR: Rule of Law in Afghanistan

U.S. Agencies Lack a Strategy and Cannot Fully Determine the Effectiveness of Programs Costing More Than \$1 Billion

In Afghanistan, access to fair, efficient, and transparent justice is limited. Formal Afghan courts are often difficult to access and are widely viewed as corrupt by Afghan citizens. According to the U.S. Institute of Peace, informal justice mechanisms remain the “preferred” path to justice for a large majority of Afghans, but frequently do not provide outcomes that meet international human-rights standards.

Since 2003, the U.S. government, through DOD, DOJ, State, and USAID, has worked to develop the rule of law in Afghanistan. This effort has focused on areas such as the judicial system, corrections system (detention centers and prisons), informal justice system, legislative reform, legal education, public outreach, and anticorruption efforts.

The objectives of this audit were to determine the extent to which (1) the strategies and objectives guiding U.S. government support are current and have consistently defined the scope of rule-of-law assistance; (2) U.S. agencies can fully identify and account for U.S. government programs and

SIGAR OVERSIGHT ACTIVITIES



As part of SIGAR's rule-of-law audit, auditors visited the Justice Center in Parwan. (SIGAR photo by Michael Graham)

funding; (3) current rule-of-law programs' performance-management systems are measuring progress made in achieving program objectives and in contributing to achieving U.S. strategic objectives; and (4) the U.S. government has encountered challenges in achieving its objectives and the extent to which it has addressed these challenges.

SIGAR found that U.S. agencies lack a comprehensive rule-of-law strategy to help plan and guide their efforts. Although State is working to finalize a new strategy, it will be less robust than the previous U.S. Rule of Law Strategy for Afghanistan approved in September 2009. For example, U.S. embassy officials told SIGAR that, unlike the 2009 strategy, the new draft strategy does not include monitoring and evaluation components intended to help determine if strategic objectives are being achieved. Without an approved strategy in place, U.S. efforts may not be properly coordinated across agencies, monitored for alignment with U.S. and Afghan development goals and objectives, or managed effectively to ensure proper expenditure of U.S. taxpayer monies.

SIGAR determined that DOD, DOJ, State, and USAID have spent more than \$1 billion on at least 66 programs since 2003 to develop the rule of law in Afghanistan. However, this amount does not represent total spending on that objective because DOD could not provide complete funding figures.

SIGAR reviewed six of the 66 completed and ongoing rule-of-law programs, which totaled at least \$635 million, and found problems with all six programs' performance-management systems, making the programs' level of objectives achievement unclear. For example, State's Corrections System Support Program, which cost approximately \$259.5 million, lacked a performance-management plan, as called for by State, until October 2012—over

SIGAR OVERSIGHT ACTIVITIES



USAID's Rule of Law Stabilization-Informal Component conducts a family law workshop in Dara-e-Noor. (USAID photo)

six years after the program had started—and only in March 2014 was an adequate plan for measuring program performance outputs and outcomes created. Because DOD, DOJ, State, and USAID did not systematically measure and report on their programs' achievements, it remains unclear what overall outcomes and impact have resulted from the expenditure of more than \$1 billion to develop the rule of law in Afghanistan.

Two major challenges continue to undermine U.S. efforts to develop the rule of law in Afghanistan: (1) the pervasive corruption in Afghanistan's justice sector, and (2) the uncertainty regarding whether the Afghan government can or will sustain U.S. program activities and reforms. DOD, DOJ, State, and USAID officials have taken steps to address these challenges. For example, the agencies have made efforts in the past to reduce corruption within the justice sector; however, DOD, DOJ, State, and USAID officials and rule-of-law experts told SIGAR that U.S. anticorruption efforts have not been successful because, among other things, the Afghan government has lacked the political will and commitment to tackle corruption in the justice system.

In addition, the Consolidated Appropriations Act, 2012, Pub. L. No. 112-74 (2011), calls for State and USAID to consider the sustainability of reconstruction programs in Afghanistan. However, officials from these agencies told SIGAR they do not know whether the Afghans will be able to continue the work, and they raised concerns with some specific rule-of-law programs. These challenges will greatly influence the effectiveness of future U.S. assistance and sustainability of any gains that have been made in developing the rule of law in Afghanistan.

SIGAR made one recommendation to State to finalize and improve the development of, and measure the performance of, a new U.S. rule-of-law strategy for Afghanistan. SIGAR made one recommendation to DOD to track the activities and funding for any future rule-of-law efforts and report this information to State in its capacity as lead coordinator of U.S. rule of law development assistance in Afghanistan.

SIGAR also made two recommendations to DOD, DOJ, State, and USAID: (1) to revise existing performance-management plans for ongoing rule-of-law programs and improve future plans to ensure program progress is consistently monitored and reported; and (2) to assess whether ongoing and future programs are sustainable and whether and how they will be continued. If programs are to be continued or new programs are to be initiated, the agencies should obtain Afghan government commitment to help support them through a formal, written agreement prior to the expenditure of U.S. taxpayer funds.

NEW PERFORMANCE AUDITS

- U.S. Efforts to Sustain Afghanistan's Road Infrastructure
- USAID's Efforts to Support Land Reform in Afghanistan
- U.S. Salary Supplements for Afghan Government Employees and Technical Advisors

New Performance Audits Announced

This quarter SIGAR initiated three new performance audits. They will assess U.S. efforts to sustain Afghanistan's road infrastructure, USAID's

SIGAR OVERSIGHT ACTIVITIES

efforts to sustain land reform in Afghanistan, and U.S. salary supplements for Afghan government employees and technical advisors.

U.S. Efforts to Sustain Afghanistan's Road Infrastructure

In 2002, after years of conflict and inadequate funding, Afghanistan's road infrastructure was largely nonexistent or in disrepair, with an estimated 50 kilometers (about 30 miles) of paved road in the country. In an effort to extend the reach of the central government, provide economic growth, and increase freedom of movement for its citizens, the Afghan government and the international community made road infrastructure projects a priority. According to USAID, since 2002, over 9,200 kilometers (about 5,700 miles) of national highways and local and provincial roads have been constructed or rehabilitated by the U.S. and international partners, with USAID completing over 2,100 kilometers (about 1,300 miles). In addition to USAID's efforts, DOD, through the use of the Commander's Emergency Response Program (CERP) funds, has contributed an additional \$159 million to construct roads in Afghanistan.

In addition to constructing new roads and rehabilitating existing infrastructure, the U.S. government has focused on developing the capacity of the Afghans to build and maintain road infrastructure. USAID worked toward this initially through the \$53 million Roads Maintenance Unit (RMU) program. From 2008 through 2012, USAID contracted advisors to mentor Afghans on road maintenance. In 2012, the World Bank took over the RMU program, and USAID started the Road Sector Stability program, a new maintenance program. The goal of the Road Sector Stability program, which is expected to operate through 2017, is to provide technical operations and maintenance assistance to the Afghan government to help maintain roads in a sustainable way.



SIGAR has initiated an audit of U.S. efforts to build and sustain Afghanistan's road infrastructure. (USAID Afghanistan photo)

SIGAR OVERSIGHT ACTIVITIES

In an effort to become self-sufficient in funding road maintenance, the Afghan government has instituted a fuel tax. The Afghan government estimates that it will collect approximately \$60 million a year from the new tax when it is fully implemented.

This audit will review U.S. efforts to sustain roads and strengthen the Afghan government's ability to perform ongoing road maintenance. Specifically, SIGAR plans to (1) determine the extent and current condition of U.S.-funded roads within Afghanistan; (2) assess the extent to which road construction, rehabilitation, and capacity building projects funded directly by U.S. agencies or indirectly through the Afghanistan Infrastructure Trust Fund met their stated goals; and (3) identify the challenges, if any, to the Afghan government's ability to perform and fund road maintenance.

USAID's Efforts to Support Land Reform in Afghanistan

After decades of conflict and displacement, land is often an Afghan citizen's sole form of wealth and a prime cause for dispute. Land ownership and registration in Afghanistan are governed by multiple Afghan ministries from the national to district level, and conflicts over land are resolved in both the formal and informal justice systems. The Independent Joint Anti-Corruption Monitoring and Evaluation Committee notes that continued widespread problems in Afghan land governance inhibit economic growth and enable corruption and the usurpation of land.

Since 2004, U.S. support for reforming Afghan land-tenure systems—the institutional structure that determines how access to land is secured and who can use it, as defined through statutory or customary law—has been conducted through two major USAID programs that focused on legal and technical assistance to Afghan ministries, such as improving legal frameworks, conducting land surveys and mapping, developing titling systems, and working to formalize large informal settlements in Mazar-e Sharif and Jalalabad. Other U.S. reconstruction efforts, including support for Afghanistan's mining law and economic development, agriculture, rule of law, women's rights, refugees and displaced persons, and counternarcotics, are deeply linked to land-reform issues. SIGAR has conducted work in all of these areas.

In September 2004, USAID awarded the Emerging Markets Group Limited a three-year contract, valued at \$29.2 million, to implement the Land Titling and Economic Restructuring Activity (LTERA). USAID extended the contract for an additional two years through October 2009, increasing the total contract value to \$56.3 million. LTERA's objectives focused on land titling and registration to help the Afghan government improve land tenure security in urban areas, and on privatizing state-owned enterprises.

Following LTERA, in January 2011, USAID awarded a contract to Tetra Tech ARD to implement the Land Reform in Afghanistan (LARA) program. The contract had a period of performance from January 2011 through January 2014 and was valued at \$42 million. LARA's stated objective was to



Officials and community members

identify land claims at a workshop in Jalalabad. SIGAR has initiated an audit of USAID's efforts to support land reform in Afghanistan. (USAID photo by Gary Hunter and Anna Soave)

develop a robust, enduring, and Afghan-owned and -managed land market framework that encourages investment and productivity growth, resolves or mitigates land-based conflict, and builds confidence in the government's legitimacy, thereby enhancing stability in Afghan society.

This audit will review USAID's efforts to support land reform in Afghanistan. Specifically, SIGAR plans to determine the extent to which (1) USAID's land-reform programs met their goals and objectives, and (2) the Afghan government can sustain any gains made through USAID's land-reform assistance.

U.S. Salary Supplements for Afghan Government Employees and Technical Advisors

Since 2002, the United States and other international donors have spent millions of dollars to pay or supplement the salaries of thousands of Afghan government employees and technical advisors. These payments are intended to support the Afghan government in attracting and retaining skilled Afghans to serve in or alongside the government, counteracting the impact of the Afghan government's revenue shortfalls and low civil service salaries relative to similar positions outside the government.

In October 2010, SIGAR issued an audit report examining U.S. salary-supplement programs (see SIGAR 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*, October 29, 2010). The audit found, among other things, that:

- the full extent of U.S. and donor salary support was unknown,
- U.S. salary support was inconsistently applied across agencies,
- donor practices were undermining long-term sustainability and capacity development, and
- the Afghan government's human resources and payroll systems had key weaknesses.

As a result of the audit findings, SIGAR made 10 recommendations to the U.S. Ambassador to Afghanistan to improve accountability and consistency regarding United States salary supplements. In its response to a draft of the report, U.S. Embassy Kabul concurred with the report's findings and recommendations.

This audit will review salary supplements to Afghan government employees and technical advisors by U.S. agencies. Specifically, we plan to determine the extent to which U.S. agencies have, since 2010: (1) provided salary supplements to Afghan government employees and technical advisors; (2) implemented coordination and oversight mechanisms regarding salary supplements paid to Afghan government employees and technical advisors; and (3) assessed the impact of salary supplements on the long-term capacity and sustainability of the Afghan government.

SIGAR OVERSIGHT ACTIVITIES

TABLE 2.1

SIGAR'S FINANCIAL AUDIT COVERAGE (\$ BILLIONS)	
53 Completed Audits	\$4.0
26 Ongoing Audits	2.7
Total	\$6.7

Note: Numbers have been rounded. Coverage includes auditable costs incurred by recipients of U.S.-funded Afghanistan reconstruction contracts, grants, and cooperative agreements.

Source: SIGAR Audits and Inspections Directorate.

Questioned amounts: the sum of potentially unallowable questioned costs and unremitted interest on advanced federal funds or other revenue amounts payable to the government.

Questioned costs: costs determined to be potentially unallowable. The two types of questioned costs are ineligible costs (violation of a law, regulation, contract, grant, cooperative agreement, etc., or an unnecessary or unreasonable expenditure of funds) and unsupported costs (those not supported by adequate documentation or proper approvals at the time of an audit).

Special Purpose Financial Statement: a financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

Financial Audits

SIGAR launched its financial-audit program in 2012, after Congress and the oversight community expressed concerns about oversight gaps and the growing backlog of incurred-cost audits for contracts and grants awarded in support of overseas contingency operations. SIGAR competitively selects independent accounting firms to conduct the financial audits and ensures that the audit work is performed in accordance with U.S. government auditing standards. Financial audits are coordinated with the federal inspector-general community to maximize financial-audit coverage and avoid duplication of effort.

This quarter, SIGAR completed 11 financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. SIGAR's financial-audits program has completed a total of 53 financial audits with more than \$4 billion in auditable costs and has another 26 financial audits ongoing with nearly \$2.7 billion in auditable costs, as shown in Table 2.1. These audits help provide the U.S. government and the American taxpayer reasonable assurance that the funds spent on these awards were used as intended. The audits question expenditures that cannot be substantiated or are potentially unallowable.

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on **questioned amounts** identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified over \$279.5 million in **questioned costs** and \$289,880 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of July 30, 2015, funding agencies had reached a management decision on 39 completed financial audits and are seeking recovery of nearly \$11.6 million in questioned amounts. It takes time for funding agencies to carefully consider audit findings and recommendations. As a result, agency management decisions remain to be made for several of SIGAR's issued financial audits. SIGAR's financial audits have also identified and communicated 192 compliance findings and 231 internal-control findings to the auditees and funding agencies.

SIGAR's financial audits have four specific objectives:

- Express an opinion on whether the **Special Purpose Financial Statement** for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.
- Evaluate and obtain a sufficient understanding of the audited entity's internal control related to the award; assess control risk; and identify and report on significant deficiencies including material internal control weaknesses.

- Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.
- Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements.

A list of completed and ongoing financial audits can be found in Appendix C of this quarterly report.

Financial Audits Published

This quarter, SIGAR completed 11 financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified more than \$37.4 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included failure to follow competitive procurement procedures, business-class airfare purchased without acceptable justifications, disbursing 80% of payments to employees and vendors in cash instead of utilizing banking services or electronic payments, unauthorized overtime compensation, charging in excess of the 35% danger-pay allowance, failure to retain invoices and supporting documentation, incorrect exchange rates applied on conversion of U.S. dollars to local currency, failure to submit monitoring and evaluation reports, incorrect allocation rates applied to certain field-office costs, invoicing USAID for taxes to the Afghan government that are not eligible for reimbursement, overbilling for indirect costs, incomplete inventory records and equipment disposal documentation, and failure to obtain government approval on local procurements in excess of \$5 million.

Financial Audit 15-59-FA: Department of State's Mine Clearance, Explosive Ordnance Disposal, and Mine Awareness Activities in Afghanistan

Audit of Costs Incurred by the Organization for Mine Clearance and Afghan Rehabilitation

Between April 2010 and March 2014, the Department of State's Office of Weapons Removal and Abatement awarded nine grants totaling over \$15.6 million to the Organization for Mine Clearance and Afghan Rehabilitation (OMAR). The principal objectives of these grants were to provide safe living environments for inhabitants and returnees in rural and urban areas in Afghanistan, and to create improved circumstances for the return of displaced people. For example, one grant sought to clear a total of 2,316,217 square miles of mine-contaminated land in the provinces of Kabul, Nangarhar, and Herat, where 18 communities were affected by landmines and unexploded ordnance. SIGAR's financial audit, performed by

COMPLETED FINANCIAL AUDITS

- Financial Audit 15-59-FA: Department of State's Mine Clearance, Explosive Ordnance Disposal, and Mine Awareness Activities in Afghanistan: Audit of Costs Incurred by the Organization for Mine Clearance and Afghan Rehabilitation
- Financial Audit 15-61-FA: USAID's Increased Electoral Participation in Afghanistan Program: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening
- Financial Audit 15-63-FA: Department of the Army's Afghan National Police and Afghan National Army Communications Equipment Training and Sustainment Projects: Audit of Costs Incurred by DRS Technical Services Inc.
- Financial Audit 15-64-FA: USAID's Afghanistan Media Development and Empowerment Project: Audit of Costs Incurred by Internews Network
- Financial Audit 15-66-FA: Department of the Army's Engineering Support: Audit of Costs Incurred by CACI Technologies Inc.
- Financial Audit 15-69-FA: Department of State's Afghanistan Justice Sector Support Program II: Audit of Costs Incurred by Pacific Architects and Engineers Inc.
- Financial Audit 15-71-FA: Department of State's Integrated Victim Assistance and Capacity Building Program in Afghanistan: Audit of Costs Incurred by Clear Path International
- Financial Audit 15-72-FA: Department of the Army's Ministry of Interior Program: Audit of Costs Incurred by L-3 Services Inc.
- Financial Audit 15-73-FA: USAID's Southern Regional Agricultural Development Program: Audit of Costs Incurred by International Relief and Development Inc.
- Financial Audit 15-75-FA: USAID's Stabilization in Key Areas West: Audit of Costs Incurred by AECOM International Development Inc.
- Financial Audit 15-76-FA: USAID's Stabilization in Key Areas East Program: Audit of Costs Incurred by AECOM International Development Inc.

SIGAR OVERSIGHT ACTIVITIES



In the countryside southeast of Kabul, a deminer working for the demining organization OMAR in protective equipment. (Canadian Embassy in Afghanistan photo)

Unsupported costs: not supported with adequate documentation or that did not have the required prior approval

Ineligible costs: prohibited by agreement, applicable laws, or regulations

Source: SIGAR Audits and Inspections Directorate.

Davis and Associates Certified Public Accountants PLLC (Davis), reviewed \$15,668,124 in expenditures, of which \$15,666,000 was charged to the grants between April 1, 2010, and March 31, 2014. The remaining \$2,124 was not billed to the U.S. government.

Davis identified one material weakness in OMAR's internal controls and three instances of material noncompliance with laws, regulations, or the terms and conditions of the grants. OMAR did not comply with federal procurement policies. Specifically, Davis noted that OMAR did not provide support for a competitive procurement process for \$2,156,695 for vehicle rentals. Similarly, OMAR had not documented a competitive procurement process for the provision of security protection teams and could not provide quotes, the scope of work, or proof of a \$2,830 payment. Additionally, Davis reported that OMAR did not follow its own policies for minimizing the use of cash by establishing a maximum amount for a cash transaction, which increases the potential for theft and the misuse of funds. Finally, Davis noted that OMAR did not properly deduct withholding taxes from payments to local vendors and contractors.

As a result of the internal-control weakness and instances of material noncompliance, Davis identified \$2,159,525 in **unsupported costs**. Davis did not identify any **ineligible costs**.

Davis obtained and reviewed prior audit reports and other assessments that could have a material impact on the Special Purpose Financial Statement. Davis identified three prior audit findings and determined that OMAR had properly addressed two of the findings with respect to the project under audit. OMAR has not properly addressed a prior audit finding related to documenting the performance of a competitive bid process. A similar finding was identified in this audit.

Davis issued a modified opinion on OMAR's Special Purpose Financial Statement, noting that it did not exclude a material amount of unallowable costs, which totaled \$2,159,525, presented in the statement.

Based on the results of the audit, SIGAR recommends that the Department of State Grants Officer:

1. Determine the allowability of and recover, as appropriate, \$2,159,525 in questioned costs identified in the report.
2. Advise OMAR to address the report's one internal-control finding.
3. Advise OMAR to address the report's three noncompliance findings.

Financial Audit 15-61-FA: USAID's Increased Electoral Participation in Afghanistan Program

Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening

On September 28, 2008, USAID signed a cooperative agreement, with an initial cost of \$40 million, with the Consortium for Elections and Political Process Strengthening (CEPPS) to support the Increased Electoral

Participation in Afghanistan program. The primary goals of the program were to (1) strengthen the ability of candidates and the electorates to participate in the upcoming elections, and (2) to increase public awareness and oversight of the electoral process. The program was expected to increase effective and informed participation in the 2009 and 2012 elections, as well as provide support to ensure transparency and broad-based participation in the electoral process. SIGAR's financial audit, performed by Davis, reviewed \$10,040,492 in expenditures charged to the agreement from October 1, 2012, to September 30, 2013.

Davis identified two material weaknesses and two significant deficiencies in CEPPS's internal controls, and three instances of material noncompliance with the terms and conditions of the cooperative agreement. Specifically, CEPPS was not able to provide adequate support for a competitive procurement process for \$894,126 in subcontracts. As a result, CEPPS could not prove that these costs were reasonable, and the U.S. government may not have received the most competitive price. In addition, CEPPS could not provide supporting documentation to comply with applicable terms and conditions of the cooperative agreement for certain expenses, such as travel, currency exchanges, or local tax-payment obligations, which resulted in \$175,467 in ineligible costs.

As result of these internal-control deficiencies and instances of noncompliance, Davis identified \$1,070,576 in total questioned costs, consisting of \$895,109 in unsupported costs and \$175,467 in ineligible costs.

Davis obtained and reviewed prior audit reports and other assessments that could have a material impact on the Special Purpose Financial Statement. Davis identified two prior audit findings pertaining to an improper vetting process for contracts and a lack of proper controls over document retention. After reviewing and assessing documentation, Davis determined that CEPPS properly addressed the two audit findings, and no further action was required.

Davis issued a modified opinion on the Special Purpose Financial Statement due to a lack of adequate supporting documentation related to subcontracts, travel, and other direct costs, resulting in \$1,070,576 in questioned costs.

Based on the results of the audit, SIGAR recommends that the USAID Agreement Officer:

1. Determine the allowability of and recover, as appropriate, \$1,070,576 in questioned costs identified in the report.
2. Advise CEPPS to address the report's four internal-control findings.
3. Advise CEPPS to address the report's three noncompliance findings.

Financial Audit 15-63-FA: Department of the Army's Afghan National Police and Afghan National Army Communications Equipment Training and Sustainment Projects

Audit of Costs Incurred by DRS Technical Services Inc.

The Army Contracting Command (ACC) awarded two task orders to DRS Technical Services Inc. (DRS). On June 17, 2012, ACC issued task order 0004, with an initial amount of \$25 million, to provide communication devices and training support for the Afghan National Police. On September 7, 2012, ACC issued task order 0005, which provided \$18 million to train the Afghan National Army in radio maintenance, communications maintenance, and systems engineering. As of September 29, 2013, six modifications to task order 0004 and seven modifications to task order 0005 had increased the combined value to over \$86 million. SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe Horwath), reviewed \$45,402,656 in expenditures charged to the two task orders from June 17, 2012, to September 29, 2013.

Crowe Horwath identified one significant deficiency in internal controls and one instance of noncompliance with the terms and conditions of the task orders. Crowe found six instances in which a DRS project director billed the government for hours in excess of the authorized 72-hour work week without first obtaining approval from the contracting officer. DRS was unable to produce evidence of the government's approval for these exceptions to the authorized schedule.

As a result of this internal-control weakness and instance of noncompliance, Crowe Horwath identified \$1,408 in total questioned costs, all of it consisting of unsupported costs. Crowe Horwath did not identify any ineligible costs.

Crowe Horwath did not identify any prior audits, reviews, or assessments that pertained to DRS's implementation of the contract or were material to the Special Purpose Financial Statement.

Crowe Horwath issued an unmodified opinion on DRS's Special Purpose Financial Statement. Crowe Horwath noted that the statement presents fairly, in all material respects, revenues received, costs incurred, and the balance for the indicated period of audit.

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at the Army Contracting Command:

1. Determine the allowability of and recover, as appropriate, \$1,408 in questioned costs identified in the report.
2. Advise DRS to address the report's internal-control finding.
3. Advise DRS to address the report's noncompliance finding.

Financial Audit 15-64-FA: USAID's Afghanistan Media Development and Empowerment Project

Audit of Costs Incurred by Internews Network

On November 1, 2010, USAID signed a one-year cooperative agreement worth \$21.9 million with Internews Network (Internews) to implement the Afghanistan Media Development and Empowerment Project. The project was intended to develop Afghanistan's media sector nationwide through supporting regional broadcast stations, building capacity for local media outlets, and increasing access to media technology. After 13 modifications, the total approved budget of the cooperative agreement increased to nearly \$32 million, and the period of performance was extended to December 31, 2013. SIGAR's financial audit, performed by Crowe Horwath, reviewed \$32,697,186 in expenditures charged to the agreement from November 1, 2010, through December 31, 2013.

Crowe Horwath identified two material weaknesses and two significant deficiencies in Internews's internal controls, and three instances of material noncompliance with the terms and conditions of the cooperative agreement. Combined, the internal-control deficiencies and instances of noncompliance resulted in four findings relating to cash management, reporting requirements for financial statements and monitoring and evaluation plans, reconciliation of program income, and the calculation of indirect costs. Internews's calculations for indirect costs for "General and Administration" included payments to some subrecipients, even though its Negotiated Indirect Cost Rate Agreement and Office of Management and Budget guidance required excluding all subawards. Therefore, Internews may have overbilled USAID by \$194,446.

As a result of these internal-control deficiencies and instances of noncompliance, Crowe Horwath identified \$194,446 in questioned costs, all consisting of unsupported costs. The questioned costs did not include any ineligible costs.

In addition, Crowe Horwath found that Internews drew down more funds than required in order to meet immediate cash needs, resulting in a \$2,717 loss in interest to the U.S. government.

Crowe Horwath did not identify any prior reviews or assessments that pertained to Internews's implementation of the Afghanistan Media Development and Empowerment Project or were material to the Special Purpose Financial Statement.

Crowe Horwath issued an unmodified opinion on Internews's Special Purpose Financial Statement, noting that it presents fairly, in all material aspects, revenues received, costs incurred, and the balance for the indicated period audited.

Based on the results of the audit, SIGAR recommends that the USAID Agreement Officer:



Members of a women's organization and other Herat citizens receive training in the use of a simple video camera at the new Herat Multimedia Center. (USAID photo)

1. Determine the allowability and recover, if appropriate, \$194,446 in questioned costs identified in the report.
2. Collect \$2,717 in interest from Internews.
3. Advise Internews to address the report's four internal-control findings.
4. Advise Internews to address the report's three noncompliance findings.

Financial Audit 15-66-FA: Department of the Army's Engineering Support

Audit of Costs Incurred by CACI Technologies Inc.

On March 2, 2006, the ACC awarded an indefinite-delivery/indefinite-quantity contract to CACI Technologies Inc. (CACI). ACC awarded two task orders (0096 and 0127) under this contract worth a combined total of \$429 million.

ACC issued task order 0096 on September 20, 2010, with a ceiling of \$198 million and a period of performance from September 20, 2010, through February 28, 2014. The task order's purpose included engineering and program management, logistics, and transportation under the System Engineering Technical Assistance program. For example, the task order called for refurbishing facilities for Afghanistan's Counternarcotics Police.

On September 16, 2011, ACC issued task order 0127, which was intended to provide engineering and logistical support to the U.S. Army. The ceiling amount for this task order was \$231 million, and the period of performance was from September 16, 2011, through September 15, 2014. SIGAR's financial audit, performed by Crowe Horwath, reviewed \$263,188,060 in expenditures charged to the task orders from September 20, 2010, through April 30, 2014.

Crowe Horwath identified five material weaknesses, two significant deficiencies, and four instances of noncompliance with the terms and conditions of the task orders. In assessing danger-pay allowance for employees, CACI overcharged the U.S. government for danger pay that exceeded the Department of State's maximum rate of 35% of basic compensation. In some instances, the danger-pay allowance exceeded 50% of basic compensation. CACI also did not obtain the Contracting Officer's prior approval for extended work weeks or overtime charges. As a result, the U.S. government may have funded labor costs that were unreasonable or unnecessary. Although the contracting officer stated that extended work weeks were expected under both task orders, there was no written requirement in either task order indicating that this was necessary for the entire period of performance. Task order 0096 was modified on August 8, 2011, and incorporated a revised performance work statement authorizing extended work weeks of 96 hours. However, task order 0127 was not modified similarly.

As a result of these internal-control deficiencies and instances of noncompliance, Crowe Horwath identified \$192,708 in total questioned costs, consisting of \$152,976 in unsupported costs and \$39,732 in ineligible costs.

Crowe Horwath did not identify any prior reviews or assessments that could have a material effect on the Special Purpose Financial Statement.

Crowe Horwath issued a disclaimer of opinion on CACI's Special Purpose Financial Statement because CACI did not provide a signed management-representation letter which attests to the accuracy of a company's financial statements. CACI did not sign a letter because they felt that there were no rules on how Special Purpose Financial Statements should be prepared and therefore were under no obligation to sign a management-representation letter. However, the letter is a required component of management's responsibilities under U.S. generally accepted government auditing standards and without it, Crowe Horwath was unable to issue an opinion.

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at the Army Contracting Command:

1. Determine the allowability of and recover, as appropriate, \$192,708 in questioned costs identified in the report.
2. Advise CACI to address the report's seven internal-control findings.
3. Advise CACI to address the report's four noncompliance findings.

Financial Audit 15-69-FA: Department of State's Afghanistan Justice Sector Support Program II

Audit of Costs Incurred by Pacific Architects and Engineers Inc.

On May 31, 2010, the Department of State issued a one-year, \$24 million task order to Pacific Architects and Engineers Inc. (PAE) to implement the Afghanistan Justice Sector Support Program II (JSSP II). The program's purpose was to provide technical assistance and training to strengthen the capacity of justice institutions and professionals to deliver fair and effective justice services to the citizens of Afghanistan. After subsequent modifications, program funding increased to more than \$144 million, and the period of performance was extended to September 24, 2013. SIGAR's financial audit, performed by Crowe Horwath, reviewed \$139,538,326 in expenditures charged to the task order from May 31, 2010, through September 24, 2013.

Crowe Horwath identified one material weakness in internal controls and one instance of noncompliance with applicable regulations. Crowe Horwath found that PAE did not comply with federal procurement policies concerning property management. Specifically, PAE was unable to provide a complete inventory of government property related to the task order. Crowe Horwath also found discrepancies between inventories taken in August 2012 and September 2013, and determined that PAE did not perform a reconciliation to resolve the differences.

As a result of the internal-control deficiency and the instance of noncompliance, Crowe Horwath identified \$6,458 in total questioned costs, consisting entirely of unsupported costs. Crowe Horwath did not identify any ineligible costs.

Crowe Horwath did not identify any prior reviews or assessments that pertained to PAE's implementation of the Afghanistan Justice Sector Support Program or were material to the Special Purpose Financial Statement.

Crowe Horwath issued an unmodified opinion on PAE's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at the Department of State:

1. Determine the allowability of and recover, as appropriate, \$6,458 in questioned costs identified in the report.
2. Advise PAE to address the report's one internal-control finding.
3. Advise PAE to address the report's one noncompliance finding.

Financial Audit 15-71-FA: Department of State's Integrated Victim Assistance and Capacity Building Program in Afghanistan

Audit of Costs Incurred by Clear Path International

On March 9, 2010, the Department of State awarded a \$3,000,000 grant to Clear Path International (CPI) to support the Integrated Victim Assistance & Capacity-Building Program in Afghanistan (IVA-CBP). The program's intent was to expand the size and scope of U.S. assistance to victims of explosive remnants of war, such as land mines and unexploded ordnance. After three additional grants, program funding increased to \$12,988,530, and the period of performance was extended to March 31, 2014. SIGAR's financial audit, performed by Crowe Horwath, reviewed \$12,988,530 in expenditures charged to the grants from March 9, 2010, through March 31, 2014.

Crowe Horwath identified five material weaknesses in CPI's internal controls, and five instances of noncompliance with the terms and conditions of the IVA-CBP grants. Specifically, Crowe Horwath could not determine if 11 invoices worth over \$4.8 million were incurred prior to reimbursement or if CPI's indirect costs were calculated properly. In addition, Crowe Horwath found that certain expenditure transactions did not have evidence of review, and supporting documentation could not be located. As a result, Crowe Horwath was unable to determine if these costs were allowable and allocable to the grants, thus generating significant compliance findings related to unsupported invoicing to the government. Crowe Horwath also noted many instances in which equipment was disposed of without Department of State (State) authorization. Crowe Horwath also found \$98,618 in questioned costs that resulted from a lack of supporting documentation for competitive bidding.

As a result of these internal-control deficiencies and instances of noncompliance, Crowe Horwath identified a total of \$5,390,804 in questioned costs, consisting entirely of unsupported costs. Crowe Horwath did not identify any ineligible costs.

Crowe Horwath reviewed prior audit reports related to CPI's work on IVA-CBP and determined that there were no prior findings that required follow up during this audit.

Crowe Horwath issued a disclaimer of opinion on CPI's Special Purpose Financial Statement because CPI did not provide a signed management-representation letter, which attests to the accuracy of a company's financial statements and must disclose any illegal acts that happen during the scope of the audit. The letter is a required component of management's responsibilities under government auditing standards. CPI's chief financial officer said he was not an employee of CPI when the bulk of this project took place. Therefore, he was uncomfortable signing the management-representation letter.

Based on the results of the audit, SIGAR recommends that the State Grant Officer:

1. Determine the allowability of and recover, as appropriate, \$5,390,804 in questioned costs identified in the report.
2. Advise CPI to address the report's five internal-control findings.
3. Advise CPI to address the report's five noncompliance findings.

Financial Audit 15-72-FA: Department of the Army's Ministry of Interior Program

Audit of Costs Incurred by L-3 Services Inc.

On April 30, 2010, the ACC awarded a one-year, \$32.2 million contract to L-3 Services Inc. (L-3)—rebranded in 2015 as Engility LLC (Engility)—to implement the Ministry of Interior Program. The purpose of the contract was to help develop the capabilities of the Afghan Ministry of Interior to independently plan, program, and manage the Afghan National Police. After subsequent modifications, program funding was decreased to \$24.5 million and the program completion date was set to April 30, 2011. SIGAR's financial audit, performed by Crowe Horwath, reviewed \$24,285,460 in expenses charged to the contract from May 10, 2010, through April 30, 2011.



The ACC awarded a contract to help develop the capabilities of the MOI, including ANP elements like these Afghan National Civil Order Police officers. (MOI photo by Obaidullah Bahram and Fawad Wahidy)

Crowe Horwath identified two significant deficiencies in internal control and one instance of noncompliance with the terms and conditions of the contract. Combined, the deficiencies in internal control and one instance of noncompliance resulted in two findings relating to cash-management procedures and financial reporting. Specifically, Crowe Horwath identified four invoices that did not receive proper review and approval by L-3's management before submission to the government for payment. Additionally, L-3 did not provide contract monitoring reports as required by the government.

Crowe Horwath did not identify any questioned costs, which would have included unsupported costs or ineligible costs.

Crowe Horwath did not identify any prior reviews or assessments that pertained to L-3's implementation of the Ministry of Interior Program or were material to the Special Purpose Financial Statement.

Crowe Horwath issued an unmodified opinion on L-3's Special Purpose Financial Statement, noting that it presents fairly, in all material aspects, revenues received, costs incurred, and the balance for the indicated period audited.

For the entire scope of this audit, L-3 was the contractor. L-3 was rebranded in 2015 as Engility. As a result, SIGAR's recommendations refer to Engility, which is now responsible and accountable for addressing any findings related to L-3's work. Based on the results of the audit, SIGAR recommends that the responsible contracting officer at the Army Contracting Command:

1. Advise Engility to address the report's two internal-control findings.
2. Advise Engility to address the report's one noncompliance finding.

Financial Audit 15-73-FA: USAID's Southern Regional Agricultural Development Program

Audit of Costs Incurred by International Relief and Development Inc.

On August 27, 2011, USAID issued a one-year cooperative agreement for nearly \$65 million to International Relief and Development Inc. (IRD) to implement the Southern Regional Agricultural Development (SRAD) program. The primary objectives of SRAD were to strengthen economic stabilization and promote long-term agricultural development in Kandahar and Helmand Provinces in southern Afghanistan. The cooperative agreement's initial period of performance ended on August 31, 2012. After six modifications, the period of performance was extended through October 15, 2012, and the program funding increased to nearly \$70 million. SIGAR's financial audit, performed by Crowe Horwath, reviewed \$69,834,921 in expenditures charged to the award from August 27, 2011, through October 15, 2012.

Crowe Horwath identified two material weaknesses and one significant deficiency in internal control, and four instances of material noncompliance with laws, regulations, or the terms and conditions of the cooperative agreement. Specifically, IRD used the highest value for donated goods rather than

using the fair market price as required by the Code of Federal Regulation. In addition, IRD's cooperative agreement required USAID to approve local procurements above \$5 million, which is consistent with the agency's standard regulations. However, IRD did not obtain approval for local procurements that exceeded the \$5 million threshold because IRD believed modification 1 to the cooperative agreement waived the requirement. However, as confirmed by USAID, the agency did not waive the requirement, and approvals were still required for local procurements above the \$5 million threshold.

As a result of these internal-control deficiencies and instances of non-compliance, Crowe Horwath identified \$28,417,356 in questioned costs, consisting entirely of unsupported costs. Crowe Horwath did not identify any ineligible costs.

Crowe Horwath reviewed two audit reports that included the SRAD program within their scopes. However, there were no findings pertinent to the program that required follow-up.

Crowe Horwath issued an unmodified opinion on IRD's Special Purpose Financial Statement, noting that it presents fairly, in all material aspects, revenues received, costs incurred, and the balance for the indicated period audited.

Based on the results of the audit, SIGAR recommends that the responsible agreement office at USAID:

1. Determine the allowability of and recover, as appropriate, \$28,417,356 in questioned costs identified in the report.
2. Advise IRD to address the report's three internal-control findings.
3. Advise IRD to address the report's four noncompliance findings.

Financial Audit 15-75-FA: USAID's Stabilization in Key Areas West Audit of Costs Incurred by AECOM International Development Inc.

On January 29, 2012, USAID awarded an 18-month, \$62,998,824 contract to AECOM International Development Inc. (AECOM) to support the Stabilization in Key Areas West program. The primary goal of the program was to promote stabilization in the western region of Afghanistan by increasing the provision of basic government services and implementing community-led initiatives in coordination with provincial governments. After eight modifications, program funding decreased to \$54 million, and the period of performance was extended through August 31, 2015. SIGAR's financial audit, performed by Williams Adley and Company-DC LLP (Williams Adley) reviewed \$34,412,722 in expenses charged to the contract from January 29, 2012, through August 31, 2014.

Williams Adley identified one deficiency in internal control and no instances of noncompliance. AECOM did not comply with federal procurement policies for records management and appropriately accounting for costs. Specifically, Williams Adley noted that supporting documentation for seven transactions totaling \$284 did not agree with AECOM's general ledger.

SIGAR OVERSIGHT ACTIVITIES



A USAID-awarded contract supported SIKA West's program goals of providing basic government services and implementing community-led initiatives, including this clearing of drainage networks by Kharistan community members. (USAID photo)

Williams Adley found these questioned costs to be the result of AECOM using a different afghani-to-U.S.-dollar exchange rate for amounts invoiced than was retained in its records.

As a result of the internal-control deficiency, Williams Adley identified \$284 in total questioned costs, all of it consisting of unsupported costs. The questioned costs did not include any ineligible costs.

Williams Adley obtained and reviewed prior audit reports and other assessments that could have a material impact on the Special Purpose Financial Statement. Williams Adley identified five prior audit findings from a September 2014 SIGAR financial audit related to the scope of this audit (see SIGAR 14-94-FA, *USAID's Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development Inc.*, 11/3/2014). Three of the five prior audit findings concerned document retention—an issue repeated in this audit. After reviewing and assessing documentation, Williams Adley determined that AECOM had taken adequate corrective actions on the recommendations that addressed these findings.

Williams Adley issued an unmodified opinion on AECOM's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at the USAID Mission for Afghanistan:

1. Determine the allowability of and recover, as appropriate, \$284 in questioned costs identified in the report.
2. Advise AECOM to address the report's one internal-control finding.

Financial Audit 15-76-FA: USAID's Stabilization in Key Areas East Program

Audit of Costs Incurred by AECOM International Development Inc.

On December 7, 2011, USAID awarded an 18-month \$177,054,663 contract to AECOM to support the Stabilization in Key Areas East program. The primary goal of the program was to promote stabilization in the eastern region of Afghanistan by increasing the provision of basic government services and by implementing community-led initiatives in coordination with provincial governments. After five modifications, the base period was extended to March 6, 2014, and an additional 18-month option year was exercised. SIGAR's financial audit, performed by Williams Adley, reviewed \$82,925,502 in expenses charged to the contract from December 7, 2011, through August 31, 2014.

Williams Adley identified one deficiency in internal control and no instances of material noncompliance. AECOM did not maintain contract documentation for an employee, leading Williams Adley to question \$6,807 in salary-related costs. Additionally, Williams Adley noted that supporting documentation for two transactions totaling \$121 did not agree with AECOM's general ledger. Williams Adley found these questioned costs to be the result of AECOM using a different afghani-to-U.S.-dollar exchange rate for amounts invoiced than was retained in its records.

As a result of the internal-control deficiency, Williams Adley identified \$6,928 in total questioned costs, all of it consisting of unsupported costs. The questioned costs did not include any ineligible costs.

Williams Adley obtained and reviewed prior audit reports and other assessments that could have a material impact on the Special Purpose Financial Statement. Williams Adley identified five prior audit findings from a September 2014 SIGAR financial audit related to the scope of this audit (see SIGAR 14-94-FA, *USAID's Afghanistan Social Outreach Program: Audit of Costs Incurred by AECOM International Development Inc.*, 11/3/2014). Three of the five prior audit findings concerned document retention—an issue repeated in this audit. After reviewing and assessing documentation, Williams Adley determined that AECOM had taken adequate corrective actions on the recommendations that addressed these findings.

Williams Adley issued an unmodified opinion on AECOM's Special Purpose Financial Statement, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

Based on the results of the audit, SIGAR recommends that the responsible contracting officer at the USAID mission for Afghanistan:

1. Determine the allowability of and recover, as appropriate, \$6,928 in questioned costs identified in the report.
2. Advise AECOM to address the report's internal-control finding.

INSPECTIONS

COMPLETED INSPECTIONS

- Inspection 15-70-IP: Detention Center at the Counter Narcotics Judicial Center: Project Construction Mostly Met Contract Requirements, but Two Deficiencies Need to Be Addressed
- Inspection 15-74-IP: \$14.7 Million Warehouse Facility at Kandahar Airfield: Construction Delays Prevented the Facility from Being Used as Intended

Inspection Reports Published

This quarter SIGAR published two inspection reports. One report found that project construction at the CNJC mostly met contract requirements, despite two construction deficiencies, and that the detention center was being used as intended. A second report found that the DLA warehouse facility at KAF was well built, despite minor deficiencies, but lengthy construction delays led to the facility's never being used as intended.

Inspection 15-70-IP: Detention Center at the Counter Narcotics Judicial Center Project Construction Mostly Met Contract Requirements, but Two Deficiencies Need to Be Addressed

On April 12, 2012, State's Regional Procurement Support Office awarded a \$2 million firm-fixed-price contract to Zia Ahmadzai Construction Company (ZACC), an Afghan firm, to construct a new detention center to supplement an existing detention center at the Counter Narcotics Judicial Center (CNJC) in Kabul. State's Bureau of International Narcotics and Law Enforcement Affairs (INL) funded construction of the new detention center, which was built to hold about 300 detainees while they await trial. The CNJC compound consists of multiple buildings within a gated and guarded perimeter and is colocated within a larger, heavily guarded compound in central Kabul, just north of the international airport. This larger compound is home to other U.S. and Afghan agencies, such as the U.S. Drug Enforcement Administration and the Counter Narcotics Police of Afghanistan.

ZACC was required to build a T-shaped, two-story building with holding cells on both floors, a visitation area, an exercise yard, and fencing, as well as power, water, and sewage systems with connections to existing systems. ZACC was given 365 days from receipt of the Notice to Proceed on June 18, 2012, to construct the facility. Two contract modifications increased the contract price to \$2.1 million and extended the performance period to December 16, 2013. The facility was completed and officially transferred to the Afghan government on December 23, 2013.

The objectives of this inspection were to determine whether (1) work was completed in accordance with contract requirements and applicable construction standards, and (2) the new detention center was being used as intended and maintained.

SIGAR conducted two site inspections—September 14, 2014, and January 26, 2015—and found that project construction mostly met contract requirements and that the detention center was being used as intended. SIGAR also found two construction deficiencies—lack of lightning rods on the roof and some improper metal welds in the roof's support system—that

need to be addressed by INL. These deficiencies present possible life and safety issues requiring immediate attention.

SIGAR recommends that the Secretary of State direct INL to take immediate action to correct the two construction deficiencies: (1) a lack of lightning rods; and (2) improper metal welds in the roof-support system. INL should determine the number of improper welds, determine the impact on the roof's structural integrity, and develop a corrective action plan to ensure the safety of the roof-support system.

Inspection 15-74-IP: \$14.7 Million Warehouse Facility at Kandahar Airfield

Construction Delays Prevented the Facility from Being Used as Intended

In 2009, the U.S. Army developed contract requirements for the construction of a Defense Logistics Agency (DLA) warehouse facility at Kandahar Airfield (KAF). At the time, DLA did not have a distribution facility in Afghanistan. Instead, the agency was moving materials through distribution facilities located outside of the country. The planned facility was intended to be used as a distribution facility at Kandahar, which would allow for in-country receipt, storage, and issuance of DLA-owned material to customers throughout the Afghan theater of operations. The U.S. Army developed the requirement, the U.S. Army Corps of Engineers (USACE) was the contracting agency and project manager, and DLA was the intended customer.

On September 15, 2010, USACE awarded a \$13.5 million firm-fixed-price contract to YDA AFCON Joint Venture (YDA AFCON), a partnership between two Turkish construction companies, to design and build a DLA warehouse facility at KAF. The contract required construction of four shipping and receiving warehouses, an administration building, and supporting facilities. The scope of work required construction of a permanent, non-combustible, general-purpose warehouse facility with 173,428 square feet of floor space among the four warehouses. The warehouses were to be pre-engineered metal buildings with heating, ventilation, and air conditioning for the storage areas. The administration building was to be about 1,720 square feet. Supporting facilities included asphalt-paved roadways and aprons, crushed-stone truck-parking and staging areas, perimeter fencing with entry control points, area lighting, and connection to all utilities. The contract required construction to be completed by August 30, 2011, or within 300 days of the notice to proceed on November 3, 2010. On April 25, 2013, after months of construction delays, USACE issued a partial contract termination for default. The contract work items that were terminated and descope from the contract included incomplete work on electrical systems in the warehouses and administration building; plumbing work; the installation, testing, and commissioning of the fire-suppression and fire-alarm systems; installation of the communications system; and uncorrected deficiencies in the electrical work and construction of doors and handrails.



SIGAR's inspection of a warehouse at KAF found several minor construction deficiencies, including exterior siding torn away from the building. (SIGAR photo by Ronald Snyder)

On May 5, 2013, USACE awarded a second firm-fixed-price contract for \$844,526 to Arkel International LLC, a United States-based construction company, to complete the warehouse project. The scope of work required completion and testing of the facility's generator power system; design and construction of prime power connection from the KAF electrical distribution system; completion and testing of the fire-suppression and pump-house systems; construction of a communications system for the four warehouses and administration building; completion of the warehouses, including location and installation of replacements for missing, broken, or improperly designed components; and completion of the administration building, including connection of the water service to the existing water distribution system adjacent to the project site, and installation of the bathroom's plumbing fixtures. This contract had a 90-day period of performance and a planned completion date of August 26, 2013. However, after USACE modified the contract to provide clean-up services for the project site, make changes to the fire-suppression and fire-alarm systems, and hire additional personnel to test the fire-pump system and fire-pump controllers, the completion date was extended to November 10, 2013. DLA accepted the completed warehouse facility on February 3, 2014.

For this inspection, SIGAR assessed whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the facility was being used as intended.

SIGAR conducted site visits in November 2014 and February 2015. SIGAR found that the \$14.7 million warehouse facility was well built, but that several minor deficiencies existed. Furthermore, lengthy construction delays led to the facility's never being used as intended. Had the facility been completed on schedule, DLA would have been able to use it for more than two years before the agency's mission in Kandahar ended in 2014. SIGAR also found that the U.S. Army did not take action to prevent more than \$400,000 in modifications from being made to the project after the August 2013 decision was made to end DLA's mission in Kandahar.

SIGAR recommends that the commander, U.S. Central Command (CENTCOM), direct the commander, U.S. Forces-Afghanistan (USFOR-A) to determine and identify, and report back to SIGAR within 90 days, who made the decision, and why, to allow contract modifications to be made and additional funds to be spent on the warehouses after the decision in August 2013 to end DLA's mission in Kandahar.

NEW INSPECTIONS

- State/USAID-funded construction projects
- DOD-funded construction projects
- ANA Camp Commando Phases III and IV
- MOI Headquarters Complex
- MOD Headquarters Support and Security Brigade

New Inspections Announced

This quarter, SIGAR has initiated five new inspections. Each inspection will assess whether (1) construction has been or is being completed in accordance with contract requirements and applicable construction standards, and (2) the parts of the facility, if any, that are occupied are being used as intended and properly maintained. These inspections will assess:

- State/USAID-funded construction projects
- DOD-funded construction projects
- ANA Camp Commando Phases III and IV
- MOI Headquarters Complex
- MOD Headquarters Support and Security Brigade

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 19 recommendations contained in eight audit and inspection reports. Five of the reports contained recommendations that resulted in the recovery of \$1,140,844 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through June 2015, SIGAR published 184 audits, alert letters, and inspection reports and made 580 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed over 80% 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.

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. In this quarter, SIGAR continued to monitor agency actions on recommendations in 39 audit and five inspection reports. In this quarter, there were no recommendations over 12 months old where the agency had yet to produce a corrective-action plan that SIGAR believes would resolve the identified problem or otherwise respond to the recommendations. However, there are seven audit reports over 12 months old where SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions.

SPECIAL PROJECTS

SIGAR's Office of Special Projects was created to examine emerging issues and deliver prompt, actionable reports to federal agencies and the Congress. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction. The directorate is made up of auditors, analysts, investigators, lawyers, subject-matter experts, and other specialists who can quickly and jointly apply their expertise to emerging problems and questions.

This quarter, SIGAR's Office of Special Projects issued a report on the 64,000-square-foot command and control facility at Camp Leatherneck in Helmand Province, Afghanistan (the "64K building"). The report is the

COMPLETED SPECIAL PROJECTS

- Report 15-57-SP: \$36 Million Command and Control Facility at Camp Leatherneck, Afghanistan: Unwanted, Unneeded, and Unused
- Inquiry Letter 15-60-SP: Downstream Gas Utilization Project
- Inquiry Letter 15-62-SP: Afghanistan Education Data
- Inquiry Letter 15-65-SP: Tarakhil Power Plant
- Inquiry Letter 15-67-SP: Geospatial Coordinates for PCH Health Facilities

SIGAR OVERSIGHT ACTIVITIES

culmination of nearly two years of SIGAR's investigative work on the construction of the unwanted, unneeded, and unused facility.

The Office of Special Projects also wrote to DOD to request information about the \$43 million Downstream Gas Utilization project implemented by the Task Force for Business and Stability Operations (TFBSO). An inquiry letter sent to USAID requested information on the data used by the agency to oversee, fund, and assess its education programs in Afghanistan. Other letters to USAID raised concerns about the underutilization of the Tarakhil Power Plant and the accuracy of location information for health-care facilities funded by the PCH program.

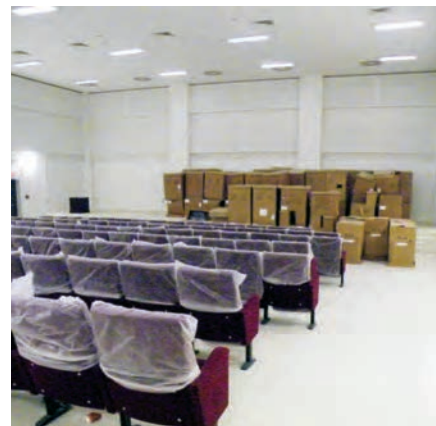
Report 15-57-SP: \$36 Million Command and Control Facility at Camp Leatherneck, Afghanistan: Unwanted, Unneeded, and Unused

SIGAR published a special project report on May 20, 2015, presenting the results of the agency's investigation of the construction of the "64K building" at Camp Leatherneck in Helmand Province, Afghanistan.

SIGAR found that DOD requested funds for this facility on the basis that it was necessary to address an immediate operational need associated with the 2010 military surge in Afghanistan. However, then-Major General Richard P. Mills, the general in charge of the surge in Helmand, requested that the facility not be built because it was not needed: existing resources at Camp Leatherneck were already well-suited to the mission. However, the request to cancel the building was rejected by then-Major General Peter M. Vangiel, who believed that it would not be "prudent" to cancel a project for which funds had already been appropriated by Congress. Ultimately, construction of the building was not completed until long after the surge was over and the building was never used.



The unused 64,000-square-foot command-and-control facility at Camp Leatherneck is the subject of a SIGAR special project report this quarter. (SIGAR photo)



Boxes sit unopened and chairs remain unused in the 64K building during a May 2013 site visit. (SIGAR photo)

The failure to follow General Mills's advice to cancel the 64K building resulted in the waste of about \$36 million.

Although most of the offices and individuals SIGAR contacted during this investigation were cooperative, some officials, in their own words, attempted to “slow roll” or otherwise frustrate SIGAR's investigation.

Inquiry Letter 15-60-SP: Downstream Gas Utilization Project

On May 18, 2015, as part of its ongoing review of TFBSO operations, SIGAR wrote to the Secretary of Defense to request information about the task force's \$43 million Downstream Gas Utilization project. To SIGAR, the project's objectives did not seem feasible for several reasons, including automobile-conversion costs and a lack of necessary infrastructure. On June 18, 2015, one month after SIGAR requested the information, the Principal Deputy Undersecretary of Defense responded to the SIGAR inquiry stating that, “the Office of the Secretary of Defense (OSD) no longer [possesses] the personnel expertise to address these questions or to assess properly the TFBSO information and documentation retained by WHS in the OSD Executive Archive.” SIGAR will soon publish its findings concerning this project.

Inquiry Letter 15-62-SP: Afghanistan Education Data

SIGAR wrote to USAID on June 11, 2015, to request information regarding the reliability of data used by USAID to oversee and fund its education programs in Afghanistan, and to measure the effectiveness of those programs. Recent allegations in reports by the news media suggest that education data provided to USAID by the Afghan government was falsified to obtain more funding.

U.S. and international donors have made significant investments in Afghanistan's education sector. The allegations of data falsification suggest that these donors may have paid for schools that students do not attend and for salaries of teachers who do not teach. The data USAID cites as clear indicators of progress come from the Afghan Ministry of Education's Education Management Information System, which USAID has said it cannot verify and which may include falsified or inaccurate data.

Although SIGAR has an ongoing audit of U.S. government efforts supporting primary and secondary education in Afghanistan, SIGAR believes the allegations about non-existent or non-operating schools, students, and teachers calls for immediate attention. USAID responded to the SIGAR inquiry on June 30, 2015, and stated in part, “the Afghan media reports ... are not accurate,” and “there is no specific evidence or allegation ... that U.S. assistance funds have been misappropriated, and we remain confident that education programs are among our most successful programs in Afghanistan.” SIGAR is following up to independently verify the status of

several schools throughout Afghanistan. SIGAR will issue multiple reports on its findings over the next several quarters.



USAID invested \$355 million on the Tarakhil Power Plant, which is the subject of a SIGAR inquiry letter this quarter. (USAID photo)

Inquiry Letter 15-65-SP: Tarakhil Power Plant

On June 19, 2015, SIGAR wrote to USAID to inquire about the use of Tarakhil Power Plant to supply back-up power to Kabul. USAID invested \$355 million in the Tarakhil Power Plant, which was intended to significantly bolster the power available on Afghanistan's national grid. However, SIGAR is concerned that the Afghan government cannot afford or may be unable to fully operate the plant, even during emergency situations in response to critical, short-term needs, such as the avalanches in late February 2015 which destroyed key parts of the existing Northern Electrical Power System.

A June 2014 USAID OIG review of the Tarakhil Power Plant found the plant to be severely underused, operating at just 2.2% of installed capacity, which USAID OIG attributed in part to the plant's high operating cost—particularly the high cost of diesel fuel. In response to the OIG report and the accompanying recommendations, USAID stated that it had either already initiated, or would initiate, remedial measures to help the Afghan government and DABS (the national power utility) operate the plant on a more regular basis. USAID stated that all corrective measures would be implemented no later than December 31, 2014, approximately two months before the avalanches.

Despite USAID's commitment to take corrective action, SIGAR remains concerned about the Afghan government's ability to operate the Tarakhil Power Plant, given the blackouts and lack of power in Kabul as a result of the February 2015 avalanches. USAID responded to the SIGAR inquiry on June 26, 2015, and stated in part that the agency has, "no indication that the Afghan power utility, Da Afghanistan Breshna Sherkat (DABS), failed to operate Tarakhil as was alleged in your letter." SIGAR is analyzing USAID's response and will follow up with further analysis of the plant's operation.

Inquiry Letter 15-67-SP: Geospatial Coordinates for PCH Health Facilities

SIGAR wrote to USAID on June 25, 2015, to request information about the PCH program, which USAID funds through on-budget assistance to the Afghan Ministry of Public Health (MOPH). USAID has disbursed over \$210 million as of March 2015 for the PCH program to support the MOPH's efforts to deliver basic health services throughout Afghanistan.

SIGAR's initial analysis of USAID data and geospatial imagery has led it to question whether USAID has accurate location information for 510, or 80%, of the 641 health-care facilities funded by the PCH program. To provide meaningful oversight, both USAID and MOPH need to know the location of these facilities. USAID responded to the SIGAR inquiry on July 1, 2015, and stated in part that the agency "regrets that the data and information SIGAR utilized for the basis of this inquiry was not verified sooner, given this

particular set is something MoPH is continually updating and refining,” and, “the lack of precise geospatial data in most cases does not interfere with our ability to effectively monitor PCH.” As an enclosure to its response, USAID also provided an updated list of PCH facilities and associated locations. SIGAR is analyzing the new geospatial coordinates and exploring options to independently verify their accuracy.

USAID’s response to SIGAR’s letter then raised another issue of concern. USAID admitted it was aware of “precision issues” in the coordinates it gave SIGAR in May 2014. Also troubling was USAID’s subsequent admission that it was aware of “precision issues” in the coordinates it gave SIGAR. Evidently, USAID provided the coordinates for a SIGAR criminal investigation without any appropriate caveats on their use, even though it had little or no confidence in the information.

LESSONS LEARNED

SIGAR created the Lessons Learned Program (LLP) to conduct a comprehensive analysis of the reconstruction effort in Afghanistan from 2001 onwards to identify best practices and lessons to help address systemic issues facing U.S. reconstruction efforts there. The LLP has three ongoing projects which are examining interagency coordination on strategy and planning, U.S. coordination with external partners in administering aid to Afghanistan, and the efficacy of counternarcotics interventions. A Lessons Learned project announced this quarter will review how U.S. agencies perceived and responded to corruption in Afghanistan, how they tried to combat corruption, and the efficacy of those anticorruption efforts.

New Lessons Learned Project

This quarter the LLP announced a project that will review the perceptions and responses of U.S. agencies to corruption in Afghanistan.

Corruption in Afghanistan: Perceptions and Responses of the U.S. Government

From the beginning of the United States’ post-9/11 engagement in Afghanistan, the U.S. government has acknowledged the risks of corruption. President Bush’s 2002 National Security Strategy stated, “poverty, weak institutions, and corruption can make weak states vulnerable to terrorist networks and drug cartels within their borders.” While corruption existed before the U.S. intervention in Afghanistan, its corrosive effect has worsened over the past 14 years, as acknowledged by senior U.S. officials. General John Allen, commander of the International Security Assistance Force (ISAF) from 2011 to 2013, testified in 2014 before a Senate Foreign Relations Subcommittee that “The existential threat to the long-term viability of modern Afghanistan is corruption.”

NEW LESSONS LEARNED PROJECT

- Corruption in Afghanistan: Perceptions and Responses of the U.S. Government

SIGAR OVERSIGHT ACTIVITIES

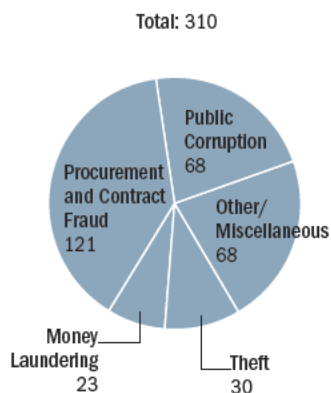
Corruption is widely cited as undermining popular support for the Afghan state, which could have the effect of generating sympathy for the insurgency. Corruption also imposes severe economic costs, and can prevent the state from functioning: it distorts key sectors of the Afghan economy; discourages foreign direct investment; diverts official receipts from the national treasury, thus damaging the government's fiscal sustainability; and adds a financial burden onto the backs of ordinary Afghans. Widespread corruption creates an environment where the rule of law is questionable at best.

The problem of corruption thus cuts across all aspects of the U.S. reconstruction effort in Afghanistan, and increases the costs of our assistance while negatively affecting core foreign policy goals. To date, there has been no systematic analysis of how the U.S. government perceived and responded to corruption from 2001 to 2014.

This project will examine U.S. reconstruction efforts in Afghanistan and available indicators of corruption in the country from 2001 to 2014 to: (1) establish a broad timeline of the corruption problem in Afghanistan since 2001; (2) analyze how the U.S. government understood the threat of corruption and how this perception changed over time, and identify the U.S. response in terms of policies, programs, and resources devoted to address the corruption problem; (3) evaluate the adequacy of the U.S. response (policies, programs, and resources) relative to U.S. strategic goals, interests, and risks, and identify where U.S. policies or actions mitigated and/or contributed to corruption; (4) compare U.S. perceptions of and responses to corruption to those of the international community; and (5) identify lessons learned from the U.S. experience with corruption and anticorruption in Afghanistan, and make actionable recommendations aimed at policy-makers and practitioners as to how best to mitigate corruption or the risk thereof in future U.S. reconstruction efforts in Afghanistan and elsewhere.

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF JUNE 30, 2015



Source: SIGAR Investigations Directorate, 7/10/2015.

INVESTIGATIONS

During the reporting period, SIGAR investigations achieved significant results. Cost savings to the U.S. government amounted to approximately \$214.7 million, civil-settlement recoveries totaled more than \$6.9 million, and fines, forfeitures, and restitutions totaled over \$675,000. Additionally, there were four arrests, eight criminal charges, six convictions, and five sentencings. In Afghanistan, 17 individuals were barred from U.S. military installations. SIGAR initiated 27 new investigations and closed 40, bringing the total number of ongoing investigations to 310, see Figure 2.1.

The accomplishments of the quarter bring the cumulative total in criminal fines, restitutions, forfeitures, civil settlement recoveries, and U.S. government cost savings from SIGAR's ongoing investigations to \$794 million. Investigative outcomes include 101 arrests, 130 criminal charges, 93 convictions, and 69 sentencings.



Deputy Inspector General Inspects Aircraft

Gene Aloise, Deputy Inspector General for Afghanistan Reconstruction, conducts a site inspection and meets with U.S. Air Force (USAF) officials at Ramstein Air Base in Germany. DIG Aloise received a personal briefing regarding an acquisition program originally destined for the Afghanistan Air Force. SIGAR and the USAF are involved in a joint review of this program.

(SIGAR photo by John DeDonna)

Civil Investigation Yields Nearly \$7 Million Recovery for the U.S. Government

On May 28, 2015, SIGAR received notice from the United States Transportation Command (USTRANSCOM) Judge Advocate that the in-house counsel for Maersk Line Limited (MLL) confirmed the refund of \$6,016,984 for containers improperly transported from the United States through Riga, Latvia, to Afghanistan. In connection to the same civil investigation, on April 17, 2015, USTRANSCOM and American President Lines Ltd. (APL) entered into an agreement whereby APL will pay USTRANSCOM \$466,273; and on June 1, 2015, USTRANSCOM and Hapag-Lloyd (HL) entered into an agreement whereby HL will pay USTRANSCOM \$444,052.

USTRANSCOM awarded a series of contracts, collectively referred to as the “USC-06” contracts, to three global transportation and logistics companies MLL, APL, and HL. Under various USC-06 contracts, MLL, APL, and HL transported food and cargo destined for U.S. troops in Afghanistan from the U.S. to Latvia or other intermediate ports in Europe. At that point, MLL, APL, and HL then arranged with various logistics vendors, one of which was Supreme Logistics FZE (Supreme), to carry the cargo the rest of the way to Afghanistan.

An investigation was initiated after MLL, APL, and HL provided a self-disclosure to the United States that they had overbilled USTRANSCOM, because of their shared common subcontractor, Supreme. According to the self-disclosure, Supreme falsely billed for higher-priced refrigerated trucks when it actually used lower-priced non-refrigerated trucks to transport the cargo, as well as transporting certain cargo containers to areas within Afghanistan with a lower USC-06 inland rate than the destination and inland rate booked and invoiced to the prime companies. MLL, APL, and HL had relied on those false invoices and passed them along to USTRANSCOM for payment.

SIGAR and various members of the International Contract Corruption Task Force (ICCTF) conducted the investigation, interviewing more than

25 key personnel, and analyzing more than 10,000 contract and audit documents. The results of the investigation mark a significant recovery for the U.S. government.

Civilian Contracting Officer Charged and U.S. Military Officer Pleads Guilty

An investigation was initiated on August 15, 2013, upon receipt of a SIGAR hotline complaint from an individual who requested confidentiality. The investigation concerned an illicit relationship between the Non-Standard Rotary Wing Aircraft (NSRWA) Program office at Redstone Arsenal and two contractors: Avia Baltika (AVB) and MD Helicopters Inc. (MDHI).

In late 2011 and 2012, the Department of Defense Office of Inspector General (DOD IG) audited contracts involving the overhaul of Russian-made Mi-17 helicopters and the purchase of spare parts amounting to over \$8 million. The purpose for the audit was to determine whether the U.S. Army paid reasonable prices for the parts, whether the parts were necessary, and whether proper contracting procedures were followed.

Teresa Mayberry, a contracting officer at NSRWA, approved the parts contract on behalf of the U.S. government and had a key role in its implementation. Throughout the course of the audit, DOD IG made several requests to Mayberry for contracting documents used to justify the decisions made in purchasing the spare parts. On June 2, 2015, in the Northern District of Alabama, a criminal information was filed against Mayberry charging obstruction of a federal audit for conduct arising from her efforts to obstruct an audit by the DOD IG into the overhaul and purchase of Mi-17 helicopters for the Afghan Air Force. Mayberry prepared, and directed her subordinates to prepare, a variety of false and backdated documents, which she then provided to DOD IG in response to its requests.

In connection with this same investigation, on April 7, 2015, in the Northern District of Alabama, a criminal information was filed against U.S. Army Colonel Norbert Vergez. The information cited felony counts for conflict of interest, false statements to DOD IG and false statements on his personal financial disclosure form stemming from conduct during Vergez's tenure as project manager for NSRWA, which included Mi-17 and other Afghanistan related helicopter contracts.

Vergez admitted he engaged in a criminal conflict of interest by taking official acts as a government official to assist MDHI in negotiating a "foreign military sale" and adjusting a contract so that the company received payment faster than originally agreed upon, at a time when Vergez was negotiating future employment with that company. Vergez also admitted that he obstructed DOD IG in the conduct of audits concerning AVB contracts and evidence revealed he accepted a gratuity from AVB in the form of a Rolex wristwatch for his wife. Additionally, Vergez admitted to making false statements in his "confidential financial disclosure report," a

government ethics form, by not disclosing that he received a wristwatch from AVB, that he had accepted an offer of employment with MDHI and that he had received a \$30,000 check from MDHI.

As a result of the criminal information, on April 20, 2015, Vergez pled guilty to all three felony counts: conflict of interest, false statements to DOD IG, and false statements on his personal financial-disclosure form.

The investigation into these matters was complex, involving more than 150 interviews, 137 federal grand jury subpoenas, the execution of four email search warrants, e-discovery utilization, and the review of at least 500,000 documents. The investigation is being conducted by SIGAR, the Federal Bureau of Investigation (FBI), the Defense Criminal Investigative Service (DCIS), and the U.S. Army Criminal Investigative Command (USACID).

Bribery Investigation Results in Criminal Charges and Guilty Plea

On June 4, 2015, in the Northern District of New York, U.S. Army Staff Sergeant Matthew Louis Bailly pled guilty to a one-count criminal information charging him with conspiracy to receive and accept illegal bribes by a public official.

On June 1, 2015, a criminal information was filed in the Western District of Kentucky, charging U.S. Army Sergeant First Class Ramiro Pena with conspiracy to receive and accept illegal bribes by a public official.

Both individuals were subjects of a bribery investigation focusing on Afghan contractors paying bribes to U.S. military personnel in return for government contracts associated with the Humanitarian Aid Yard (HA Yard) at Bagram Airfield (BAF), Afghanistan. The HA Yard functions as a storage facility for large quantities of clothing, food, school supplies, and other items available to military units in support of humanitarian aid for the Afghan people. The HA Yard, through the Commander's Emergency Response Program, enables U.S. military commanders to respond to urgent humanitarian relief needs.

Bailly, in his position as a project purchasing officer at the HA Yard, accepted approximately \$12,000 in illegal bribes from Afghan vendors to ensure successful approval and processing of replenishment contracts to restock supplies.

Pena was a project purchasing officer at HA Yard and accepted approximately \$100,000 in illegal bribes. According to the criminal information, Pena allegedly sent approximately \$22,000 of the bribe money home in greeting cards addressed to his wife, who resided at Fort Campbell. He would send three to four bills totaling \$300 to \$400 in each card at a time so as to not bring attention to the envelope at the post office. Further, Pena used bribe money to purchase a Harley-Davidson motorcycle and to pay his and his family's personal expenses.

SIGAR AND NATIONAL PROCUREMENT AUTHORITY TEAM UP AGAINST CORRUPTION

The national-unity government established the National Procurement Authority (NPA) to help foster transparency within the public procurement system of Afghanistan. To realize this objective, the NPA is working with SIGAR as well as other national and international oversight organizations. In February 2015, the SIGAR Investigations Directorate briefed President Ghani regarding its findings of corruption in the award of the nearly \$1 billion MOD fuel contract; subsequently, President Ghani cancelled the contract and suspended those MOD officials purportedly involved in the corruption.

Each week, a SIGAR Investigations Directorate representative attends the meetings of the National Procurement Commission (NPC), chaired by President Ghani, at which time the NPA presents to the NPC various ministries' contracts previously submitted to the NPA for review and action. The NPA reviews the contracts and then submits them to the NPC for approval, disapproval, or additional action.

SIGAR partners with Major General Todd Semonite, commanding general of CSTC-A, or his representatives, to attend the NPC meetings. Major General Semonite, or his representatives, are closely involved in the discussion of those contracts involving the Ministries of Defense and Interior. Generally, the only U.S. representatives at the NPC meetings are CSTC-A and SIGAR.

To further assist the NPA in its efforts to curb corruption, SIGAR's Investigations Directorate is putting together fraud-awareness briefings for NPA procurement specialists. The briefings will help them detect procurement-fraud indicators and know what actions to take when such indicators are found.

SIGAR's suspension and debarment program is also engaging with the NPA. On June 22, 2015, representatives from SIGAR met with Dr. Murtaza Noori,



SIGAR and NPA officials meet in Kabul on June 22, 2015. (SIGAR photo)

procurement policy director, and Yama Yari, director general of the National Procurement Authority, at the presidential palace to discuss the recent enactment of debarment regulations within Afghanistan's Public Procurement Law. During this meeting Noori and Yari described how the new regulations strengthened the Afghan government's ability to oversee contractors through the debarment process, the mechanisms by which it intended to implement its debarment program, and ideas about how conflicts in procurements could be resolved.

In addition, SIGAR provided an overview of how it has addressed suspension and debarment issues in Afghanistan, the need for reviewing the present responsibility of the owners and affiliates of contractors accused of fraud and poor performance, and the use of online databases such as the General Services Administration's System for Award Management to provide publicly available information about debarment decisions.



NPA Director General Yama Yari and Special Inspector General Sopko walk on the grounds of the presidential palace following an NPC meeting chaired by President Ghani. (SIGAR photo by Tom Niblock)

The efforts by the NPA to implement a debarment program are complementary to the efforts by SIGAR and other agencies conducting oversight over contracting in Afghanistan. For some time, SIGAR has sought out partners in the Afghan Attorney General's Office and other entities within the Afghan government to pursue criminal matters related to reconstruction and other procurement contracts. However, until now, the Afghan government did not have the means to use debarment to prevent the further award of contracts to individuals and companies because it was not codified within the Afghan public-procurement law.

In April 2015, the NPA implemented debarment regulations which allow for the exclusion of contractors for one to five years for fraud and poor performance based on the determination of an independent, five-person debarment committee appointed by the NPA. The process also requires provision of written notice to the contractor and an opportunity to provide written and in-person responses to the evidence submitted



President Ghani and **SIGAR Special Agent Lindy Savelle** shake hands at the conclusion of an NPC meeting. (GIROA photo by Ahmad Mukhtar Ghanizai)

to the debarment committee. Once a decision is reached regarding debarment, the director general of the National Procurement Authority is responsible for reviewing it to ensure its compliance with Afghan law and procedures for debarment. As part of this process, the NPA is developing an online database to provide transparency regarding its debarment decisions and to give notice to the contracting community about its decisions. As of June 2015, the NPA's debarment committee had taken action to debar nine contractors with an additional 21 under consideration by the committee.

SIGAR intends to continue to work closely with our colleagues at the National Procurement Authority as it develops its debarment program by sharing best practices and experience in addressing reconstruction-contract fraud and poor performance to ensure that contractors are held accountable.

The partnership and cooperation between SIGAR, the NPC, and the NPA is helping to fight corruption in Afghanistan.

Conspiracy Results in Guilty Plea and Sentencing

On May 21, 2015, in the Middle District of Georgia, U.S. Army Sergeant First Class James E. Norris was sentenced to 51 months' incarceration, three years' supervised probation, and court-ordered restitution payment of \$176,000. On February 11, 2015, Norris pled guilty to one count of conspiracy to commit bribery.

On June 9, 2015, subsequent to the receipt of a criminal indictment in the U.S. District Court, Middle District of Georgia, former U.S. Army Specialist Anthony D. Tran pled guilty to one count of bribery of a public official in the Northern District of California.

Based on reports of missing fuel at Forward Operating Base (FOB) Gardez, SIGAR initiated the investigation of coconspirators Norris, Tran, U.S. Army Sergeant Seneca D. Hampton, and one other individual. The investigation confirmed a total loss of 59,000 gallons of fuel valued at \$600,000, and the four individuals were identified as having been involved in a bribery scheme in connection with the fuel loss.

Norris and Hampton subsequently admitted to accepting approximately \$2,000 per day from local Afghan drivers in exchange for permitting the drivers to take thousands of gallons of fuel from the base. Both individuals shipped the bribery proceeds to the United States by concealing them in their personal effects.

Norris admitted he was personally paid a total of \$100,000 over the course of the conspiracy. He also admitted to purchasing a Cadillac Escalade and a custom-built Hardcore Choppers motorcycle with the cash derived from the bribery scheme.

Tran admitted to accepting approximately \$20,000 in illegal bribes from an Afghan driver in exchange for permitting him to steal approximately 12,000 gallons of fuel from the base. Tran admitted shipping the bribery proceeds concealed in personal effects that he sent to the United States, and using the currency to purchase a Dodge Challenger vehicle. In addition, Tran admitted receiving cash from Hampton in exchange for not reporting the criminal activities to authorities.

Hampton is scheduled to be sentenced in July 2015.

U.S. Army Staff Sergeant Arrested and Indicted

Following an indictment returned on May 20, 2015, in the District of Hawaii, U.S. Army Sergeant First Class Marvin L. Ware was arrested on charges of conspiracy, bribery, money laundering, and theft. The indictment is the result of Ware's alleged involvement in a fuel-theft scheme at FOB Fenty, near Jalalabad, Afghanistan. SIGAR conducted the investigation with other members of the ICCTF.

During 2011 and 2012, the U.S. military stockpiled jet fuel at FOB Fenty for use on the base and for transport to other forward operating bases and contingency operating bases in Afghanistan. Fuel deliveries were made using a local Afghan contractor, transporting the fuel in 3,000-gallon tanker

trucks, termed “jingle trucks.” Ware and his coconspirators, U.S. Army Sergeant Regionald Dixon and U.S. Army Specialist Larry Emmons, and employees of the Afghan trucking contractor developed a scheme whereby fraudulent transportation movement requests (TMRs) were created, authorizing the movement of fuel from the FOB Fenty to another location. In clandestine locations and at the times of day least likely to arouse suspicion, the coconspirators illicitly filled jingle trucks with fuel and gave fraudulent TMRs to the drivers of the jingle trucks, who presented them at the FOB Fenty checkpoint to justify their departure from the base.

In return for facilitating the theft, employees of the Afghan trucking company paid Ware, Dixon, and Emmons approximately \$6,000 for each 3,000-gallon jingle truck of stolen fuel. The U.S. government estimates the three individuals facilitated the theft of at least 135,000 gallons of jet fuel.

Emmons and Dixon pled guilty on June 8, 2012.

U.S. Contractor Sentenced for Bribery

On April 30, 2015, in the Eastern District of New York, Akbar Ahmed Sherzai was sentenced to 48 months’ incarceration, three years’ supervised probation, and forfeiture of \$54,000. Special agents from SIGAR and the Department of Homeland Security’s Immigration and Customs Enforcement’s Homeland Security Investigations arrested Sherzai in 2013, and in February 2014, he pled guilty to a criminal information charging him with bribery of a public official.

Sherzai was an independent contractor for a trucking company operating in Afghanistan and responsible for delivering fuel to U.S. military installations. In April 2013, Sherzai approached a U.S. service member to discuss fuel delivery missions Sherzai’s company had not fulfilled and that had been classified by the U.S. Army as “no-shows,” meaning the fuel was never delivered. Sherzai offered the service member a bribe to falsify the TMRs to reflect successful deliveries so that Sherzai’s company would receive payment as well as avoid the \$75,000 penalty incurred for each failed delivery.

The service member, under the supervision of SIGAR special agents, continued to meet with Sherzai to discuss payment for falsification of records. Subsequently, on two separate occasions, Sherzai paid cash bribes to the service member directly. On another occasion, Sherzai arranged for the bribe money to be transferred to the United States through a *hawala*, an informal money transfer system. Sherzai paid the service member a total of \$54,000 to falsify nine TMRs.

Two Contractor Employees Sentenced for Conspiracy

On May 19, 2015, in the Middle District of Florida, Alan Simmons was sentenced to one year and one day of incarceration, three years’ supervised release, and ordered to pay \$189,000 restitution for conspiracy to defraud the U.S. government.

\$214 MILLION SAVINGS FROM CANCELED AFGHAN MINISTRY OF DEFENSE CONTRACT

In August 2014, SIGAR initiated an investigation based on a complaint that contractors bidding on a nearly \$1 billion Afghan Ministry of Defense (MOD) fuel contract colluded to rig their bids and inflate prices for the fuel. The contract was funded by the Combined Security Transition Command-Afghanistan (CSTC-A) through direct assistance to the MOD. Initial allegations detailed how competitors prevented two companies on a list of six short-listed fuel supply contractors from submitting their bids on time for the MOD five-year fuel contract to supply fuel throughout Afghanistan to the ANA.

One company was detained by police for a bogus traffic violation en route to the bid-solicitation drop-off point, while the second company's vehicle was struck by a truck, also en route to deliver its bid package. Because the two companies were late for the bid opening, they were disqualified for competition and their bids were not accepted. Allegations indicated the four contractors who arrived at the bid opening on time had previously met in Dubai, United Arab Emirates, to rig their bids and fix their elevated contract prices so that all four companies would make more money than they were making on fuel contracts with other ministries and departments.

The investigation determined that the four colluding companies had fixed their prices and rigged their contract bids. An analysis of contract documents disclosed identically matching fuel prices for diesel and petrol, despite the fact the companies maintained they were purchasing the fuel from four different locations and calculating their costs using four completely different mathematical methodologies. Fuel and contracting experts stated that the chances of matching fuel prices to the fourth decimal point were 1 in 1,000,000,000,000, and that in all their years of working fuel they had never once encountered this. The experts opined the contract bids were collusive and the prices were fixed in a manner to better position the companies to maximize

their profits beyond what would be reasonable and sustainable. The value of the contract award was nearly \$1 billion (\$999,456,936). The investigation revealed that, had the other two short-listed bidders not been detained by police or held up from being struck by a vehicle, the MOD would have received at least one, if not two, lower bids, thereby saving the government over \$200 million (\$214,691,617). One of the lower bids was for \$784,765,319.

In addition to the bid rigging and price fixing, the investigation disclosed the four colluding contractors paid bribes to certain MOD military members, contracting officials, and financial advisors/authorities to ensure the contract was awarded to the colluding contractors exclusively. Prior to the bid opening date, additional bribes were offered to the competing contractors for agreeing not to submit their bids. The competitors refused to accept the bribe and fully intended to submit their bids, but were ultimately precluded from doing so. After the bid opening date, one of the detained contractors filed a complaint and was subsequently offered another bribe to drop the complaint and remain silent. The solicited contractor again refused to accept the bribe. The complaint was denied and allegations surfaced, but were never proven, that the complaint department received a bribe to deny the claim.

On February 1, 2015, SIGAR briefed the case to the Afghan President Ashraf Ghani, who immediately cancelled the MOD contract. Interim and bridge contracts were put in place to provide enough fuel to the ANA to meet their mission needs. All colluding contractors were excluded from competition. As funding for the contract was provided by the U.S. Army, the cancellation of the MOD contract represents a savings to the U.S. government in excess of \$200 million. In addition to the contract cancellation, President Ghani removed from office five high-ranking military members and one civilian advisor at the MOD.

On June 18, 2015, in the District of Massachusetts, Dmitry Jean-Noel was sentenced to one year and one day of incarceration and ordered to pay a forfeiture of \$157,000 for conspiracy to defraud the U.S. government.

Simmons and Jean-Noel were coconspirators employed by PAE in Afghanistan. PAE was under contract with the U.S. Department of State (State) to provide training and uniforms to Afghan correctional officers. Simmons was responsible for coordinating with others at PAE as to the number and types of uniforms to be ordered and provided to the Afghan correctional officers upon completion of training. Jean-Noel was the logistics/procurement supervisor.

Simmons, Jean-Noel, and several others created a company, Aminzian Logistics Services (Aminzian) to provide uniforms to PAE as a subcontractor. Aminzian would then submit false and fraudulent invoices to PAE seeking payment for goods that were never provided. After Aminzian was paid, Simmons and Jean-Noel and their coconspirators split the proceeds.

SIGAR and State conducted this investigation.

U.S. Contractor Employee Pleads Guilty to Theft of U.S. Government Property

On May 21, 2015, in the Northern District of Illinois, Timothy Maurer, a former Raytheon employee, was sentenced to one year and one day of incarceration and a two-year supervised release, and was ordered to pay \$152,697 restitution.

The investigation was initiated following reports of systemic theft of U.S. government-owned computer equipment at Shindand Air Base during 2013 and 2014. Evidence revealed that Maurer shipped 11 packages containing stolen computer equipment to vendors in the United States for resale. Personnel at Shindand Air Base responsible for equipment inventory valued the stolen equipment at \$332,702.

SIGAR Recognizes U.S. Military Member for Identifying Theft of \$2.5 Million

SIGAR Special Agent William Huba presented an award to U.S. Army Sergeant First Class Justin Tempel on May 28, 2015, for his contributions in identifying and reporting fuel theft at BAF. Through the work of Tempel and Huba, the theft of at least \$2.5 million dollars was identified and millions of dollars in future losses to the U.S. government have been prevented. The investigation resulted in 12 Afghanistan Operations Coordination Group (AOCG) personnel being barred from access to the BAF military installation, including one brigadier general, two colonels, two lieutenant colonels, one captain, and two sergeants from the Afghan National Army (ANA); two lieutenant colonels from the Afghan National Police (ANP); one lieutenant from the National Directorate of Security (NDS); and a staff member from the Afghan Attorney General's Office.

SIGAR OVERSIGHT ACTIVITIES



SIGAR Special Agent Huba (center) presents SFC Tempel (left) with an award for his contributions in identifying and reporting fuel theft at BAF as Lieutenant Colonel Philip York (right) looks on. (SIGAR photo)

Afghan personnel assigned to the AOCG enjoy lodging and dining facility privileges on BAF, are allowed to drive both their official and personally owned vehicles onto the base, and can travel unescorted. Senior Afghan members of the AOCG who hold a “blue badge” are permitted to enter and leave BAF without their persons or vehicles being searched. Through this assignment, these Afghan personnel also enjoy unrestricted access to the BAF retail fuel point, using it to fuel their personal and official vehicles.

Tempel discovered these vehicles were fueling two and three times a day, often taking well in excess of the vehicle fuel tanks’ ostensible capacity or any possible legitimate consumption. Tempel estimated 19,000 gallons of fuel were pumped in just three weeks by only 28 vehicles. A physical inspection of all the available Afghan AOCG vehicles by Tempel and Huba discovered at least half had modified fuel tanks, dual fuel tanks, and drain plugs or other contrivances expressly installed to drain fuel from the fuel tank, all of which bore signs of recent use.

Interviews of AOCG support staff disclosed accounts of rampant theft of fuel, food, bottled water, and building materials by the majority of Afghan AOCG staff. Interviews of Afghan AOCG personnel were largely unproductive. None could account for the inordinate amount of fuel taken and all denied participating in other means of theft.

Results of the interviews were provided to command staff at Camp Alpha, one of two BAF Special Forces camps, so that the Afghan AOCG staff would be held accountable for their actions. Tempel provided supporting documentation identifying the vehicles and drivers responsible for the specific gallons pumped on a given day. The Camp Alpha commander ordered a comprehensive internal investigation and requested that Tempel perform a one-year review of Afghan AOCG fuel consumption. The review revealed that in 15 months, Afghan AOCG personnel consumed in excess of \$3.5 million of fuel, of which approximately \$1 million appeared to be legitimate.

Suspensions and Debarments

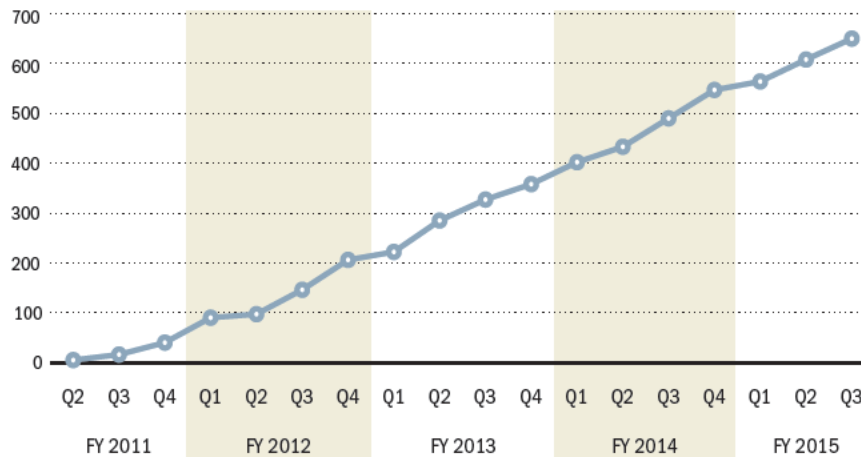
This quarter, SIGAR’s suspension and debarment program referred 17 individuals and 25 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. Eight of these individuals were referred for suspension based upon criminal charges being filed against them involving misconduct related to or affecting reconstruction contracting in Afghanistan. As shown in Figure 2.2, these referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 650, encompassing 343 individuals and 307 companies to date.

As of the end of June 2015, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 105 suspensions, 343 finalized debarments, and 28 **special entity designations** of individuals and companies

SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q3 FY 2015



Source: SIGAR Investigations Directorate, 7/10/2015.

engaged in U.S.-funded reconstruction projects. Since the initiation of the program, an additional 14 individuals and companies have entered into **administrative compliance agreements** with the government in lieu of exclusion from contracting. During the third quarter of 2015, SIGAR's referrals resulted in three suspensions and seven finalized debarments of individuals and entities by agency 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 suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—based on completed investigations that SIGAR participates in.

In most cases, SIGAR's referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor

Special entity designations: exclusions in the General Services Administration's System for Award Management based upon identifications by the CENTCOM commander of individuals and entities that are or have the potential to engage in contracting and have provided material support to insurgent or terrorist groups in accordance with Section 841 of the 2015 National Defense Authorization Act. Special entity designations are for an indefinite period and act as notice that contracts and subcontracts awarded to individuals and entities identified by the CENTCOM commander may be restricted, terminated or voided as a matter of public policy.

Administrative compliance agreements: entered into in lieu of debarment as the result of negotiations between suspension and debarment officials and contractors.

Source: SIGAR Suspensions and Debarments.

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. Based on the evolving nature of the contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, on occasion SIGAR has found it necessary to refer individuals or companies on multiple occasions for consideration by agency suspension and debarment officials.

SIGAR's emphasis on suspension and debarment is exemplified by the fact that of the 650 referrals for suspension and debarment that have been made by the agency to date, 623 have been made since the second quarter of 2011. During the 12-month period prior to July 1, 2015, referrals by SIGAR's suspension and debarment program resulted in the exclusion of 165 individuals and companies from contracting with the government. SIGAR's referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents, and mismanagement as part of reconstruction contracts valued at approximately \$800.3 million.

Suspension of Two Individuals and 15 Companies for Bribery in the Award of \$28.8 million in Department of Defense Contracts

On May 4, 2015, as a result of an investigation conducted by SIGAR, DCIS, and other agencies participating in the ICCTF, SIGAR referred James Addas, Omar Jamil, and 15 companies owned by Jamil to the Army suspension and debarment official for suspension based upon allegations of conspiracy to commit bribery and the filing of fraudulent income tax returns. Specifically, Addas, a retired Army officer and civilian contractor at Joint Contracting Command Iraq/Afghanistan (JCC-I/A), used his position to facilitate the award of at least 15 prime contracts valued at approximately \$28.8 million to Jamil's companies between April 2004 and March 2006.

As the result of a lengthy, multi-agency investigation, it was determined that soon after Addas awarded the first contract to Jamil, Jamil provided him with a cash payment of \$50,000. Subsequently, Addas continued to solicit payments from Jamil after the end of his employment at JCC-I/A, receiving approximately \$455,828 in wire transfers and \$72,000 in goods and services from Jamil and his associates between April 2010 and July 2013. Among the multiple payments and gifts, Jamil paid Addas over \$40,000 in adoption fees for his children, money for the purchase of expensive collectible knives, and money for both an addition to his home and for the purchase of trees and landscaping. In return, Addas provided multiple recommendations to prime contractors in an effort to persuade them to hire Jamil and his companies as a subcontractor.

On February 20, 2015, a criminal information was filed in the U.S. District Court for the Eastern District of Virginia charging Addas with one count of bribery and one count of making and subscribing a false tax return.

Subsequently, on April 23, 2015, a criminal indictment was filed in the U.S. District Court for the Eastern District of Virginia charging Jamil with one count of conspiracy and one count of bribery. Based upon SIGAR's referral, the Army suspended Addas, Jamil, and Jamil's companies from contracting with the government on July 9, 2015.

Debarment of Shams Group International, Two Individuals, and Five Affiliated Companies Due to the Fraudulent Award of \$1.6 Million for Fences and Demining at FOB Rocco

As a result of a referral by SIGAR the Army suspension and debarment official, on March 28, 2015, Robert Bertolini, Harron Shams Khan, Shams Group International, and five affiliated companies were debarred for a period of approximately 54 months based upon a SIGAR referral.

The debarment was based upon findings that Bertolini, an employee of Lakeshore Engineering Services Inc., received kickbacks from Khan in exchange for authorizing Shams Group to provide additional perimeter security and demining on a \$1.6 million contract for the construction of facilities for the ANA at FOB Rocco in Surobi, Afghanistan. Without his employer's knowledge or approval, Bertolini approved \$980,000 in contract modifications for the installation of a security fence and an additional \$680,000 for demining work. In exchange for these modification approvals, Khan wired approximately \$60,000 to Bertolini utilizing bank accounts in the name of Bertolini's son, to whom Khan extended a sham offer of employment. This indirect payment was utilized by Khan in an attempt to conceal it under the guise of advance salary payments for the employment of Bertolini's son at a future date.

On July 30, 2014, a criminal information was filed against Bertolini in the U.S. District Court for the District of Arizona, charging him with one count of conspiracy to commit wire fraud and engage in unlawful kickback transactions. Following the entry of a guilty plea by Bertolini and a final criminal judgment on December 16, 2014, he was sentenced to three months' confinement, seven months' home detention, and forfeiture of \$59,975.

OTHER SIGAR OVERSIGHT ACTIVITIES

Special Inspector General Testifies Before the Committee on Oversight and Government Reform, House Subcommittee on National Security

On April 29, 2015, Special Inspector General John F. Sopko testified before the House Committee on Oversight and Government Reform, Subcommittee on National Security. Sopko's testimony discussed the importance of accurate ANDSF personnel numbers, the pitfalls of inaccurate and unreliable data, and the risks of limited oversight of on-budget assistance.

TESTIMONY GIVEN

- Testimony 15-56-TY: Why ANSF Numbers Matter: Inaccurate and Unreliable Data, and Limited Oversight of On-Budget Assistance Put Millions of U.S. Taxpayer Dollars at Risk

SIGAR OVERSIGHT ACTIVITIES

Sopko pointed out that, as the U.S. presence throughout Afghanistan is reduced, decision makers and implementing agencies, such as DOD, State, and USAID, are becoming more and more reliant on data on the reconstruction effort produced by the Afghan government and other international partners. This includes basic information on the number of ANDSF personnel.

However, SIGAR's recent audits on ANA and ANP personnel and payroll data highlight concerns that neither the United States nor its Afghan allies truly know how many Afghan soldiers and police are available for duty, or, by extension, the true nature of their operational capabilities. Such basic information is especially critical in the 2015 fighting season, with the Afghans fully responsible for their own security.

In addition, Sopko explained in his testimony, this data forms the basis for all U.S. assistance to the ANDSF. As the United States continues to shift its funding for ANDSF salaries and other needs to on-budget assistance, it is extremely important that this assistance be based on accurate and reliable data, and that the Afghan government is able to manage and account for such funds.

Sopko testified that, as other audit and investigative agencies draw-down their personnel, SIGAR will continue to monitor the U.S. and Afghan governments' progress in implementing better controls over ANDSF personnel and payroll processes, enhancing procedures for verifying this data, and improving oversight of U.S. on-budget assistance for ANDSF salaries and other needs. With nearly \$15 billion appropriated but unspent as of March 31, 2015, and a U.S. commitment to spending billions more in the years to come, properly overseeing these funds is essential to ensuring that this vast investment in Afghanistan since 2001 does not go to waste.



In June 2015, Deputy Inspector General Gene Aloise (second from left) met with INTOSAI officials based in Oslo, Norway. (SIGAR photo)

SIGAR Collaborates with INTOSAI on Afghan Training

In February 2015, Special Inspector General Sopko met with Afghanistan's President Ashraf Ghani to discuss, among other things, SIGAR's efforts to prevent and detect waste, fraud, and abuse in programs and operations for the reconstruction of Afghanistan. During the course of the meeting, President Ghani requested SIGAR's assistance to help train Afghanistan's auditors. In response, SIGAR determined that the International Organization of Supreme Audit Institutions (INTOSAI) was best suited to provide such training. INTOSAI is an autonomous worldwide affiliation of national audit organizations—referred to as Supreme Audit Institutions (SAIs)—and currently has 192 members, including Afghanistan's national audit organization, the Supreme Audit Office. INTOSAI's mission is to promote development and transfer of knowledge, improve government auditing worldwide, and enhance professional capacities, standing, and influence of members in their respective countries.

In June 2015, Deputy Inspector General Gene Aloise and Senior Program Analyst Glen Levis met with INTOSAI officials based in Oslo, Norway, who

are responsible for enhancing the development of SAIs worldwide, including Afghanistan's Supreme Audit Office. These officials said the Supreme Audit Office faces many challenges, as do national audit organizations in other developing countries. For example, these organizations all need to implement international audit standards, and strengthen both technical and organizational capacities. Although Afghanistan's Supreme Audit Organization may have a cadre of competent and enthusiastic professionals, it faces some substantial institutional impediments. To be effective, Afghanistan's Supreme Audit Organization needs to have the full support of, yet be independent of, parliament and receive the necessary assurances that parliament takes its findings seriously. A strong legal framework and a supportive environment combined with professional auditors could enable Afghanistan's Supreme Audit Organization to provide real value.

INTOSAI has recently embarked on limited bilateral support to SAIs in "fragile" states, including Afghanistan, to help promote capacity improvements. Specifically, Afghanistan's Supreme Audit Office plans to perform a self-assessment of its current performance and capacity with technical support from INTOSAI and peer SAIs. Norway's development agency will fund the project. The self-assessment is designed to measure performance against international audit standards and will cover several areas, including mandate and independence, organizational capabilities, quality of the audit performed, as well as coverage and timeliness of audit work. Afghanistan's Supreme Audit Office is currently assembling a team to conduct the self-assessment. Officials from INTOSAI and peer SAIs will meet with Afghanistan representatives in September 2015 to provide training. INTOSAI officials are hopeful that a report will be completed by March 2016.

According to INTOSAI officials, the self-assessment is expected to inform the development of an action plan to guide future assistance and training efforts. It will provide the Supreme Audit Office with an overview of its current strengths and weaknesses and help identify opportunities for improvement. The assessment is expected to provide a strong basis for dialogue with donors and partners about potential additional support for capacity development.

Deputy Inspector General Speaks at Harvard's John F. Kennedy School of Government

On May 1, 2015, Deputy Inspector General Aloise spoke at Harvard's John F. Kennedy School of Government. Aloise addressed a group from the senior-executive fellows program, discussing the importance and relevance of oversight in Afghanistan and in the federal government. The deputy inspector general also described how, although the stakes are historically high in Afghanistan, the problems with contract management there are no different than those in the United States. In the speech, Aloise provided background

on how SIGAR works to uncover and address fraud, waste, and abuse of taxpayer funds.

Special Inspector General Speaks at Weill Cornell Medical College

On May 5, 2015, Special Inspector General Sopko spoke at Weill Cornell Medical College about the challenges of determining fact versus fiction in the Afghanistan reconstruction effort. Sopko highlighted several areas of reconstruction where data is questionable or inconsistent, including statistics and numbers on Afghan life expectancy, the Afghan school system, and Afghan security personnel. In his speech, Sopko also provided a brief history of the massive reconstruction effort and an overview of SIGAR and its work.

Special Inspector General Speaks at the Center for Strategic and International Studies (CSIS)

Special Inspector General Sopko spoke at CSIS on May 13, 2015, about taking stock of the Afghan security forces. Sopko pointed out that he is encouraged by the leadership of Afghan President Ashraf Ghani and Chief Executive Officer Abdullah Abdullah, as well as by U.S. military leaders in Afghanistan. The IG's speech also highlighted SIGAR's work, specifically related to concerns with ANDSF capability, the number of ANDSF personnel, and the prospect for long-term ANDSF sustainability.

Deputy Inspector General Speaks at the International Lessons Learned Conference at the Baltic Defense College

On June 2, 2015, Deputy Inspector General Aloise spoke at the International Lessons Learned Conference at the Baltic Defense College. Aloise provided background on SIGAR, and spoke specifically on SIGAR's work examining U.S. efforts to support Afghan women. The deputy inspector general discussed two of SIGAR's published audit reports, as well as the agency's plans to continue monitoring USAID's implementation and oversight of a program to empower Afghan women. The program could cost from \$216 million to \$416 million.

Deputy Inspector General Speaks at NATO's 2015 Building Integrity Annual Discipline Conference

Deputy Inspector General Aloise spoke on June 10, 2015, at NATO's 2015 Building Integrity Annual Discipline Conference. Aloise provided background on SIGAR for the conference participants, including details on the agency's work to combat waste, fraud, and abuse. The deputy inspector general described how pervasive and problematic corruption is in Afghanistan reconstruction efforts, and pointed out that Afghanistan's new unity government shows signs of progress in combating it. Aloise concluded his speech by emphasizing the importance of NATO members' applying high

standards of integrity to their own military organizations in order to set an example for Afghan partners.

Deputy Inspector General Speaks to Naval Postgraduate School Program

Deputy Inspector General Aloise gave a talk on civilian-military relations in complex operations to the Naval Postgraduate School's Joint Foreign Area Officers Program on July 16, 2015. Aloise said the U.S. government, military and civilian, is going to have to do far better than it has in the past at working together than it has if it is to succeed in complex operations. Aloise said SIGAR's work supported the findings of others that the failure to coordinate among civilian and military agencies has been a major impediment to mission success in Afghanistan.

SIGAR BUDGET

SIGAR received a budget of \$56.9 million for FY 2015 in the Consolidated and Further Continuing Appropriations Act from Congress. The budget supports SIGAR's oversight activities and products by funding SIGAR's (1) Audits and Inspections, (2) Investigations, (3) Management and Support, and (4) Research and Analysis Directorates, as well as the Special Projects Team and the Lessons Learned Program.

SIGAR STAFF

SIGAR's staff count remained steady since the last report to Congress, with 194 employees on board at the end of the quarter. At the end of the quarter, there were 29 employees at the U.S. Embassy Kabul and four other employees at Bagram Airfield. The SIGAR location in Kandahar was shut down during the quarter. SIGAR employed seven local Afghans in its Kabul office to support the Investigations and Audits directorates. In addition, SIGAR supplements its resident staff with personnel assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had 16 employees on temporary duty in Afghanistan for a total of 256 days.



Special Agent Lindy Savelle and Major Generals Dan Hughes, left, and Todd Semonite attended the July 5 Afghan National Procurement Commission meeting conducted by President Ghani at the Presidential Palace. (SIGAR photo)

“The Afghan people are hopeful that the negotiations continue with good intentions and determination. We are hopeful that the negotiations result in ensuring dignified peace and permanent stability in the country.”

—*Afghan President Ashraf Ghani*

3 RECONSTRUCTION UPDATE



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Photo on previous page

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

RECONSTRUCTION UPDATE

OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

RECONSTRUCTION UPDATE

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

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STATUS OF FUNDS

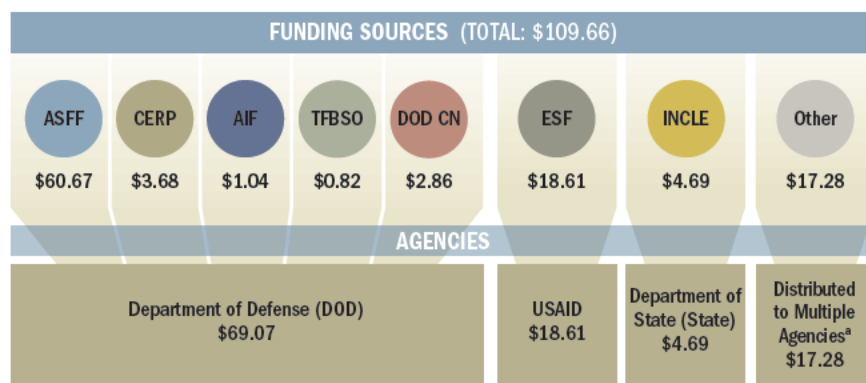
To fulfill SIGAR's legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of June 30, 2015, the United States had appropriated approximately \$109.66 billion for relief and reconstruction in Afghanistan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

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

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

FIGURE 3.1

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



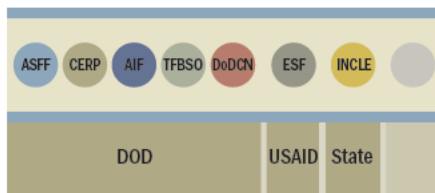
ASFF: Afghanistan Security Forces Fund
CERP: Commander's Emergency Response Program
AIF: Afghanistan Infrastructure Fund
TFBSO: Task Force for Business and Stability Operations
DOD CN: DOD Drug Interdiction and Counter-Drug Activities
ESF: Economic Support Fund
INCLE: International Narcotics Control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

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

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

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

STATUS OF FUNDS



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

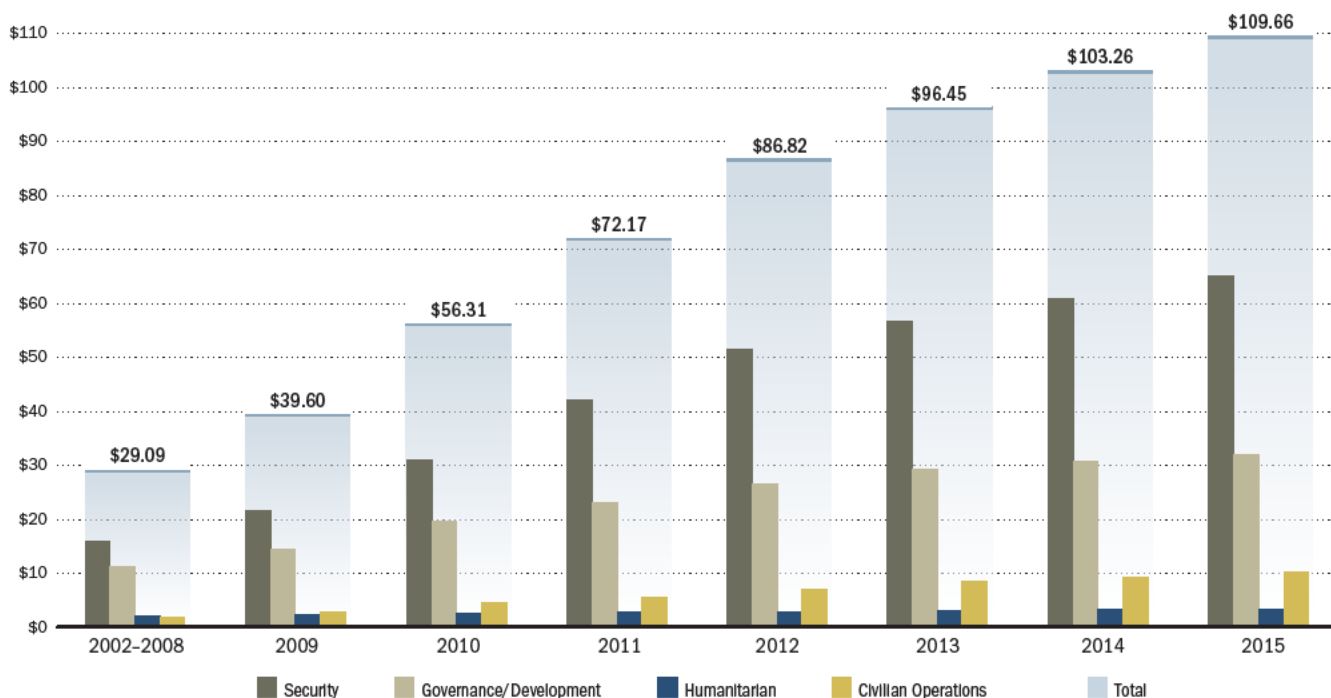
U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

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

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

FIGURE 3.2

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



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

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

STATUS OF FUNDS

The United States aims to channel at least 50% of its development assistance on-budget to the government of Afghanistan.⁵³ This assistance is provided either directly to Afghan government entities or via contributions to multilateral trust funds that also support the Afghan government's budget.⁵⁴ Since 2002, the United States has provided nearly \$9.55 billion in on-budget assistance. This includes about \$5.49 billion to Afghan government ministries and institutions, and nearly \$4.06 billion to three multinational trust funds—the World Bank's Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme's Law and Order Trust Fund for Afghanistan (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance disbursed to the Afghan government and multilateral trust funds.

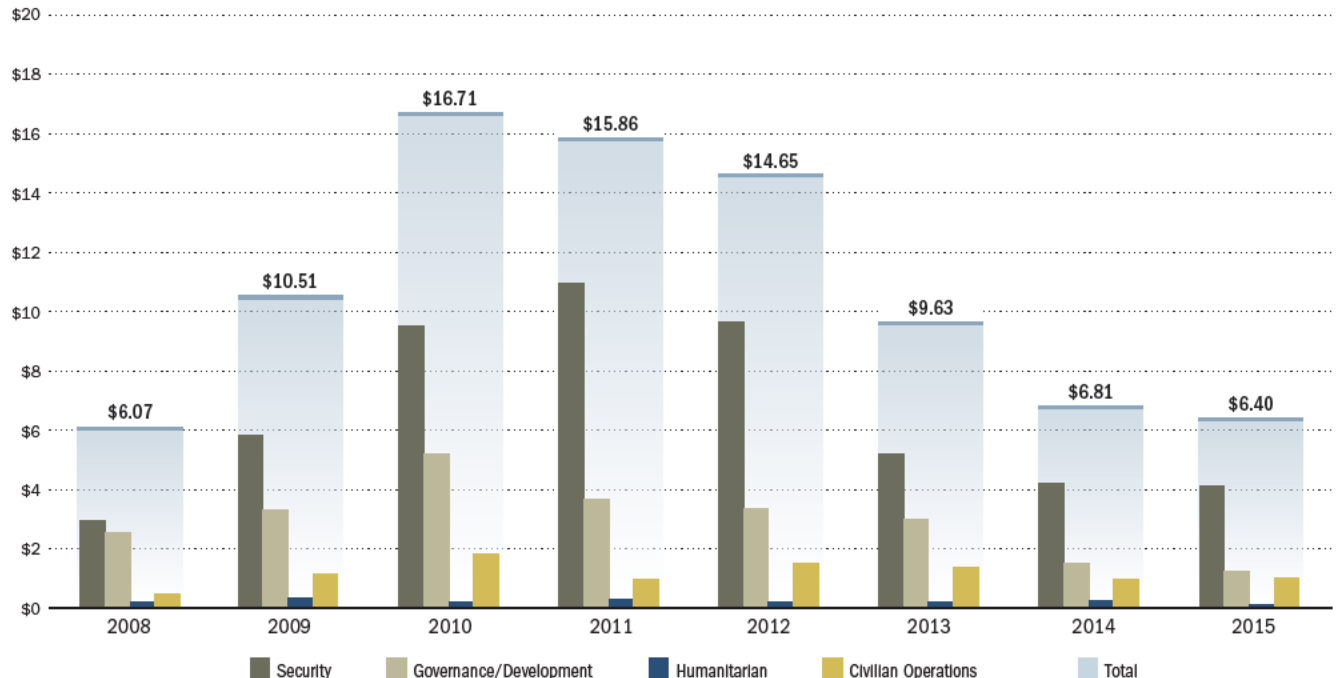
TABLE 3.1

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

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

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

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



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

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

STATUS OF FUNDS

AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

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

FIGURE 3.4

CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

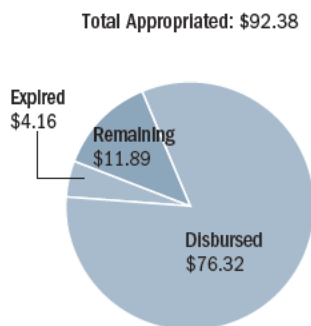


TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2015 (\$ BILLIONS)

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

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.2 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

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

TABLE 3.3

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

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

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

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

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

STATUS OF FUNDS

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

TABLE 3.4

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

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$434 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

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

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

TABLE 3.5

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

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$23 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

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

FIGURE 3.5

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

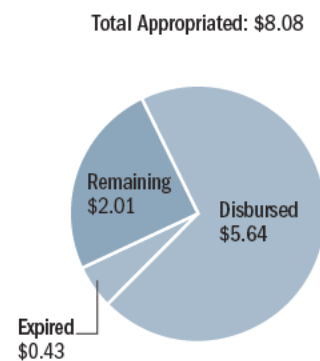
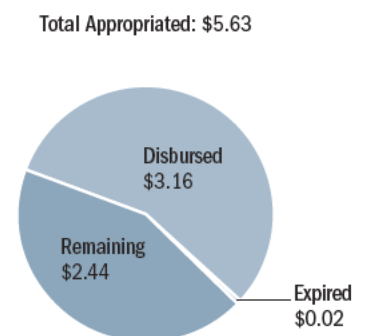
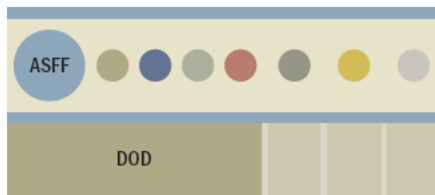


FIGURE 3.6

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



STATUS OF FUNDS



ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

AFGHANISTAN SECURITY FORCES FUND

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

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

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

FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR
(\$ BILLIONS)

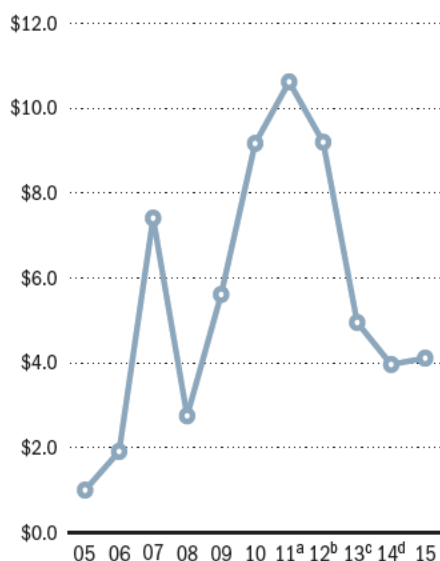
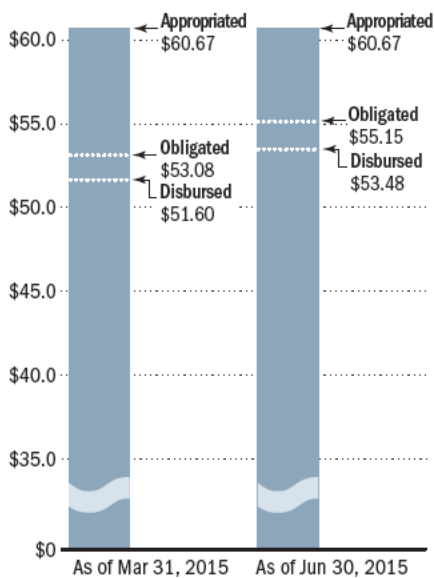


FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded.

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

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

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

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

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

ASFF BUDGET ACTIVITIES

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

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

Funds for each budget activity group are further allocated to four **sub-activity groups**: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.⁶¹ The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.⁶²

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

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

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

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

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

FIGURE 3.9

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

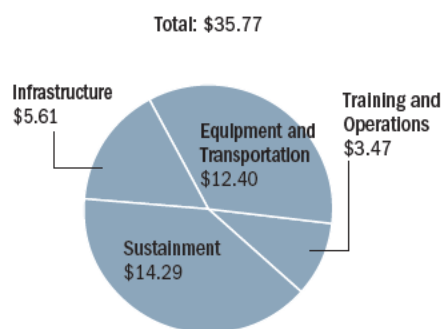
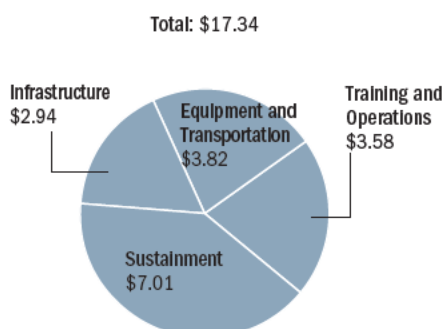


FIGURE 3.10

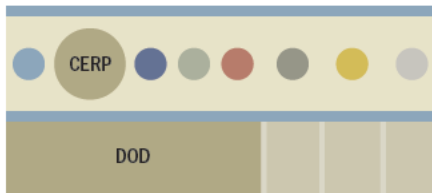
ASFF DISBURSEMENTS FOR THE ANP
BY SUBACTIVITY GROUP,
FY 2005–JUN 30, 2015 (\$ BILLIONS)



Note: Numbers have been rounded.

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

STATUS OF FUNDS



CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.⁶⁶ CERP-funded projects may not exceed \$2 million each.⁶⁶

The Consolidated and Further Continuing Appropriations Act, 2015, appropriated \$10 million for CERP, increasing total cumulative funding to nearly \$3.68 billion.⁶⁷ Of this amount, DOD reported that more than \$2.28 billion had been obligated, of which nearly \$2.27 billion had been disbursed as of June 30, 2015.⁶⁸ Figure 3.11 shows CERP appropriations by fiscal year, and Figure 3.12 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.11

CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

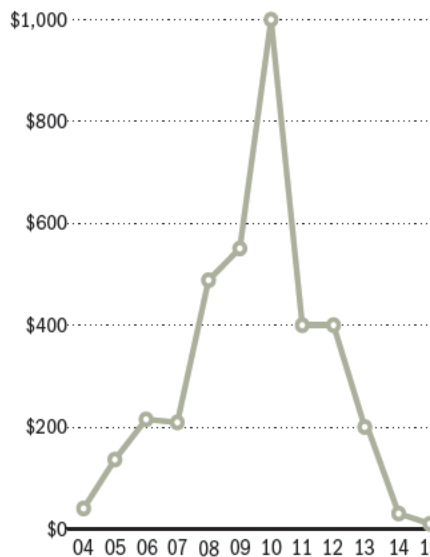
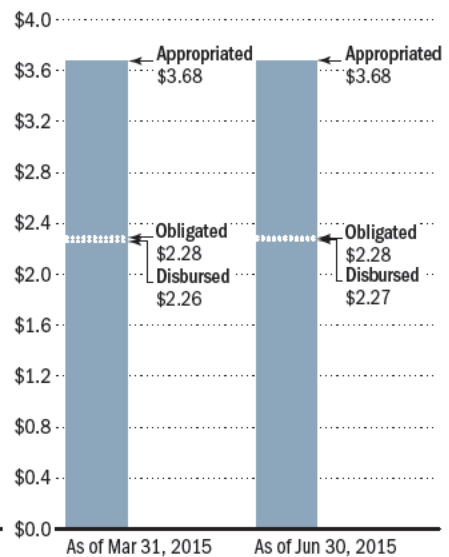


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

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

AFGHANISTAN INFRASTRUCTURE FUND

The Afghanistan Infrastructure Fund (AIF) was established in FY 2011 to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. The AIF received appropriations from FY 2011 through FY 2014. DOD did not request funds for the AIF for FY 2015. Each AIF-funded project is required to have a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.⁶⁹

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

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



AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.13

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

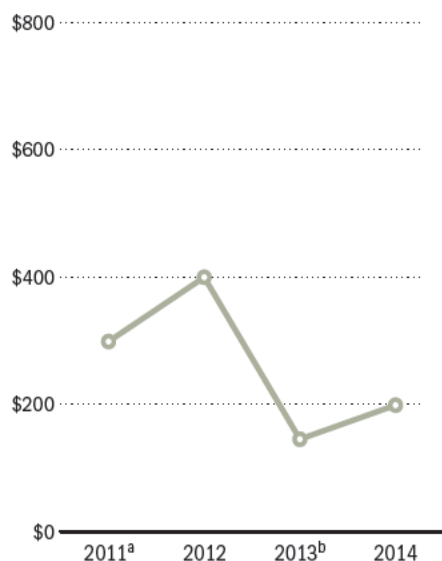
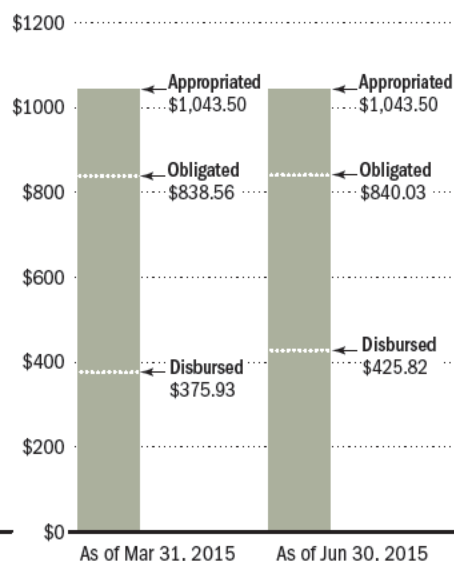


FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



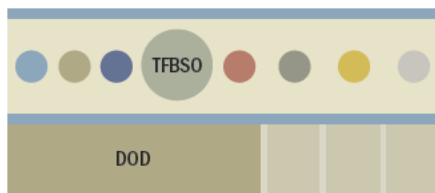
Note: Numbers have been rounded.

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

^b FY 2013 figure excludes \$179.5 million that was transferred to USAID to execute an AIF project.

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

STATUS OF FUNDS



TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the Task Force for Business and Stability Operations (TFBSO) began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO authorities expired on December 31, 2014, and TFBSO concluded its operations on March 31, 2015. TFBSO projects included activities intended to facilitate private investment, industrial development, banking and financial-system development, agricultural diversification and revitalization, and energy development.⁷²

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

FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

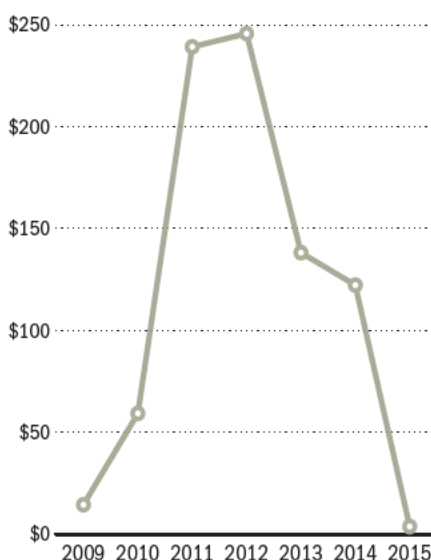
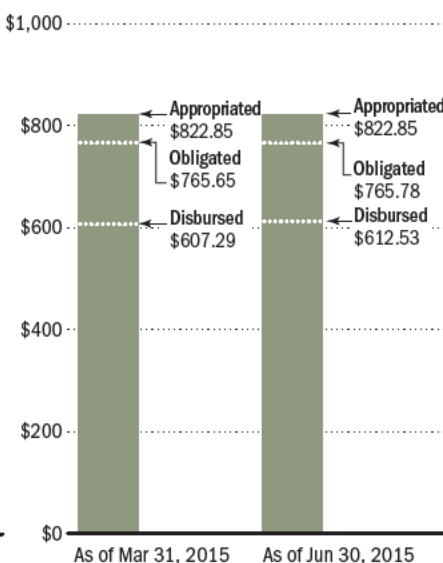


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



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

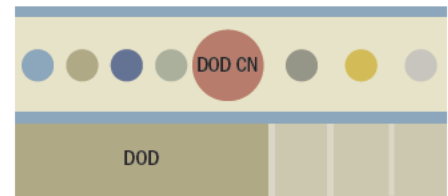
Source: DOD, response to SIGAR data calls, 7/8/2015 and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

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

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counter-Narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds.⁷⁶

This quarter, DOD reported that DOD CN funds appropriated for FY 2015 would not be executed this fiscal year due to a significant reduction in operational requirements. These funds will be reprogrammed to resource other DOD requirements. The reprogramming activity reduces cumulative appropriations for the DOD CN to \$2.86 billion. Of this amount, nearly \$2.75 billion had been transferred to the military services and defense agencies for DOD CN projects as of June 30, 2015.⁷⁷ Figure 3.17 shows DOD CN appropriations by fiscal year and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



DOD CN FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

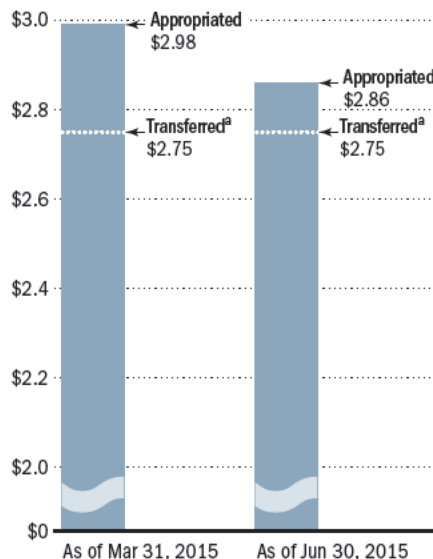
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

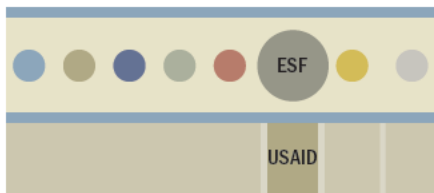


Note: Numbers have been rounded. Prior-year adjustments are done periodically to reflect deobligation and/or realignment of multi-year procurement funding. FY 2015 appropriated DOD CN funds for Overseas Contingency Operations are unable to be executed this fiscal year due to a significant reduction in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

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

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

STATUS OF FUNDS



ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counterterrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.⁷⁸

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

USAID reported that cumulative obligations as of June 30, 2015, decreased by more than \$184.62 million and cumulative disbursements increased by nearly \$253.15 million from the amounts reported last quarter.⁸⁰ Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)

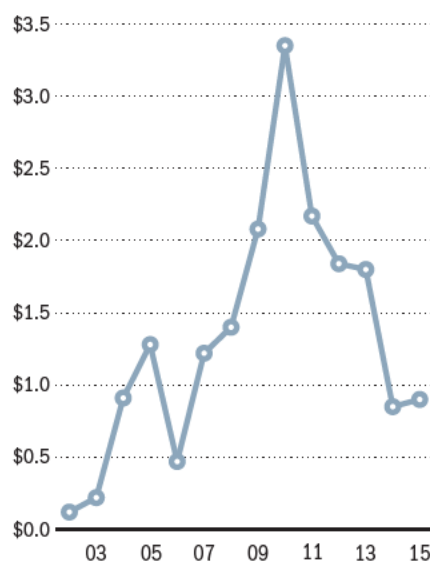
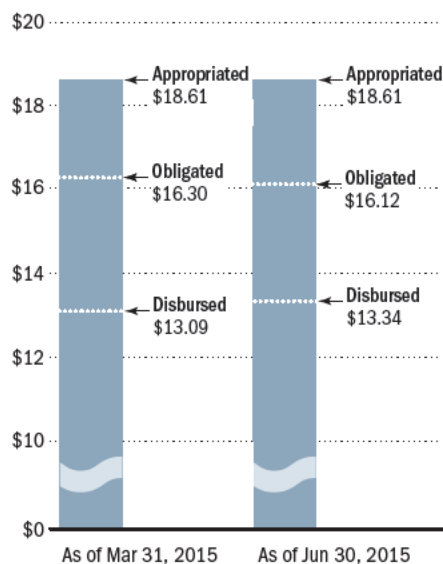


FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

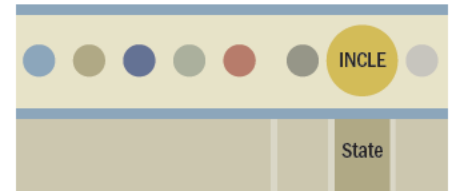
Source: USAID, response to SIGAR data calls, 7/16/2015 and 4/9/2015; State, response to SIGAR data calls, 4/15/2015 and 4/15/2014.

INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages an account for advancing rule of law and combating narcotics production and trafficking—the International Narcotics Control and Law Enforcement (INCLE) account. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.⁸¹

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

State reported that cumulative obligations as of June 30, 2015, decreased by nearly \$41.65 million compared to cumulative obligations as of March 31, 2015. Cumulative disbursements as of June 30, 2015, increased by nearly \$113.37 million over cumulative disbursements as of March 31, 2015.⁸³ Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



INL FUNDS TERMINOLOGY

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

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

FIGURE 3.21

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

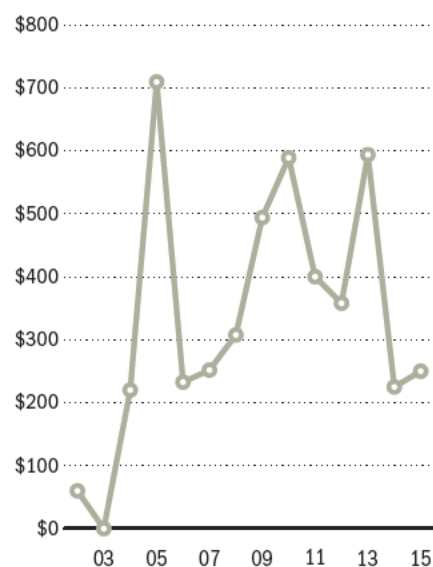
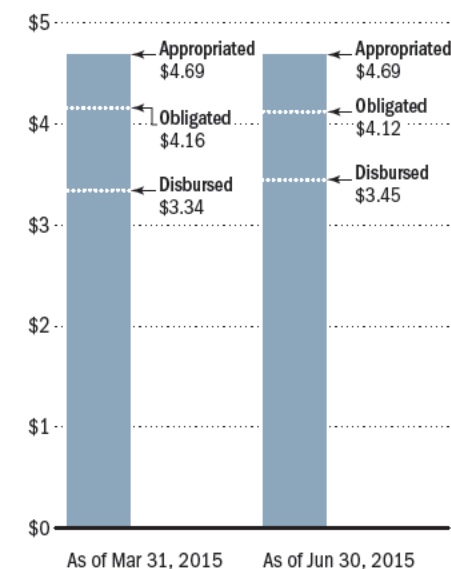


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

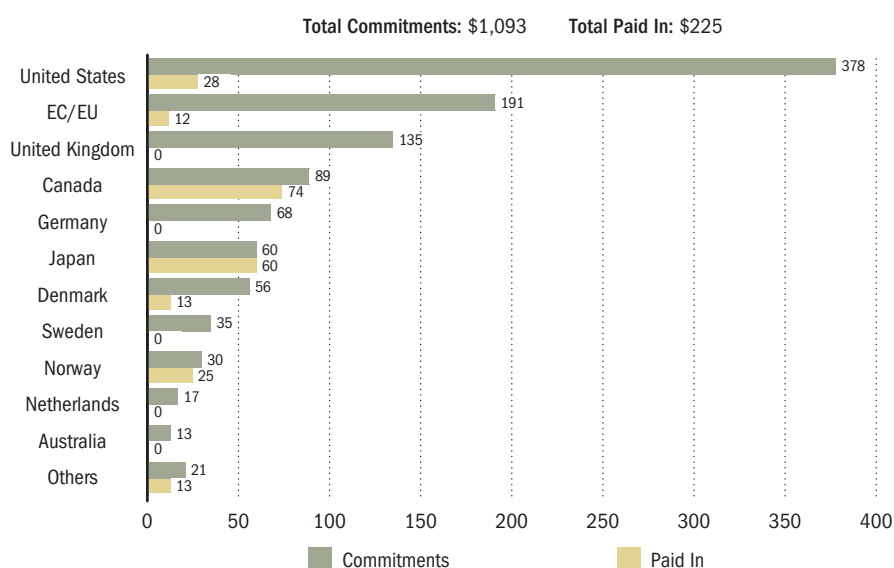
In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. As noted in previous SIGAR quarterly reports, most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).⁸⁴

Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to June 21, 2015, the World Bank reported that 34 donors had pledged nearly \$9.03 billion, of which nearly \$8.16 billion had been paid in.⁸⁵ According to the World Bank, donors had pledged more than \$1.09 billion to the ARTF for Afghan fiscal year 1394, which runs from December 22, 2014 to December 21, 2015.⁸⁶ Figure 3.23 shows the 11 largest donors to the ARTF for FY 1394.

FIGURE 3.23

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



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

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

STATUS OF FUNDS

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

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁸⁸ As of June 21, 2015, according to the World Bank, more than \$3.48 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.⁸⁹ The RC Window supports the operating costs of the Afghan government because the government's domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.⁹⁰

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

Contributions to the Law and Order Trust Fund for Afghanistan

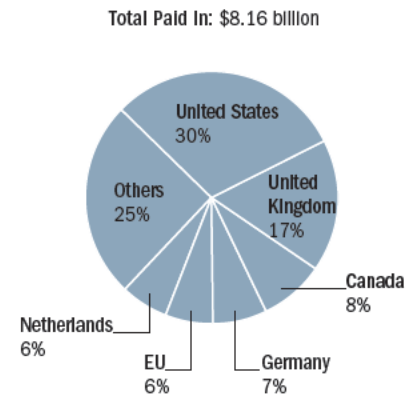
The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior.⁹² Since 2002, donors have pledged more than \$3.86 billion to the LOTFA, of which over \$3.79 billion had been paid in, as of December 31, 2014—the most recent LOTFA data available.⁹³ The United States had committed more than \$1.52 billion since the fund's inception and had paid in all but \$3.89 million of the commitment.⁹⁴ Figure 3.25 shows the four largest donors to the LOTFA since 2002.

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

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

FIGURE 3.24

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



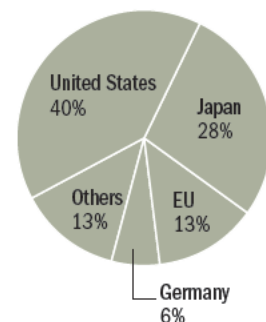
Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of June 21, 2015 (end of 6th month of FY1394),” p. 5.

FIGURE 3.25

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

Total Paid In: \$3.8 billion



Note: Numbers have been rounded. EU = European Union. “Others” includes 18 donors.

Source: UNDP, “Law and Order Trust Fund for Afghanistan (LOTFA) Annual Project Progress Report 2014,” 4/1/2015, pp. 65–66; SIGAR, analysis of UNDP’s quarterly and annual LOTFA reports, 7/19/2015.

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SECURITY

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

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

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

KEY ISSUES AND EVENTS

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

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

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

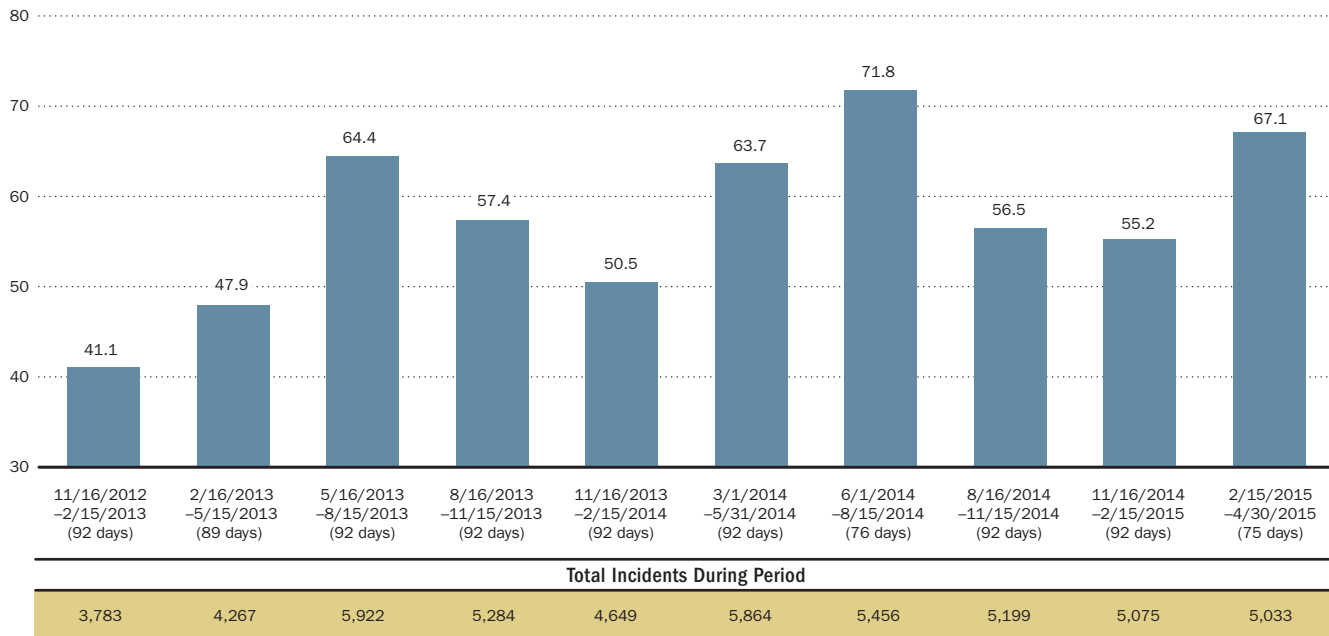
Afghan National Defense and Security Forces (ANDSF): the security forces of the MOD and MOI. MOD forces comprise the Afghan National Army (ANA)—including the Afghan Air Force (AAF), ANA Special Operations Command (ANASOC), and the Special Mission Wing (SMW)—and the new Facilities Protection Force (FPF).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

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

SECURITY

FIGURE 3.26

AVERAGE NUMBER OF REPORTED SECURITY INCIDENTS PER DAY



Note: Not all reported incidents are verified.

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

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

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

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

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

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

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

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

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

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

NATO Defense Ministers Meet

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



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

The Taliban's Spring Offensive

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

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

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

The Islamic State in Iraq and the Levant in Afghanistan

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

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

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

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

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

MOD Remains Without a Minister

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

U.S. FORCES IN AFGHANISTAN

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

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

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

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

ANDSF STRENGTH CONTINUES TO GROW THIS YEAR

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

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

TABLE 3.6

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

Note: AAF = Afghan Air Force.

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

TABLE 3.7

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

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

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

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

ANDSF Attrition Declines

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

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

ANDSF Assessed as Less Capable in April

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

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

Operations Coordination Centers

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

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

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

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

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

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

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

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

TABLE 3.8

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

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

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

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

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

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

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

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

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

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

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

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

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

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

RS LOWERS EXPECTATIONS FOR MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR

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

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

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

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

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

SECURITY

TABLE 3.9

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

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

* Gender Advisor milestones and tasks were not assessed in Q1.

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

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

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

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

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

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

MOD and MOI Continuing Literacy Training

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

AFGHAN LOCAL POLICE

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

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

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

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

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

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

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

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

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

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

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

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

The group also recommended foreign donors guarantee that the salaries of the ALP units not disbanded continue to be paid after 2018 through the same funding and accountability mechanisms that support the ANP.²¹⁶ Among the recommendations the International Crisis Group had for the United States:²¹⁷

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

SIGAR AUDIT

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

SECURITY PROTECTION FORCES

Afghan Public Protection Force Transition Awaits Presidential Action

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

Facilities Protection Force

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

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

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

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

AFGHAN NATIONAL ARMY

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

ANA Personnel Increases for the Second Quarter

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

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

ANA Attrition

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

ANA Sustainment

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

SIGAR AUDIT

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

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

SIGAR AUDIT

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

ANA Salaries and Incentives

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

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

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

ANA Equipment and Transportation

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

TABLE 3.10

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

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

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

TABLE 3.11

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

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

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

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

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

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

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

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

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

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

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

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

ANA Infrastructure

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

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

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

SIGAR AUDIT

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



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

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

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

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

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

ANA and MOD Training and Operations

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

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

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

Afghan Air Force and the Special Mission Wing

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

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

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

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

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

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

SIGAR INSPECTION

SIGAR has an ongoing inspection of the U.S.-funded construction of the MOD headquarters to determine if construction is being completed in accordance with contract requirements and if any occupied portions of the headquarters are being properly maintained and used as intended.

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

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

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

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

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

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

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

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

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

AFGHAN NATIONAL POLICE

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

ANP Strength Reporting Continues to Raise Questions About Data Reliability

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

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

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

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

TABLE 3.12

ANP STRENGTH, QUARTERLY CHANGE						
ANP Component	Authorized			Assigned		
	Q1 2015	Q2 2015	Quarterly Change	Q1 2015	Q2 2015	Quarterly Change
AUP	104,695	93,045	(11,650)	100,034	95,389	(4,645)
ABP	22,990	22,742	(248)	21,953	22,021	68
ANCOP	15,223	15,192	(31)	15,010	15,017	7
MOI HQs & IS	–	27,077	27,077	–	22,827	22,827
CID ^a	11,592	–	(11,592)	10,847	–	(10,847)
NISTA	2,500	–	(2,500)	3,539	–	(3,539)
GDoP Reserve ^b	–	–	–	850	–	(850)
Undefined personnel above authorized strength	–	–	–	2,452	–	(2,452)
Required to reconcile to ANP subtotal	–	–	–	–	(72)	(72)
ANP Total (as reported)	157,000	158,056	1,056	154,685	155,182	497

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

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

^b Personnel that are pending assignment.

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

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

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

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

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

ANP Sustainment

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

ANP Salaries

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

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

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

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

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

ANP Equipment and Transportation

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

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

TABLE 3.13

COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF JUNE 9, 2015

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

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

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

TABLE 3.14

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

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

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

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

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

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

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

ANP Infrastructure

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

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

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

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

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



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

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

ANP Training and Operations

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

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

STATUS OF WOMEN IN THE ANDSF

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

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

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

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

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

—General John Campbell,
RS commander

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

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

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

ANDSF MEDICAL/HEALTH CARE IMPROVING

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

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

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

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

STATUS OF CLASSIFIED ANDSF DATA

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

REMOVING UNEXPLODED ORDNANCE

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

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

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

SECURITY

TABLE 3.15

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JANUARY 1, 2013–MARCH 31, 2015						
Date Range	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Minefields Cleared (m ²)	Estimated Contaminated Area Remaining (m ²)*
1/1–3/31/2013	1,984	100,648	105,553	3,722,289	7,978,836	552,000,000
4/1–6/30/2013	1,058	18,735	49,465	1,079,807	5,586,198	537,000,000
7/1–9/30/2013	1,243	21,192	98,306	1,673,926	4,229,143	521,000,000
10/1–12/31/2013	8,211	2,460	54,240	3,064,570	5,729,023	518,000,000
1/1–3/31/2014	1,780	254,734	245,380	262,750	5,473,170	638,400,000
4/1–6/30/2014	1,077	3,264	25,362	3,227,697	5,163,035	519,000,000
7/1–9/30/2014	1,329	26,873	21,502	2,860,695	5,705,984	511,600,000
10/1–12/31/2014	465	20,724	58,369	538,499	1,604,410	524,600,000
1/1–3/31/2015	388	8,495	3,571	930,110	2,425,318	535,600,000
TOTAL	17,535	457,125	661,748	17,360,343	43,895,117	535,600,000

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

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

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

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

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

COUNTERNARCOTICS

As of June 30, 2015, the United States has provided \$8.2 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated

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

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

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

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

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

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

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

—President Ashraf Ghani

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

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

Afghanistan National Drug Use Survey 2015

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

Colombo Plan: Instituted as a regional intergovernmental organization to further economic and social development, it was conceived at a conference held in Colombo, Sri Lanka (then Ceylon), in 1950 with seven founding member countries, and has expanded to 26 member countries. INL continues to support the Colombo Plan’s Asian Centre for Certification and Education of Addiction Professionals, a training unit of treatment experts to assist governments in developing a professional certification process for addiction professionals in Asia and Africa.

Drug Demand Reduction

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

Counter-Narcotics Community Engagement

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

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

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

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

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

Ministry of Counter-Narcotics Capacity Building

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

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

Governor-Led Eradication Program

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

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

Good Performer's Initiative

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

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

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

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

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

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

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

Alternative Development/Alternative Livelihood

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

Strengthening Afghan Governance and Alternative Livelihoods

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

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

TABLE 3.16

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

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

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

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

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

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

Kandahar Food Zone

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

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

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

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

Regional Agricultural Development Program

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

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

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

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

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

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

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

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

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

Commercial Horticulture and Agricultural Marketing Program

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

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

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

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

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

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

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

Incentives Driving Economic Alternatives for the North, East and West

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

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

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

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

Interdiction Operations and Results

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

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

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

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

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

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

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

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

Precursor chemical: substance that may be used in the production, manufacture and/or preparation of narcotic drugs and psychotropic substances.

Source: UNODC, "Multilingual Dictionary of Precursors and Chemicals," 2009, viii.

TABLE 3.17

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

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

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

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

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

Aviation Support

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

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GOVERNANCE

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

KEY EVENTS

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

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

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

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

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

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

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

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

NEW AFGHAN GOVERNMENT

Electoral Reform Challenges

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

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

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

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

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

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

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

Initial Appointments

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

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

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

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

Summary of On-Budget Agreements

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

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

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

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

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

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

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

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

GOVERNANCE

TABLE 3.18

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

Note:

† Programs are no longer active.

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

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

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

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

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

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

Civilian On-Budget Assistance

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

The ARTF, administered by the World Bank, provides funds to both the Afghan government's operating and development budgets in support of Afghan government operations, policy reforms, and national-priority programs.⁵²⁵ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁵²⁶ According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.⁵²⁷

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

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

On-Budget Assistance to the ANDSF

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

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

ON-BUDGET ASSISTANCE

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

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

Strengths

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

Weaknesses

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

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

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

Strengths

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

Weaknesses

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

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

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

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

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

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

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

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

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

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

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

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



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

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

NATIONAL GOVERNANCE

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

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

Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries’ ability to prepare, manage, and account for on-budget assistance. These programs also provide general assistance to support broader human and institutional capacity-building of Afghan government entities.⁵⁶⁴ As shown in Table 3.19, active programs include USAID’s \$31 million Leadership, Management, and Governance Project that aims to strengthen Afghanistan’s financial-management systems and the capacity of the Ministry of Public Health and the Ministry of Education to meet requirements set at the

TABLE 3.19

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

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

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

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

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

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

National Assembly

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

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

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

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

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

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

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

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

USAID funds the \$23.5 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body.⁵⁸⁰

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

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

GOVERNANCE



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

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

SUBNATIONAL GOVERNANCE

The United States government supports initiatives at the subnational level to give Afghans a greater stake in their own government. The goal is to make local government more visible, accountable, and responsive to the Afghan people.⁵⁸³

Rural Stabilization Programs

USAID has several stabilization programs aimed at helping the Afghan government extend its reach into unstable areas and build local governance capacity. The active programs include USAID's Stability in Key Areas (SIKA) projects, the Community Cohesion Initiative (CCI) program, and the Afghan Civilian Assistance Program III (ACAP III).⁵⁸⁴ Table 3.20 summarizes total program costs and disbursements to date.

Stability in Key Areas

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

TABLE 3.20

USAID SUBNATIONAL (RURAL) PROGRAMS

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

Note:

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

**As of 6/22/2015.

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

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

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

Community Cohesion Initiative

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

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

Afghan Civilian Assistance Program III

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

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

SIGAR AUDIT

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

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TABLE 3.21

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

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



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

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

Provincial and Municipal Programs

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

Initiative to Strengthen Local Administrations

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

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

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

Strong Hubs for Afghan Hope and Resilience

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

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

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

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

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

RECONCILIATION AND REINTEGRATION

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

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

Reconciliation

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

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

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

Afghanistan Peace and Reintegration Program

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

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

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

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

RULE OF LAW AND ANTICORRUPTION

Project Summary

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

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

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

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

The State Department's JSSP objectives include developing a case-management system (CMS) to track cases throughout Afghanistan's justice system and building the capacity and administrative skills of ministry officials.⁶¹⁶

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

SIGAR AUDIT

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

TABLE 3.22

STATE DEPARTMENT RULE OF LAW AND ANTICORRUPTION PROGRAMS

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

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

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

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

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

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

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

The Supreme Court and the Formal Justice Sector

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

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

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

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

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

Afghan Correctional System

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

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities, although state-funded prison construction has added some new prison beds and presidential amnesty decrees have reduced the prison population significantly. As of May 31, the total male provincial-prison population was at 191% of capacity, down from 214% last quarter, as defined by International Committee of the Red Cross’s (ICRC) minimum standard 3.4 square meters per inmate. The total female provincial-prison population was at 63% of the ICRC-recommended capacity, down from 66% last quarter. Information on the capacity of GDPDC-operated district detention centers and the JRD’s juvenile rehabilitation centers is not available. However, anecdotal reporting by INL advisors visiting facilities indicates that overcrowding is a substantial problem in many provinces.⁶³³

Anticorruption

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

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

Afghan Attorney General’s Office

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

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

Major Crimes Task Force

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

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

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

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

Independent Joint Anti-Corruption Monitoring and Evaluation Committee

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

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

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

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

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

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

High Office of Oversight and Anticorruption

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

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

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

Parliamentary Anti-Corruption Caucus

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

Security Services

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

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

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

Ministry of Defense

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

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

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

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

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

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



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

Ministry of Interior

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

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

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

HUMAN RIGHTS

Refugees and Internal Displacement

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

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

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

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

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

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

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

Gender

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

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

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

SIGAR AUDIT

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

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ECONOMIC AND SOCIAL DEVELOPMENT

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

KEY EVENTS

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

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

ECONOMIC PROFILE

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

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

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

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

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

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

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

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

Afghanistan’s Fiscal Outlook

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

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

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

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

FY 1394 Revenues and Expenditures Update

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

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

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

International Monetary Fund Staff-Monitored Program

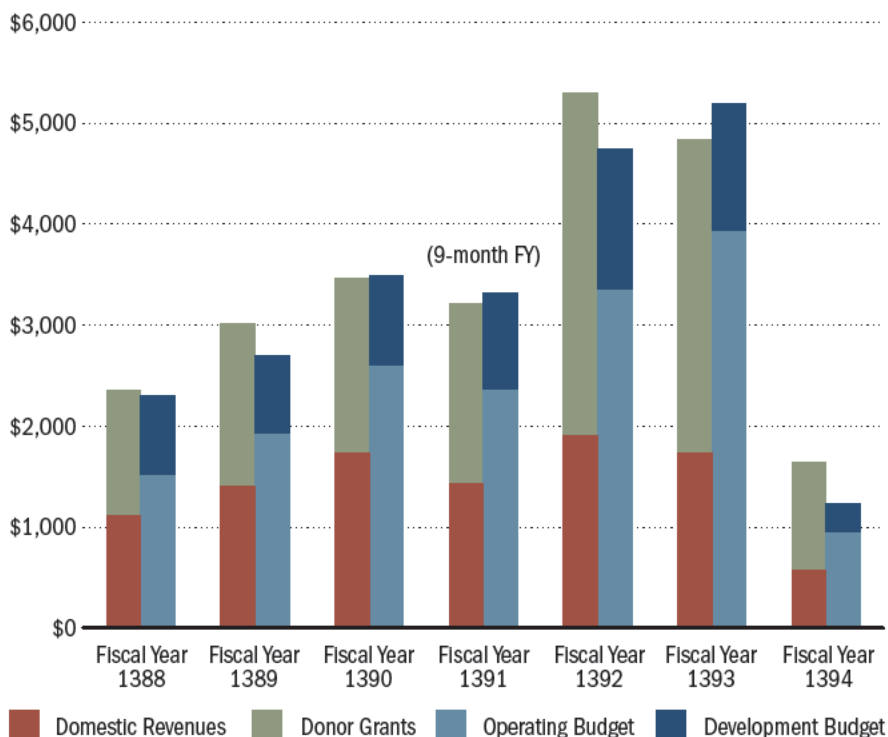
On June 2, the managing director of the IMF approved the nine-month (April–December 2015), informal staff-level agreement reached last quarter with the Afghan government to monitor implementation of Afghanistan's macroeconomic policies and structural reform agenda. The Staff-Monitored Program (SMP) will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

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

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

FIGURE 3.27

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



Note: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1388 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for FY 1391 reflect a change in the timing of the Afghan fiscal year. Afghan fiscal years now generally run December 22 through December 21. Grants represent funds received from donors. Donor grants are often for specific projects or activities, but can sometimes be spent at GIROA's discretion. FY 1393 is preliminary, as of 3/12/2015. FY 1394 is first four months only. FY 1394 operating and development budget expenditure data are as of 4/18/2015. FY 1394 revenue data is as of 4/20/2015 derived from data downloaded on 6/5/2015.

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

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

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

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

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

LOST CUSTOMS REVENUES

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

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

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

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

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

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

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

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

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

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

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

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

Trade

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

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

Export and Import Data

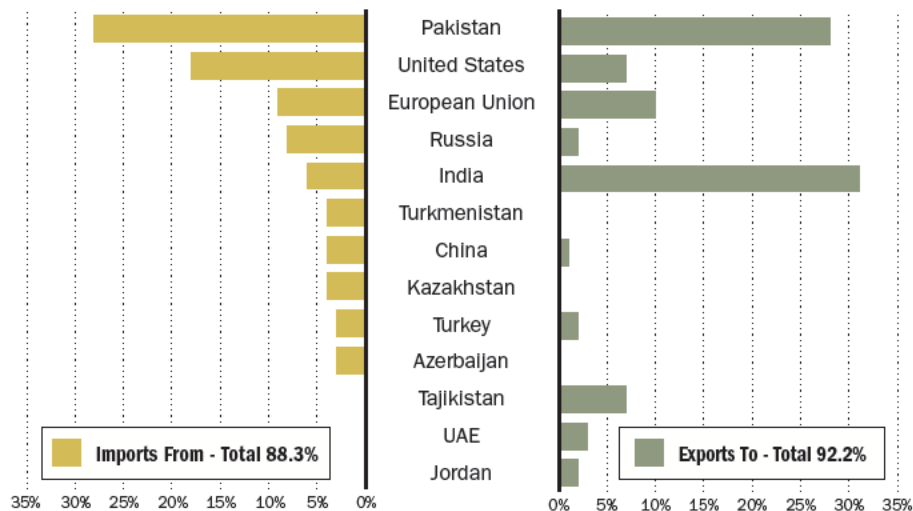
Trade-related taxes represented 45% of Afghanistan's total 2006–2013 tax revenues.⁷²⁵ Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an estimated current account

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

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

FIGURE 3.28

AFGHANISTAN'S TOP TRADING PARTNERS (2013)



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

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

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

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

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

Afghanistan Trade and Revenue Project

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

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

BANKING AND FINANCE

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

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

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

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

U.S. Treasury Assistance

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

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

Money Laundering

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

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

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

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

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

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

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

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

Financial Action Task Force

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

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

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

Kabul Bank Theft Accountability

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

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

Cash and Asset Recoveries

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

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

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

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

U.S. ECONOMIC-SUPPORT STRATEGIES

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

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

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

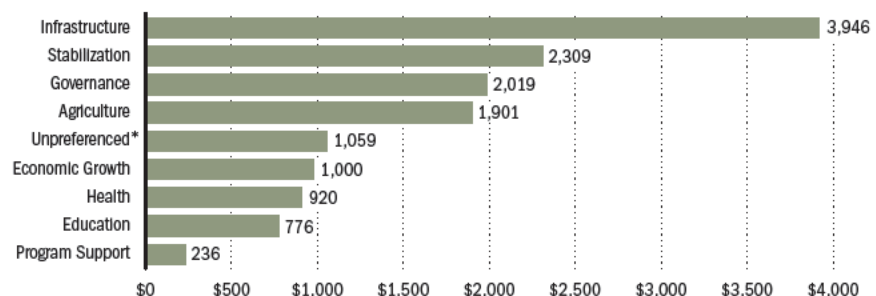
The State Department said the Afghan government identified fiscal sustainability, anticorruption, and poverty reduction as initial priority areas under the NDP. The government will next develop specific results within these areas that it will seek to achieve in order to qualify for the U.S. incentive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

USAID Development Assistance

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

FIGURE 3.29

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



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

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

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

Development of Natural Resources

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

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

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

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

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

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

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

Illegal Mining

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

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

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

Mining Investment and Development for Afghan Sustainability

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

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

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

SIGAR AUDIT

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

TABLE 3.23

USAID EXTRACTIVES ASSISTANCE PROGRAMS

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

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

Hydrocarbons

Afghanistan’s efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan.⁷⁸⁷

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

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

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

Sheberghan Programs

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

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

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

AGRICULTURE

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

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

Agricultural Credit Enhancement II

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

TABLE 3.24

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

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

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

ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase electricity, build roads and bridges, and improve health and education in Afghanistan. This section addresses key developments in U.S. efforts to improve the government's ability to deliver essential services such as electricity, transportation, health, and education.

Power Supply

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

Afghanistan has one of the lowest rates of electrification in the world, with only 25% of Afghans connected to the power grid—about the same proportion as those who live in cities.⁸⁰⁵ Afghanistan imports approximately 73% of its total electricity. Electricity imports are expected to rise in the near term, according to a recent World Bank report, which also noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.⁸⁰⁶ Afghanistan will need regional cooperation to meet its energy demands.⁸⁰⁷

U.S.-Afghan Joint Regional Energy Working Group

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

U.S. Power Sector Assistance

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

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

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

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

NEPS: imports electricity from the Central Asian republics to provide power to Kabul and the communities north of Kabul.

SEPS: draws most of its power from the Kajaki Dam and from diesel generators in Kandahar city to provide power in the Helmand and Kandahar areas.

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

TABLE 3.25

USAID ACTIVE POWER INFRASTRUCTURE PROJECTS

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

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

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

SIGAR SPECIAL PROJECT

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

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

Kandahar-Helmand Power Project

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

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

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

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

Kandahar Power Bridging Solution

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

Power Transmission Expansion and Connectivity Program

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

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

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

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

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

DOD's Afghanistan Infrastructure Fund Programs

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

SIGAR AUDIT

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

TRANSPORTATION

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

Civil Aviation

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

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.26

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

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

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

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

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

SIGAR AUDIT

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

Roads

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

TABLE 3.27

USAID ACTIVE ROAD CONSTRUCTION, OPERATIONS AND MAINTENANCE PROGRAMS

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

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

Road Sector Sustainability Project

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

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

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

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

Gardez-Khowst Road Rehabilitation Phase IV

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

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



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

ECONOMIC GROWTH

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

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

Afghanistan Workforce Development Program

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

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

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

EDUCATION

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

Ministry of Education Data and Sector Improvement Plan

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

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

EDUCATION STATISTICS

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

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

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



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

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

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

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

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

USAID Programs

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

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

SIGAR AUDIT

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

TABLE 3.28

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

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

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

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

HEALTH

Afghanistan has experienced improvements in its health indicators since 2002, though it remains below average for low-income countries and has one of the world's highest levels of child malnutrition, according to the World Bank.⁸⁶⁸ U.S. assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities at central and subnational levels, particularly in provinces to the south and east, where services are largely lacking.⁸⁶⁹

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

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

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

SIGAR AUDIT

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

TABLE 3.29

**USAID-FUNDED HEALTH FACILITIES,
AS OF JUNE 25, 2015**

Health Facility Type	Number of Active Health Facilities
Provincial Hospital	5
District Hospital	27
Comprehensive Health Center	173
Basic Health Center	277
Sub Health Center	167
Prison Health Center	10

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

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

SIGAR SPECIAL PROJECT

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

Afghanistan Demographic and Health Survey

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

USAID Funding

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

USAID Health Programs

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

Helping Mothers and Children Thrive

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

Health Policy Project

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

TABLE 3.30

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

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

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

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

Leadership, Management, and Governance

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

4 OTHER AGENCY OVERSIGHT



OTHER AGENCY OVERSIGHT CONTENTS

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Photo on previous page

U.S. Army paratroopers and Air Force personnel board a helicopter at an Afghan National Army outpost after participating in a NATO train/advise/assist mission.
(U.S. Air Force photo by Tech. Sgt. Joseph Swafford)

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 compiles these updates. Publicly available copies of completed reports are posted at the agencies' respective websites.

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, 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 IG)
- 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)

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the four 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 JUNE 30, 2015			
Agency	Report Number	Date Issued	Project Title
DOD IG	DODIG-2015-108	4/30/2015	Assessment of U.S. and Coalition Efforts to Develop the Sufficiency of Afghan National Security Forces' Policies, Processes, and Procedures for the Management and Accountability of Class III (Fuel) and Class V (Ammunition)
DOD IG	DODIG-2015-107	4/17/2015	Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles within the Afghan National Security Forces
State OIG	AUD-CG-15-33	6/30/2015	Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives
GAO	GAO-15-569R	6/22/2015	Marine Corps and Army Reset Liability Estimates
GAO	GAO-15-410	5/19/2015	Afghanistan: Embassy Construction Cost and Schedule Have Increased, and Further Facilities Planning Is Needed

Source: DOD IG, response to SIGAR data call, 6/23/2015; State OIG, response to SIGAR data call, 6/26/2015; GAO, response to SIGAR data call, 6/17/2015; USAAA, response to SIGAR data call 6/17/2015; USAID OIG, response to SIGAR data call, 6/1/2015

U.S. Department of Defense Office of Inspector General

During this quarter, DOD IG issued two reports related to Afghanistan reconstruction.

Assessment of U.S. and Coalition Efforts to Develop the Sufficiency of Afghan National Security Forces' Policies, Processes, and Procedures for the Management and Accountability of Class III (Fuel) and Class V (Ammunition) (Report No. DODIG-2015-108, Issued April 30, 2015)

DOD IG found that Coalition forces and Afghan National Defense and Security Forces (ANDSF) leaders recognized that development of policies and procedures for the management and accountability of fuel (class III [Bulk]) and conventional military ammunition and explosives (Class V) was crucial to long-term ANDSF operational success. Coalition force leaders and advisors and ANDSF leaders and senior logisticians identified a need for updated policy, procedures, and management controls; improved policy enforcement/implementation; and increased contract oversight.

DOD IG identified key issues regarding the management and accountability of fuel and ammunition by the ANDSF in the following four areas:

- Consumption reporting: ANDSF units ordered and received fuel and ammunition based on unit allocations instead of operations requirements, and ANDSF logisticians generated no demand history to accurately forecast future operational requirements within anticipated budgets.
- Management controls: ANDSF Ministries and units had inadequate and underdeveloped control measures for the management and accountability of fuel and ammunition, leading to gaps and

vulnerabilities that increased the probability of theft and diversion of fuels and ammunition.

- **Training:** Both Afghan National Army (ANA) and Afghan National Police (ANP) leadership were not taking full advantage of training opportunities at the ANA Combat Service Support School. They lacked awareness and understanding of the need for formal fuel and ammunition management training.
- **Contract oversight:** ANDSF Ministries were not prepared for effective oversight of the bulk fuel contract to ensure that direct financial contributions from the United States were used for the purchase of fuel in support of legitimate activities and operations.

Challenges Exist for Asset Accountability and Maintenance and Sustainment of Vehicles within the Afghan National Security Forces

(Report No. DODIG-2015-107, Issued April 17, 2015)

DOD IG found that the Combined Security Transition Command-Afghanistan (CSTC-A), the Ministry of Defense (MOD), and the Ministry of Interior (MOI) did not have controls in place to effectively manage accountability of the approximately 95,000 vehicles procured by DOD for the ANDSF since 2005. In addition, MOD and MOI advisors were not confident that the ANDSF could effectively take over maintenance and sustainment of vehicles provided by DOD and Coalitions forces.

CSTC-A did not implement an effective system to properly track and account for vehicles transferred to the ANDSF; CSTC-A did not enforce consequences to hold the MOD and MOI accountable for tracking vehicles transferred; and the MOD and MOI did not place adequate controls over the accountability of vehicles they received from DOD and Coalition forces. In addition, the MOD and MOI did not consistently follow property accountability procedures. The MOD and MOI also lacked trained personnel to perform supply chain management. Furthermore, the ANA's common practice of not maintaining vehicles has hindered its ability to successfully maintain and sustain its fleet.

As a result, there was a lack of assurance that all vehicles transferred to the MOD and MOI were used for their intended purpose. In addition, if the ANP and ANA are left to maintain vehicles without contractor assistance, their vehicles will rapidly deteriorate, reducing Afghan forces' ability to defend their country. Furthermore, DOD has spent at least \$21 million on replacement engines and transmissions for High Mobility Multi-Purpose Wheeled Vehicles that likely could have been avoided.

U.S. Department of State Office of Inspector General-Middle East Regional Operations

During this quarter, State OIG released one report related to Afghanistan reconstruction.

Audit of Department of State Oversight Responsibilities, Selection, and Training of Grants Officer Representatives (Report No. AUD-CG-15-33, Issued June 30, 2015)

State OIG conducted this audit to determine the extent to which the Department's grants officer representatives (GORs) were selected and trained to successfully perform their assigned grant-administration and oversight responsibilities. During FY 2013, State awarded approximately \$1.2 billion in grants and cooperative agreements for worldwide programs supporting democracy, human rights, and labor; weapons removal and abatement (demining); educational exchange programs; and public diplomacy programs. Because of this significant commitment to federal assistance, oversight of grantee performance is critical to ensure that taxpayer funds are spent prudently and for their intended purposes. State Department policies require that individuals who will be appointed as GORs be certified by the Department's Procurement Executive after successfully completing mandatory training, and that GOR appointments be limited to individuals working at State in a capacity other than as third-party contractors.

State OIG found that GORs had not always developed required monitoring plans, documented mandatory reviews of the performance reports submitted by the grantees, or requested or obtained additional documentation to verify the reported performance data for any grants. Also, the GORs did not document their reviews of mandatory financial reports submitted by the grantees for any grants. Further, in the financial reports for each grant sampled, State OIG found reporting errors that GORs had not identified. During the audit, State OIG performed a detailed review of the grantee's financial information and found areas of concern regarding documentation for two grants. Specifically, State OIG found questioned costs totaling \$7,128,858.¹ Because this issue required management's immediate attention, in September 2014 State OIG issued the report *Management Assistance Report—Termination of Construction Grants to Omran Holding Group* (AUD-CG-14-37).

¹ The \$7,128,858 noted here includes \$7,048,467 that relates to two grants, the faults of which were initially identified in Report AUD-CG-14-37. The figures noted in that Management Assistance Report totaled to a somewhat smaller figure, but the grantee returned additional funding upon receiving a termination notice for the two grants from SCA after that report was issued. State OIG used the updated figure in report AUD-CG-15-33.

Government Accountability Office

During this quarter, GAO issued two reports related to Afghanistan reconstruction.

Marine Corps and Army Reset Liability Estimates

(Report No. GAO-15-569R, Issued June 22, 2015)

The Marine Corps and Army have each developed their own process for producing reset liability estimates, which are the amount of funding that may be required by a service to reset—i.e., repair, recapitalize, and replace—equipment returning from operations, thereby returning the equipment to combat-ready condition. According to department officials, there is no DOD guidance for the services to use as they produce their reset liability estimates. Although there are similarities in the services' processes for estimating reset liability amounts, there are also key differences.

Specifically, the services use the same definition of reset in preparing their estimates, which is defined in a January 2007 DOD memorandum, in part, as actions taken to restore units to a desired level of combat capability commensurate with the units' future mission. However, the services apply that definition to different categories of equipment and calculate reset liability over different time periods. For example, the Marine Corps' reset liability estimate includes ground equipment, while the Army estimate includes both ground and aviation equipment. Also, the Marine Corps' reset liability estimate covers all fiscal years until reset is complete, while the Army estimate covers a two-year period (current fiscal year and next fiscal year) even though reset may not be completed within those two fiscal years.

Afghanistan: Embassy Construction Cost and Schedule Have Increased, and Further Facilities Planning is Needed

(Report No. GAO-15-410, Issued May 19, 2015)

Cost and schedule have increased for the Kabul embassy construction project, in part due to incomplete cost and risk assessment. Cost for the 2009 and 2010 contracts has increased by about 27%, from \$625.4 million to \$792.9 million, and is likely to increase further. Projected completion has been delayed over three years, to fall 2017. The Department of State (State) did not follow its cost containment and risk assessment policies, resulting in lost opportunities to mitigate risks. These risks, such as delays in the sequencing of the two contracts, eventually materialized, increasing cost and extending schedule. Unless State follows its policy, it may be unable to avoid or mitigate risks to cost and schedule on future projects.

GAO recommends that State (1) adhere to its cost-containment and risk assessment policies, (2) consider establishing security standards or guidance for temporary buildings in conflict zones, (3) develop a strategic facilities plan for Kabul, and (4) clarify its strategic facilities and master

OTHER AGENCY OVERSIGHT

planning policy. State concurred with the first, third, and fourth recommendations and partially concurred with the second.

U.S. Army Audit Agency

The USAAA completed no audits related to Afghanistan reconstruction this quarter.

U.S. Agency for International Development Office of Inspector General

This quarter, USAID OIG issued no audits related to reconstruction activities.

ONGOING OVERSIGHT ACTIVITIES

As of June 30, 2015, the participating agencies reported 10 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

TABLE 4.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2015			
Agency	Project Number	Date Initiated	Project Title
DOD IG	D2015-D000JB-0174.000	4/20/2015	Audit of Controls over Afghanistan Ministry of Interior Fuels Contracts
DOD IG	D2015-D000FL-0026.000	10/24/2014	Examination of DOD Execution of Afghanistan National Army Trust Fund Donations to the Afghanistan Security Forces Fund
DOD IG	D2013-D00SPO-0181.000	6/13/2013	Assessment of U.S. Government Efforts to Transition Security Cooperation and Assistance Activities Supporting the Government of the Islamic Republic of Afghanistan from Department of Defense Authority to Department of State Authority
State OIG	15AUD063	4/29/2015	Audit of the Embassy Kabul Operations and Maintenance Contract
GAO	321059	2/5/2015	Afghan Special Immigrant Visa Program
GAO	351991	11/21/2014	Military Construction in a Contingency Environment
GAO	321031	7/9/2014	Securing Diplomatic Residences and Other Soft Targets Overseas
GAO	100003	2/13/2014	Mitigating Threats to Locally Employed Staff
USAID OIG	FF100315	3/31/2015	Audit of USAID/Afghanistan's Assistance in Building Afghanistan by Developing Enterprises Program
USAID OIG	FF101014	8/26/2014	Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Its Programs Throughout Afghanistan

Source: DOD IG, response to SIGAR data call, 6/23/2015; State OIG, response to SIGAR data call, 6/26/2015; GAO, response to SIGAR data call, 6/17/2015; USAAA, response to SIGAR data call 6/17/2015; USAID OIG, response to SIGAR data call, 6/1/2015

U.S. Department of Defense Office of Inspector General

DOD continues to face many challenges in executing its Overseas Contingency Operations (OCO). DOD IG has identified priorities based on those challenges and high risks. For FY 2015, DOD IG oversight focuses

on the areas of monitoring and oversight of acquisition and contracting processes that support training, equipping, and sustaining Afghanistan's security forces. DOD IG will also continue to review and assess the Department's efforts to train and equip Afghan National Defense and Security Forces.

The DOD IG-led Southwest Asia Joint Planning Group assists in coordinating and deconflicting federal and DOD OCO-related oversight activities. DOD IG, working with the SIGAR as well as fellow Inspectors General and Defense oversight-community members, has issued the *FY 2015 Comprehensive Oversight Plan for Southwest Asia*, October 2014. A key theme in the FY 2015 plan development is the force restructuring/draw-down of operations in Afghanistan.

DOD IG's ongoing OEF-related oversight addresses accountability of property; improper payments; contract administration and management, including construction projects; transition planning; logistical distribution within Afghanistan; and acquisition planning and controls over funding for Afghan Security Forces.

Audit of Controls over Afghanistan Ministry of Interior Fuels Contracts

(Project No. D2015-D000JB-0174.000, Initiated April 20, 2015)

DOD IG is continuing its series of audits related to Afghanistan contract oversight. In this specific audit, DOD IG will determine whether CSTC-A and the MOI have established effective controls for oversight of MOI fuel contracts.

Examination of DOD Execution of Afghanistan National Army Trust Fund Donations to the Afghanistan Security Forces Fund

(Project No. D2015-D000FL-0026.000, Initiated October 24, 2014)

The Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense (Comptroller), requested this examination. The Deputy Comptroller asserted that the receipts and expenditures, as of June 30, 2014, for projects fully funded from the North Atlantic Treaty Organization (NATO) ANA Trust Fund contributions and received into the Afghanistan Security Forces Fund in FY 2013 or earlier were fairly presented in all material respects. DOD IG is to determine whether the Deputy Comptroller fairly presented the receipts and expenditures from the NATO ANA Trust Fund contributions. In addition, DOD IG will review internal controls over financial reporting and compliance with laws and regulations as it relates to DOD IG's engagement objective. DOD IG's responsibility is to express an opinion based on its examination.

Assessment of U.S. Government Efforts to Transition Security Cooperation and Assistance Activities Supporting the Government of the Islamic Republic of Afghanistan from Department of Defense Authority to Department of State Authority

(Project No. 2013-D00SP0-0181.000, Initiated June 13, 2013)

DOD IG is assessing plans and activities that have been accomplished or implemented thus far to transfer the security-cooperation and assistance activities in Afghanistan from DOD to State Department authority, and to make recommendations to facilitate or improve the transition of these functions to the State Department in accordance with existing security-cooperation guidance and security-assistance regulations that may pertain. Specific objectives are to determine whether:

- U.S. government goals, objectives, plans, and guidance are sufficient, issued, and operative for the transition of CSTC-A security assistance activities in Afghanistan from DOD authority to a security-cooperation organization under Department of State authority
- ongoing efforts by U.S. forces to provide security assistance to GIROA are adversely impacted by the implementation of drawdown plans for U.S. Forces-Afghanistan (USFOR-A) and the transition of International Security Assistance Force (ISAF) and ISAF Joint Command (IJC) to a command organization under NATO authority

U.S. Department of State Office of Inspector General-Middle East Regional Operations

State OIG has one ongoing project this quarter related to Afghanistan reconstruction.

Audit of the Embassy Kabul Operations and Maintenance Contract

(Project No. 15AUD063, Initiated April 29, 2015)

Pacific Architects and Engineers Government Services Inc. (PAE) operates and maintains the utility systems for the U.S. embassy compound and Camp Sullivan in Kabul, Afghanistan. (Camp Sullivan is located by Kabul International Airport and provides the living quarters for the embassy's security force.) PAE provides support services 24 hours a day, 365 days a year, for electrical generation and distribution; heating and ventilation; water supply purification and distribution; fire protection; sewage and wastewater treatment; elevator maintenance; and fuel storage and distribution for generators and vehicle. PAE also provides unscheduled services to embassy offices and living quarters and escort services for subcontractors and other individuals without security clearances who work at secure sites on the embassy compound.

This audit will be the first in a series of audits on the PAE operations and maintenance contract. An audit of the PAE operations and maintenance contract will address risk areas related to Department management and oversight of contractor performance, an area identified by OIG as a management and performance challenge. (See: *Fiscal Year 2014 Agency Financial Report*, United States Department of State; pp. 118 – 120; 11/2014) The first audit will focus on risk areas in the fuel-storage and distribution system and possibly offer the opportunity for monetary benefits. Future audits will focus on other services provided by PAE.

Audit of Department of State Selection, Positioning, Training, and Oversight Responsibilities of Grants Officer Representatives

(Project No. 14AUD034, Initiated February 11, 2014)

Objective: To determine the extent to which the Department's grant officer representatives are selected, positioned, and trained to successfully perform their assigned grants-administration and oversight responsibilities.

Government Accountability Office

GAO has four ongoing projects this quarter related to Afghanistan reconstruction.

Afghan Special Immigrant Visa Program

(Project No. 321059, Initiated February 5, 2015)

The Afghanistan Special Immigrant Visa (SIV) program provides visas to Afghan nationals and their families who are under threat because of their work for State and USAID, or other U.S. agencies. A high rate of applications for the Afghan SIV program, coupled with short tours by State and USAID U.S. personnel in Afghanistan, could diminish the U.S. government's institutional knowledge, local relationships, and cultural understanding in that country. Key Questions: (1) How has State and USAID's workforce in Afghanistan been affected by the departure of SIV recipients? (2) To what extent, if any, have State and USAID developed plans to mitigate the departure of Afghan SIV recipients? (3) What actions, if any, have State and USAID taken to mitigate the departure of Afghan SIV recipients?

Military Construction in a Contingency Environment

(Project No. 351991, Initiated November 21, 2014)

The audit will examine: (1) The processes DOD officials used to make decisions about military construction in Iraq and Afghanistan, to include procedures for determining whether a structure should be permanent or temporary; (2) The costs associated with decisions made about military construction in Iraq and Afghanistan, to include the sources of funding;

(3) Any lessons the Department has learned about military construction during contingency operations based on the experiences of Iraq and Afghanistan; and (4) Any other issues related to military construction in a contingency environment that may come to light during the course of the audit.

Securing Diplomatic Residences and Other Soft Targets Overseas

(Project No. 321031, initiated July 9, 2014)

U.S. personnel posted in diplomatic facilities overseas continue to face threats to their safety and security, including numerous attacks in high-risk locations in recent years. In particular, residences, recreational facilities, and schools used by these personnel and their families may be attractive “soft targets.” Key questions: (1) How does State manage threats and risks to residences and other soft targets under chief-of-mission authority overseas? (2) To what extent do State’s security standards for residences and other soft targets address the threats and risks faced by such facilities? (3) To what extent do State’s policies and procedures address security vulnerabilities, if any, at residences and other soft targets?

Mitigating Threats to Locally Employed Staff

(Project No. 100003, initiated February 13, 2014)

U.S. agencies employ more than 44,000 locally employed staff (LES)—Foreign Service nationals and U.S. citizens—at over 270 posts worldwide. LES are a key element of the U.S. presence at these posts, often performing a range of programmatic, security, monitoring, maintenance, and other duties. However, due to their association with the United States, LES can be subject to harassment, intimidation, and death threats. Threats to LES are particularly acute at posts in countries with active terrorist networks and violent extremist groups, such as Afghanistan, Iraq, Pakistan, and Yemen. Such threats can potentially hamper U.S. efforts to recruit and retain LES.

GAO was asked to review U.S. government efforts to monitor, share information about, and mitigate threats to LES serving at high-threat posts. Key questions: (1) What is the nature and extent of the threat that terrorist networks and other violent extremist groups pose to LES, including the number of threats and attacks? (2) To what extent have U.S. agencies established mechanisms to collect and disseminate information about threats to LES in an effective and timely manner? (3) What steps, if any, have U.S. agencies taken to mitigate threats to LES at high-threat posts and what barriers, if any, exist to mitigating such threats? (4) How have these threats and attacks affected the recruitment and retention of LES at high-threat posts?

U.S. Army Audit Agency

This quarter the USAAA has no ongoing audits related to Afghanistan reconstruction.

U.S. Agency for International Development Office of Inspector General

This quarter USAID OIG has two ongoing audits related to reconstruction initiatives.

Audit of USAID/Afghanistan's Assistance in Building Afghanistan by Developing Enterprises Program

(Project No. FF100315, Initiated March 31, 2015)

Audit Objective:

- Is USAID/Afghanistan's Assistance in Building Afghanistan by Developing Enterprises Program increasing private-sector investment, creating new jobs, and improving the business environment as planned?

Audit of USAID/Afghanistan's Strategy for Monitoring and Evaluating Its Programs Throughout Afghanistan

(Project No. FF101014, Initiated August 26, 2014)

Audit Objective:

- Does USAID/Afghanistan's monitoring and evaluation strategy provide effective coverage over USAID's program activities in Afghanistan?

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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 phrases in Dari (top) and Pashto (bottom) on the seal are translations of SIGAR's name.

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, Pub. L. No. 110-181, § 1229 (Table A.1).

TABLE A.1

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. 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
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

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
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

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Reports			
Section 1229(l)(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(l)(1)(A)	Obligations and expenditures of appropriated/donated funds	Obligations and expenditures of appropriated/donated funds	Appendix B
Section 1229(l)(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(l)(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(l)(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(l)(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(l)(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 PUB. 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 future SIGAR use and publication.

* Covered "contracts, grants, agreements, and funding mechanisms" are defined in paragraph (2) of Section 1229(i) of Pub. L. No. 110-181 as being—

"any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes:

To build or rebuild physical infrastructure of Afghanistan.

To establish or reestablish a political or societal institution of Afghanistan.

To provide products or services to the people of Afghanistan."

APPENDICES

APPENDIX B

U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION (\$ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of June 30, 2015. Table B.2 lists fund appropriated for counternarcotics initiatives since 2002.

TABLE B.2

COUNTERNARCOTICS, CUMULATIVE AMOUNT APPROPRIATED, SINCE 2002 (\$ MILLIONS)	
ASFF	\$1,574.29
DOD CN	2,858.09
ESF	1,480.60
INCLE	2,064.11
DEA	227.93
Total	\$8,205.01

Table B.2 Note: Numbers have been rounded. Counternarcotics funds cross-cut both the Security and Governance & Development spending categories; these funds are also captured in those categories in Table B.1. Figures represent cumulative amounts committed from appropriated funds for counternarcotics initiatives in Afghanistan since 2002. Initiatives include eradication, interdiction, support to Afghanistan's Special Mission Wing, counternarcotics-related capacity building, and alternative agricultural development efforts. ASFF, ESF, and INCLE figures show the cumulative amounts committed to counternarcotics initiatives from those funds.

Table B.2 Source: SIGAR, analysis of counternarcotics funding, 7/20/2015. State, INL, response to SIGAR data call, 7/14/2015; DOD, response to SIGAR data call, 7/13/2015 and 10/15/2014; USAID, response to SIGAR data call, 7/12/2015; DOJ, response to SIGAR data call, 7/14/2015; DOD, Budget Justification for FY 2016 OCO ASFF, 2/2015, p. 14.

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

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

TABLE B.1

U.S. FUNDING SOURCES	AGENCY	TOTAL	FY 2002-03
Security			
Afghanistan Security Forces Fund (ASFF)	DOD	\$60,670.40	0.00
Train & Equip (DOD)	DOD	440.00	0.00
Foreign Military Financing (FMF)	State	1,059.14	248.26
International Military Education and Training (IMET)	State	16.22	0.56
Drug Interdiction & Counter-Drug Activities (DOD CN)	DOD	2,858.09	0.00
Total - Security		\$65,043.84	248.82
Governance & Development			
Commander's Emergency Response Program (CERP)	DOD	3,679.00	0.00
Afghanistan Infrastructure Fund (AIF)	DOD	1,043.50	0.00
Task Force for Business and Stability Operations (TFBSO)	DOD	822.85	0.00
Economic Support Fund (ESF)	USAID	18,612.11	341.51
Development Assistance (DA)	USAID	885.55	60.84
Afghanistan Freedom Support Act (AFSA)	DOD	550.00	300.00
Child Survival & Health (CSH + GHAI)	USAID	550.51	57.20
Commodity Credit Corp (CCC)	USAID	31.65	8.80
USAID (other)	USAID	51.98	0.50
Non-Proliferation, Antiterrorism, Demining & Related (NADR)	State	692.99	78.70
Provincial Reconstruction Team Advisors	USDA	5.70	0.00
Treasury Technical Assistance	Treasury	4.45	1.90
International Narcotics Control & Law Enforcement (INCLE)	State	4,690.86	60.00
Drug Enforcement Administration (DEA)	DOJ	227.93	3.45
Total - Governance & Development		\$31,849.08	912.91
Humanitarian			
P.L. 480 Title I	USDA	5.00	5.00
P.L. 480 Title II	USAID	891.28	159.50
Disaster Assistance (IDA)	USAID	555.48	282.62
Transition Initiatives (TI)	USAID	37.52	19.76
Migration & Refugee Assistance (MRA)	State	1037.66	196.97
Voluntary Peacekeeping (PKO)	State	69.33	33.83
Emergency Refugee & Migration Assistance (ERMA)	State	25.20	25.00
Food for Progress	USDA	109.49	4.96
416(b) Food Aid	USDA	95.18	60.60
Food for Education	USDA	50.49	9.27
Emerson Trust	USDA	22.40	0.00
Total - Humanitarian		\$2,899.02	797.50
International Affairs Operations			
Oversight		362.55	0.00
Other		9,506.13	190.90
Total - International Affairs Operations		\$9,868.68	190.90
Total Funding		\$109,660.63	2,150.14

APPENDICES

FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
0.00	995.00	1,908.13	7,406.40	2,750.00	5,606.94	9,166.77	10,619.28	9,200.00	4,946.20	3,962.34	4,109.33
150.00	290.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
414.08	396.80	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
0.67	0.95	0.98	1.19	1.66	1.40	1.76	1.56	1.18	1.42	1.50	1.40
71.80	224.54	108.05	290.97	192.81	230.06	392.27	379.83	472.99	255.81	238.96	0.00
636.55	1,907.28	2,017.17	7,698.57	2,944.47	5,838.40	9,560.80	11,000.67	9,674.16	5,203.44	4,202.80	4,110.73
40.00	136.00	215.00	209.00	488.33	550.67	1,000.00	400.00	400.00	200.00	30.00	10.00
0.00	0.00	0.00	0.00	0.00	0.00	0.00	299.00	400.00	145.50	199.00	0.00
0.00	0.00	0.00	0.00	0.00	14.44	59.26	239.24	245.76	138.20	122.24	3.72
906.55	1,283.00	473.39	1,224.75	1,399.51	2,077.49	3,346.00	2,168.51	1,836.76	1,802.65	852.00	900.00
153.14	169.21	185.08	166.81	149.43	0.40	0.30	0.00	0.00	0.35	0.00	0.00
150.00	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
33.40	38.00	41.45	96.72	63.04	58.23	92.30	69.91	0.00	0.25	0.00	0.00
0.00	0.00	0.00	0.00	10.77	4.22	4.22	3.09	0.55	0.00	0.00	0.00
5.00	0.00	0.00	0.00	21.96	2.81	4.90	6.26	7.10	1.84	0.80	0.82
66.90	40.65	35.72	36.72	29.72	59.92	70.74	69.30	65.32	52.60	43.20	43.50
0.00	0.00	0.00	0.00	0.00	5.70	0.00	0.00	0.00	0.00	0.00	0.00
0.06	0.95	0.19	0.13	0.75	0.47	0.00	0.00	0.00	0.00	0.00	0.00
220.00	709.28	232.65	251.74	307.56	493.90	589.00	400.00	357.92	593.81	225.00	250.00
3.72	16.77	23.66	20.38	40.59	18.88	19.20	18.70	18.70	17.00	18.70	8.18
1,578.76	2,493.85	1,207.14	2,006.25	2,511.66	3,287.14	5,185.92	3,674.00	3,332.10	2,952.19	1,490.94	1,216.22
0.00	0.00	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	58.13	112.55	0.00	46.20	66.00	0.00
11.39	4.23	0.04	0.03	16.87	27.13	29.71	66.39	56.11	21.51	28.22	11.25
11.22	1.60	0.00	0.00	0.00	0.75	0.85	1.08	0.63	0.32	0.88	0.44
63.30	47.10	41.80	53.80	44.25	76.79	80.93	64.65	99.56	76.07	107.44	85.00
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	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00
9.08	30.10	23.24	9.47	20.55	12.09	0.00	0.00	0.00	0.00	0.00	0.00
34.58	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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	0.00	22.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00
201.79	157.75	146.76	123.30	164.07	293.96	169.62	244.66	156.30	144.09	202.54	96.68
0.00	0.00	0.00	2.50	14.30	25.20	34.40	37.20	59.00	58.70	62.65	68.60
212.44	136.29	131.90	207.80	435.51	1,065.86	1,761.70	905.10	1,425.37	1,272.99	850.78	909.50
212.44	136.29	131.90	210.30	449.81	1,091.06	1,796.10	942.30	1,484.37	1,331.69	913.43	978.10
2,629.54	4,695.16	3,502.96	10,038.42	6,070.00	10,510.56	16,712.44	15,861.63	14,646.93	9,631.41	6,809.71	6,401.74

APPENDICES

APPENDIX C

SIGAR WRITTEN PRODUCTS

SIGAR AUDITS

Completed Performance Audits

SIGAR completed two performance audits during this reporting period.

COMPLETED SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2015		
Report Identifier	Report Title	Date Issued
SIGAR Audit 15-68-AR	Rule of Law in Afghanistan: U.S. Agencies Lack a Strategy and Cannot Fully Determine the Effectiveness of Programs Costing More Than \$1 Billion	7/2015
SIGAR Audit 15-58-AR	Civil Aviation: U.S. Efforts Improved Afghan Capabilities, but the Afghan Government Did Not Assume Airspace Management as Planned	5/2015

New Performance Audits

SIGAR initiated three performance audits during this reporting period.

NEW SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2015		
Audit Identifier	Project Title	Date Initiated
109A	U.S. Salary Supplements for Afghan Government Employees and Technical Advisors	5/2015
108A	USAID's Efforts to Support Land Reform in Afghanistan	5/2015
107A	U.S. Efforts to Sustain Afghanistan's Road Infrastructure	5/2015

Ongoing Performance Audits

SIGAR had 12 audits in progress during this reporting period.

ONGOING SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2015		
Audit Identifier	Project Title	Date Initiated
SIGAR 106A	Accountability for ANSF Organizational Clothing and Individual Equipment	12/2014
SIGAR 105A	USAID's Efforts to Support and Improve Afghanistan's Health Sector	11/2014
SIGAR 104A	U.S. Efforts to Assist and Improve Afghanistan's Primary and Secondary Education Systems	12/2014
SIGAR 103A	USAID Measuring Impacts of Stabilization Initiatives Program	11/2014
SIGAR 102A	Afghanistan Infrastructure Fund Follow-Up	11/2014
SIGAR 101A	Afghanistan Technical Equipment Maintenance Program (A-TEMP) for ANA Vehicle Maintenance and Capacity Building	10/2014
SIGAR 100A	DOD Oversight of Infrastructure Projects Transferred to the Afghan Government	8/2014
SIGAR 098A	DOD's Afghan Local Police Program	7/2014
SIGAR 097A (part II)	U.S. Efforts to Develop Afghanistan's Extractives Industry	2/2014

Continued on the next page

APPENDICES

ONGOING SIGAR PERFORMANCE AUDITS AS OF JULY 30, 2015 (CONTINUED)		
Audit Identifier	Project Title	Date Initiated
SIGAR 096A	U.S. Efforts to Assist Afghan Refugees and Internally Displaced Persons	2/2014
SIGAR 090A	Audit of ANA National Engineer Brigade's Engineering Equipment	11/2013
SIGAR 088A	U.S. Government Efforts to Assist in Reconstruction and Commercialization of Afghanistan's Information and Communication Technology Sector	11/2013

Completed Financial Audits

SIGAR completed 11 financial audits during this reporting period.

COMPLETED SIGAR FINANCIAL AUDITS AS OF JULY 30, 2015		
Report Identifier	Report Title	Date Issued
SIGAR Financial Audit 15-76-FA	USAID's Stabilization in Key Areas East: Audit of Costs Incurred by AECOM International Development Inc.	7/2015
SIGAR Financial Audit 15-75-FA	USAID's Stabilization in Key Areas West: Audit of Costs Incurred by AECOM International Development Inc.	7/2015
SIGAR Financial Audit 15-73-FA	USAID's Southern Regional Agricultural Development Program: Audit of Costs Incurred by International Relief and Development Inc.	7/2015
SIGAR Financial Audit 15-72-FA	Department of the Army's Ministry of Interior Program: Audit of Costs Incurred by L-3 Services Inc.	7/2015
SIGAR Financial Audit 15-71-FA	Department of State's Integrated Victim Assistance and Capacity Building Program in Afghanistan: Audit of Costs Incurred by Clear Path International	7/2015
SIGAR Financial Audit 15-69-FA	Department of State's Afghanistan Justice Sector Support Program II: Audit of Costs Incurred by Pacific Architects and Engineers Inc.	7/2015
SIGAR Financial Audit 15-66-FA	Department of the Army's Engineering Support: Audit of Costs Incurred by CACI Technologies Inc.	6/2015
SIGAR Financial Audit 15-64-FA	USAID's Afghanistan Media Development and Empowerment Project: Audit of Costs Incurred by Internews Network	6/2015
SIGAR Financial Audit 15-63-FA	Department of the Army's Afghan National Police and Afghan National Army Communications Equipment Training and Sustainment Projects: Audit of Costs Incurred by DRS Technical Services Inc.	6/2015
SIGAR Financial Audit 15-61-FA	USAID's Increased Electoral Participation in Afghanistan Program: Audit of Costs Incurred by the Consortium for Elections and Political Process Strengthening	6/2015
SIGAR Financial Audit 15-59-FA	Department of State's Mine Clearance, Explosive Ordnance Disposal, and Mine Awareness Activities in Afghanistan: Audit of Costs Incurred by the Organization for Mine Clearance and Afghan Rehabilitation	6/2015

Ongoing Financial Audits

SIGAR had 26 financial audits in progress during this reporting period.

ONGOING SIGAR FINANCIAL AUDITS AS OF JULY 30, 2015		
Audit Identifier	Project Title	Date Initiated
F-081	State Grants with The Halo Trust for Mine Clearance and Survey in Afghanistan	3/2015

Continued on the next page

APPENDICES

ONGOING SIGAR FINANCIAL AUDITS AS OF JULY 30, 2015 (CONTINUED)		
Audit Identifier	Project Title	Date Initiated
F-080	DOD Contract with PRI DJI, A Construction JV for construction of District HQ Uniform Police Station, Marjah	3/2015
F-079	DOD Contract with PRI DJI, A Construction JV for construction of 4th Special Forces Kandak, Shindand	3/2015
F-078	DOD Contract with AMEC Earth & Environmental Inc. for construction of Afghan Defense University, Qarghah	3/2015
F-077	DOD Contract with PRI/DJI, A Construction JV for repair of Shindand Runway, Shindand	3/2015
F-076	DOD Contract with Gilbane Federal for construction of 1st Commando Brigade HQ & Transient Kandak, Gardez	3/2015
F-075	DOD Contract with Gilbane Federal for construction of Afghan National Civil Order Police Battalion & Brigade HQ, Marjah	3/2015
F-074	DOD Contract with Environmental Chemical Corp. for construction of 2nd Special Forces Kandak, Kandahar	3/2015
F-073	DOD Contract with Mission Essential Personnel LLC for translation/ linguist support services	3/2015
F-072	USAID Contract with Perini Management Services Inc. to implement the Irrigation and Watershed Management Program	2/2015
F-071	USAID Contract with University Research Company LLC for support to the Health Care Improvement Project	2/2015
F-070	USAID Cooperative Agreement with the American University of Afghanistan for academic program development and operating support	2/2015
F-069	State Grants Contract with Mine Detection Dog Center for Community-based Demining Project	3/2015
F-068	DOD TFBSO Contract with Zantech IT Services, Inc. for Analytical Support Services in Traditional and Alternative Energy Sectors	11/2014
F-067	DOD TFBSO Contract with Zantech IT Services Inc. for Energy Support Services	11/2014
F-066	USDA Cooperative Agreement with the American Soybean Association for the Provision of Agricultural Commodities for Afghanistan through the Food for Progress Act	8/2014
F-064	DOD Contract with Raytheon Technical Services Company LLC for ANA depot support	4/2014
F-061	DOD Contract with Dyncorp, International LLC for mentoring and training services in support of the ANSF	4/2014
F-058	State Grants with Women for Afghan Women for technical support for the promotion and protection of Afghan women's rights	3/2014
F-053	USAID Cooperative Agreement with Consortium For Elections and Political Process (CEPPS) for support to subnational government institutions in Regional Command-East and Regional Command-South	3/2014
F-049	USAID Contract with International Relief and Development Inc. (IRD) for Engineering, Quality Assurance and Logistical Support (EQUALS)	3/2014
F-048	USAID Cooperative Agreement with Wildlife Conservation Society (WCS) for technical support to the Improving Livelihoods and Governance through Natural Resource Management Project (ILG-NRMP)	3/2014

Continued on the next page

ONGOING SIGAR FINANCIAL AUDITS AS OF JULY 30, 2015 (CONTINUED)

Audit Identifier	Project Title	Date Initiated
F-047	USAID Cooperative Agreement with Democracy International for technical support for Electoral Reform and Civic Advocacy (AERCA)	3/2014
F-046	USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)–South	3/2014
F-043	USAID Contract with Tetra Tech to support Land Reform in Afghanistan	3/2014
F-042	USAID Cooperative Agreement with International Relief and Development Inc. for technical support to the Afghanistan Civilian Assistance Program (ACAP II)	3/2014

SIGAR INSPECTIONS**Completed Inspections**

SIGAR completed two inspections during this reporting period.

COMPLETED SIGAR INSPECTIONS AS OF JULY 30, 2015

Report Identifier	Report Title	Date Issued
SIGAR Inspection 15-74-IP	\$14.7 Million Warehouse Facility at Kandahar Airfield: Construction Delays Prevented the Facility from Being Used as Intended	7/2015
SIGAR Inspection 15-70-IP	Detention Center at the Counter Narcotics Judicial Center: Project Construction Mostly Met Contract Requirements, but Two Deficiencies Need to Be Addressed	7/2015

SIGAR SPECIAL PROJECTS**Completed Special Projects**

SIGAR completed five Special Project products this reporting period.

COMPLETED SIGAR SPECIAL PROJECTS AS OF JULY 30, 2015

Report Identifier	Report Title	Date Issued
Special Project 15-67-SP	Geospatial Coordinates for PCH Health facilities	6/2015
Special Project 15-65-SP	Tarakhil Power Plant	6/2015
Special Project 15-62-SP	Afghanistan Education Data	6/2015
Special Project 15-60-SP	Downstream Gas Utilization Project	5/2015
Special Project 15-57-SP	\$36 Million Command and Control Facility at Camp Leatherneck, Afghanistan: Unwanted, Unneeded, and Unused	5/2015

APPENDICES

SIGAR LESSONS LEARNED PROJECTS

Ongoing Lessons Learned Projects

SIGAR has three ongoing Lessons Learned projects this reporting period.

ONGOING SIGAR LESSONS LEARNED PROJECTS AS OF JULY 30, 2015

Project Identifier	Project Title	Date Initiated
SIGAR-LL-04	Counternarcotics in Afghanistan Reconstruction	4/2015
SIGAR-LL-02	U.S. Coordination with External Partners in Administering Aid	12/2014
SIGAR-LL-01	Interagency Coordination on Strategy and Planning	12/2014

New Lessons Learned Projects

SIGAR initiated one Lessons Learned project this reporting period.

NEW SIGAR LESSONS LEARNED PROJECTS AS OF JULY 30, 2015

Project Identifier	Project Title	Date Initiated
SIGAR-LL-03	Corruption in Afghanistan: Perceptions and Responses of the U.S. Government	4/2015

OTHER SIGAR WRITTEN PRODUCTS

This reporting period, Special Inspector General for Afghanistan Reconstruction, John F. Sopko, testified before Congress once.

NEW SIGAR TESTIMONY AS OF JULY 30, 2015

Testimony Identifier	Testimony Title	Testimony Submitted
SIGAR 15-56-TY	Why ANSF Numbers Matter: Inaccurate and Unreliable Data, and Limited Oversight of On-Budget Assistance Put Millions of U.S. Taxpayer Dollars at Risk	4/2015

APPENDIX D

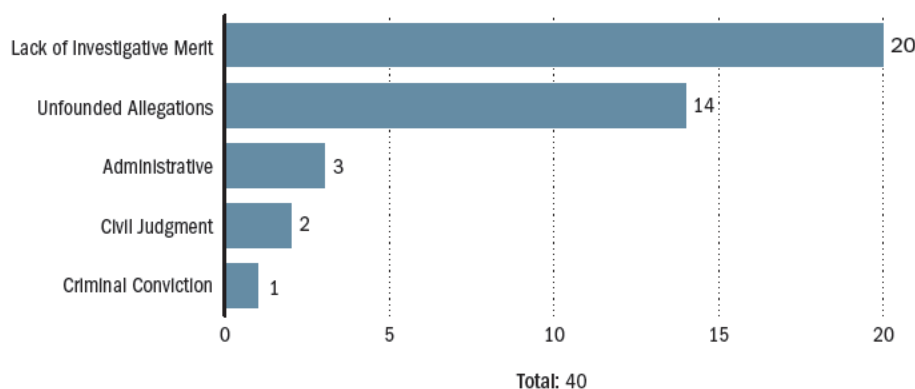
SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations

This quarter, SIGAR opened 27 new investigations and closed 40, bringing the total number of open investigations to 310. Of the new investigations, most involved procurement fraud, as shown in Figure D.1. Of the closed investigations, most were closed due to lack of investigative merit, as shown in Figure D.2.

FIGURE D.2

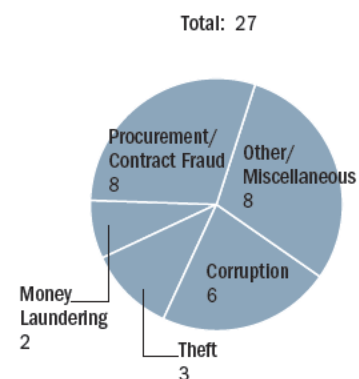
SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, APRIL 1-JUNE 30, 2015



Source: SIGAR Investigations Directorate, 7/10/2015.

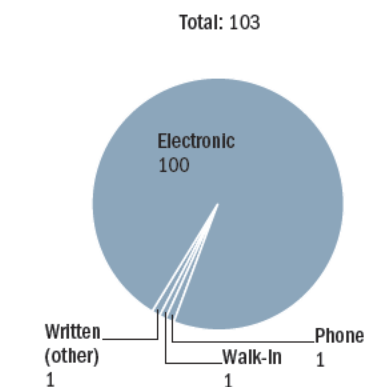
FIGURE D.1

SIGAR INVESTIGATIONS: NEW INVESTIGATIONS, APRIL 1-JUNE 30, 2015



Source: SIGAR Investigations Directorate, 7/10/2015.

FIGURE D.3
SOURCE OF SIGAR HOTLINE COMPLAINTS,
APRIL 1-JUNE 30, 2015

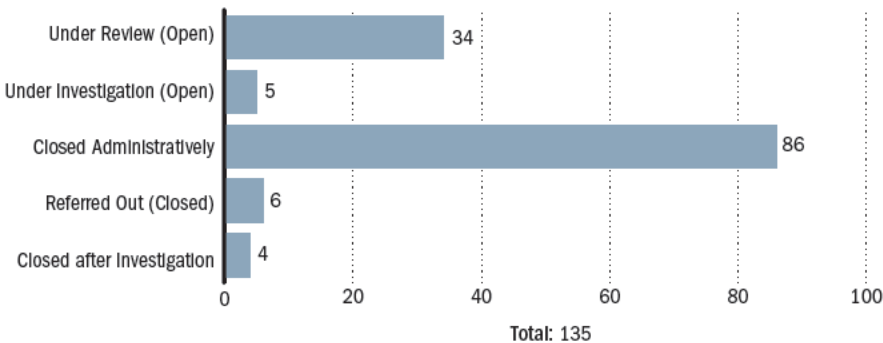


Source: SIGAR Investigations Directorate, 7/9/2015.

SIGAR Hotline

Of the 103 Hotline complaints received this quarter, most were received electronically, as shown in Figure D.3. In addition to working on new complaints, the Investigations directorate continued its work this quarter on complaints received prior to April 1, 2015. This quarter, the directorate processed 135 complaints, most of which were closed, as shown in Figure D.4.

FIGURE D.4
STATUS OF SIGAR HOTLINE COMPLAINTS: APRIL 1-JUNE 30, 2015



Source: SIGAR Investigations Directorate, 7/9/2015.
Note: 103 complaints received during quarter; total includes status changes to complaints made in earlier periods.

Suspensions and Debarments from SIGAR Referrals

Table D.1 is a comprehensive list of finalized suspensions, debarments, and special entity designations.

Entries appearing in both the suspension and debarment sections are based upon their placement in suspended status following criminal indictment or determination of non-responsibility by agency suspension and debarment official. Final debarment was imposed following criminal conviction in U.S. Federal District Court and/or final determination by agency suspension and debarment official regarding term of debarment. SIGAR lists its suspensions, debarments, and special entity designations for historical purposes only. For the current status of any individual or entity listed herein please consult the System for Award Management, www.sam.gov.

APPENDICES

TABLE D.1

SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2015

Special Entity Designations		
Arvin Kam Construction Company	Khan, Haji Mohammad Almas	Saadat, Vakil
Arvin Kam Group LLC, d.b.a. "Arvin Kam Group Security," d.b.a. "Arvin Kam Group Foundation," d.b.a. "Arvin Global Logistics Services Company"	Noh-E Safi Mining Company	Triangle Technologies
Ayub, Mohammad	Noor Rahman Company	Wasim, Abdul Wakil
Fruzi, Haji Khalil	Noor Rahman Construction Company	Zaland, Yousef
Haji Amir Muhammad	Nur Rahman Group, d.b.a. "NUCCL Construction Company," d.b.a. "RUCCL Rahman Umar Construction Company," d.b.a. "Rahman Trading and General Logistics Company LLC	Zurmat Construction Company
Haji Dhost Mohammad Zurmat Construction Company	Rahman, Nur, a.k.a. "Noor Rahman", a.k.a. "Noor Rahman Safa"	Zurmat Foundation
Jan, Nurullah	Rhaman, Mohammad	Zurmat General Trading
		Zurmat Group of Companies, d.b.a. "Zurmat LLC"
		Zurmat Material Testing Laboratory
Suspensions		
Al-Watan Construction Company	Kabul Hackle Logistics Company	Long, Tonya
Basirat Construction Firm	Sharpway Logistics	Brophy, Kenneth Michael
Brophy, Kenneth	United States California Logistics Company	Rivera-Medina, Franklin Delano
Naqibullah, Nadeem	Yousef, Najeebullah	Peace Thru Business
Rahman, Obaidur	Rahimi, Mohammad Edris	Pudenz, Adam Jeff Julias
Campbell, Neil Patrick	Wooten, Philip Steven	Elham, Yaser, a.k.a. "Najibullah Saadullah"
Borcata, Raul A.	Domineck, Lavette Kaye	Everest Faizy Logistics Services
Close, Jarred Lee	Markwith, James	Faizy Elham Brothers Ltd.
Logistical Operations Worldwide	All Points International Distributors Inc.	Faizy, Rohullah
Robinson, Franz Martin	Cipolla, James	Hekmat Shadman General Trading LLC
Taylor, Zachery Dustin	Hercules Global Logistics	Hekmat Shadman Ltd., d.b.a. "Hikmat Shadman Ltd."
Aaria Group Construction Company	Schroeder, Robert	Hikmat Shadman Construction and Supply Company
Aaria Group	AISC LLC	Hikmat Shadman Logistics Services Company, d.b.a. "Hikmat Shadman Commerce Construction and Supply Company," d.b.a. "Hikmat Shadman Commerce Construction Services"
Aaria Herai General Trading	American International Security Corporation	Saif Hikmat Construction Logistic Services and Supply Co.
Aaria M.E. General Trading LLC	Brothers, Richard S.	Shadman, Hikmatullah, a.k.a. "Hikmat Shadman," a.k.a. "Haji Hikmatullah Shadman," a.k.a. "Hikmatullah Saadulah"
Aaria Middle East	David A Young Construction & Renovation Inc.	Travis, James Edward
Aaria Middle East Company LLC	Force Direct Solutions LLC	Sherzai, Akbar Ahmed
Aaria Middle East Company Ltd. - Herat	Harris, Christopher	Bertolini, Robert L.
Aaria Supplies Company LTD	Hernando County Holdings LLC	Kahn, Haroon Shams, a.k.a. "Haroon Shams"
Aaria Supply Services and Consultancy	Hide-A-Wreck LLC	Shams Constructions Limited
Aftech International	Panthers LLC	Shams General Services and Logistics Unlimited
Aftech International Pvt. Ltd.	Paper Mill Village Inc.	Shams Group International, d.b.a. "Shams Group International FZE"
Alam, Ahmed Farzad	Shroud Line LLC	Shams London Academy
Albahar Logistics	Spada, Carol	Shams Production
American Aaria Company LLC	Taylor, Michael	
American Aaria LLC	Welventure LLC	
Barakzai, Nangialai	World Wide Trainers LLC	
Formid Supply and Services	Young, David	
Greenlight General Trading	Espinoza, Mauricio	

APPENDICES

TABLE D.1 (CONTINUED)

SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2015 (CONTINUED)

Suspensions (continued)

Shams Welfare Foundation	Ciampa, Christopher	Hampton, Seneca Darnell
Autry, Cleo Brian	Casellas, Luis Ramon	Green, George E.
Chamberlain, William Todd	International Contracting and Development	Tran, Anthony Don
Cook, Jeffrey Arthur	Sobh, Adeeb Nagib, a.k.a. "Ali Sobh"	Vergez, Norbert
Harper, Deric Tyron	Stallion Construction and Engineering Group	Mayberry, Teresa
Swim, Alexander	Wazne Group Inc., d.b.a. "Wazne Wholesale"	
Walls, Barry Lee, Jr.	Wazne, Ayman, a.k.a. "Ayman Ibrahim Wazne"	

Debarments

Farooqi, Hashmatullah	Hazrati, Arash	Safi, Matiullah
Hamid Lais Construction Company	Midfield International	Sahak, Sher Khan
Hamid Lais Group	Moore, Robert G.	Shaheed, Murad
Lodin, Rohullah Farooqi	Noori, Noor Alam, a.k.a. "Noor Alam"	Shirzad, Daulet Khan
Bennett & Fouch Associates LLC	Northern Reconstruction Organization	Uddin, Mehrab
Brandon, Gary	Shamal Pamir Building and Road Construction Company	Watson, Brian Erik
K5 Global	Wade, Desi D.	Wooten, Philip Steven
Ahmad, Noor	Blue Planet Logistics Services	Espinoza, Mauricio
Noor Ahmad Yousufzai Construction Company	Mahmodi, Padres	Alam, Ahmed Farzad
Ayeni, Sheryl Adenike	Mahmodi, Shikab	Greenlight General Trading
Cannon, Justin	Saber, Mohammed	Aaria Middle East Company LLC
Constantino, April Anne	Watson, Brian Erik	Aaria Middle East Company Ltd. - Herat
Constantino, Dee	Abbasi, Shahpoor	Aaria M.E. General Trading LLC
Constantino, Ramil Palmes	Amiri, Waheedullah	Aaria Middle East
Crilly, Braam	Atal, Waheed	Barakzai, Nangialai
Drotleff, Christopher	Daud, Abdullilah	Formid Supply and Services
Fil-Tech Engineering and Construction Company	Dehati, Abdul Majid	Aaria Supply Services and Consultancy
Handa, Sdiharth	Fazli, Qais	Kabul Hackle Logistics Company
Jabak, Imad	Hamdard, Mohammad Yousuf	Yousef, Najeebullah
Jamally, Rohullah	Kunari, Haji Pir Mohammad	Aaria Group
Khalid, Mohammad	Mushfiq, Muhammad Jaffar	Aaria Group Construction Company
Khan, Daro	Mutallib, Abdul	Aaria Supplies Company LTD
Mariano, April Anne Perez	Nasrat, Sami	Rahimi, Mohammad Edris
McCabe, Elton Maurice	National General Construction Company	All Points International Distributors Inc.
Mihalcz, John	Passerly, Ahmaad Saleem	Hercules Global Logistics
Qasimi, Mohammed Indress	Rabi, Fazal	Schroeder, Robert
Radhi, Mohammad Khalid	Rahman, Atta	Helmand Twinkle Construction Company
Safi, Fazal Ahmed	Rahman, Fazal	Waziri, Heward Omar
Shin Gul Shaheen, a.k.a. "Sheen Gul Shaheen"	Roshandil, Mohammad Ajmal	Zadran, Mohammad
Espinoza-Loor, Pedro Alfredo	Saber, Mohammed	Afghan Mercury Construction Company, d.b.a. "Afghan Mercury Construction & Logistics Company"
Campbell, Neil Patrick	Safi, Azizur Rahman	Mirzali Naseeb Construction Company
Navarro, Wesley		

APPENDICES

TABLE D.1 (CONTINUED)

SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2015 (CONTINUED)		
Debarments (continued)		
Montes, Diyana	Shahim, Zakirullah a.k.a. "Zakrullah Shahim", a.k.a. "Zikrullah Shahim"	Mijares, Armando N., Jr.
Naseeb, Mirzali	Alyas, Maiwand Ansunullah a.k.a. "Engineer Maiwand Alyas"	Mullakhiel, Wadir Abdullahmatin
Robinson, Franz Martin	BMCSC	Rainbow Construction Company
Smith, Nancy	Maiwand Haqmal Construction and Supply Company	Sardar, Hassan, a.k.a. "Hassan Sardar Inqilab"
Sultani, Abdul Anas a.k.a. "Abdul Anas"	New Riders Construction Company, d.b.a. "Riders Construction Company," d.b.a. "New Riders Construction and Services Company"	Shah, Mohammad Nadir, a.k.a. "Nader Shah"
Faqiri, Shir	Riders Constructions, Services, Logistics and Transportation Company	Tito, Regor
Hosmat, Haji	Riders Group of Companies	Brown, Charles Phillip
Jim Black Construction Company	Domineck, Lavette Kaye	Sheren, Fasela, a.k.a. "Sheren Fasela"
Arya Ariana Aryayee Logistics, d.b.a. "AAA Logistics," d.b.a. "Somo Logistics"	Markwith, James	Anderson, Jesse Montel
Garst, Donald	Martinez, Rene	Charboneau, Stephanie, a.k.a. "Stephanie Shankel"
Mukhtar, Abdul a.k.a. "Abdul Kubar"	Maroof, Abdul	Hightower, Jonathan
Noori Mahgir Construction Company	Qara, Yousef	Khan, Noor Zali, a.k.a. "Wali Kahn Noor"
Noori, Sherin Agha	Royal Palace Construction Company	Saheed, a.k.a. "Mr. Saheed;" a.k.a. "Sahill;" a.k.a. "Ghazi-Rahman"
Long, Tonya	Bradshaw, Christopher Chase	Weaver, Christopher
Isranuddin, Burhanuddin	Zuhra Productions	Al Kaheel Oasis Services
Matun, Navidullah, a.k.a. "Javid Ahmad"	Zuhra, Niaza	Al Kaheel Technical Service
Matun, Wahidullah	Boulware, Candice a.k.a. "Candice Joy Dawkins"	CLC Construction Company
Navid Basir Construction Company	Dawkins, John	CLC Consulting LLC
Navid Basir JV Gagar Baba Construction Company	Mesopotamia Group LLC	Complete Manpower Solutions
NBCC & GBCC JV	Nordloh, Geoffrey	Mohammed, Masiuddin, a.k.a. "Masi Mohammed"
Noori, Navid	Kieffer, Jerry	Rhoden, Bradley L., a.k.a. "Brad L. Rhoden"
Asmatullah, Mahmood, a.k.a. "Mahmood"	Johnson, Angela	Rhoden, Lorraine Serena
Khan, Gul	CNH Development Company LLC	Royal Super Jet General Trading LLC
Khan, Solomon Sherdad, a.k.a. "Solomon"	Johnson, Keith	Super Jet Construction Company
Mursalin, Ikramullah, a.k.a. "Ikramullah"	Military Logistic Support LLC	Super Jet Fuel Services
Musafer, Naseem, a.k.a. "Naseem"	Eisner, John	Super Jet Group
Musafer, Naseem, a.k.a. "Naseem"	Taurus Holdings LLC	Super Jet Tours LLC, d.b.a. "Super Jet Travel and Holidays LLC"
Ali, Esrar	Brophy, Kenneth Michael	Super Solutions LLC
Gul, Ghanzi	Abdul Haq Foundation	Abdullah, Bilal
Luqman Engineering Construction Company, d.b.a. "Luqman Engineering"	Adajar, Adonis	Farmer, Robert Scott
Safiullah, a.k.a. "Mr. Safiullah"	Calhoun, Josh W.	Mudiyanselage, Oliver
Sarfarez, a.k.a. "Mr. Sarfarez"	Clark Logistic Services Company, d.b.a. "Clark Construction Company"	Kelly, Albert, III
Wazir, Khan	Farkas, Janos	Ethridge, James
Akbar, Ali	Flordeliz, Alex F.	Fernridge Strategic Partners
Crystal Construction Company, d.b.a. "Samitullah Road Construction Company"	Knight, Michael T., II	AISC LLC
Samitullah (Individual uses only one name)	Lozado, Gary	American International Security Corporation
Ashna, Mohammad Ibrahim, a.k.a. "Ibrahim"		David A Young Construction & Renovation Inc.
Gurvinder, Singh		Force Direct Solutions LLC
Jahan, Shah		Harris, Christopher

APPENDICES

TABLE D.1 (CONTINUED)

SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2015 (CONTINUED)		
Debarments (continued)		
Hernando County Holdings LLC	Bab Al Jazeera LLC	Toltest/Desbuild Germany JV LLC
Hide-A-Wreck LLC	Emar-E-Sarey Construction Company	Veterans Construction/Lakeshore JV LLC
Panthers LLC	Muhammad, Pianda	Afghan Royal First Logistics, d.b.a. "Afghan Royal"
Paper Mill Village Inc.	Sambros International, d.b.a. "Sambros International LTD," d.b.a. "Sambros-UK JV"	American Barriers
Shroud Line LLC	Sambros JV Emar-E-Sarey Construction Company, d.b.a. "Sambros JV ESCC"	Arakozia Afghan Advertising
Spada, Carol	Antes, Bradley A.	Dubai Armored Cars
Welventure LLC	Lakeshore Engineering & Construction Afghanistan, Inc., d.b.a. "Lakeshore General Contractors Inc."	Enayatullah, son of Hafizullah
World Wide Trainers LLC	Lakeshore Engineering Services, Inc.	Farhas, Ahmad
Young, David Andrew	Lakeshore Engineering Services/Toltest JV LLC	Inland Holdings Inc.
Woodruff and Company	Lakeshore Toltest - Rentenbach JV LLC	Intermaax FZE
Travis, James Edward	Lakeshore Toltest Corporation, d.b.a. "Lakeshore Group," d.b.a. "LTC Newco d.b.a. "LTC CORP Michigan," d.b.a. "Lakeshore Toltest KK"	Intermaax Inc.
Khairfullah, Gul Agha	Lakeshore Toltest Guam LLC	Karkar, Shah Wali
Khalil Rahimi Construction Company	Lakeshore Toltest JV LLC	Sandman Security Services
Momand, Jahanzeb, a.k.a. "Engineer Jahanzeb Momand"	Lakeshore Toltest RRCC JV LLC	Siddiqi, Atta
Yar-Mohammad, Hazrat Nabi	Lakeshore/Walsh JV LLC	Specialty Bunkering
Walizada, Abdul Masoud, a.k.a. "Masood Walizada"	LakeshoreToltest METAG JV LLC	Spidle, Chris Calvin
Alizai, Zarghona	LTC & Metawater JV LLC	Vulcan Amps Inc.
Aman, Abdul	LTC Holdings Inc.	Worldwide Cargomasters
Anwari, Laila	LTC Italia SRL	Aziz, Haji Abdul, a.k.a. "Abdul Aziz Shah Jan," a.k.a. "Aziz"
Anwari, Mezhgan	LTC Tower General Contractors LLC	Castillo, Alfredo, Jr.
Anwari, Rafi	LTCCORP Commercial LLC	Abbasi, Asim
Arghandiwal, Zahra, a.k.a. "Sarah Arghandiwal"	LTCCORP E&C Inc.	Muturi, Samuel
Azizi, Farwad, a.k.a. "Farwad Mohammad Azizi"	LTCCORP Government Services - OH Inc.	Mwakio, Shannel
Bashizada, Razia	LTCCORP Government Services Inc.	Ahmad, Jaweed
Coates, Kenneth	LTCCORP Government Services-MI Inc.	Ahmad, Masood
Gibani, Marika	LTCCORP O&G LLC	A & J Total Landscapes
Haidari, Mahboob	LTCCORP Renewables LLC	Aryana Green Light Support Services
Latifi, Abdul	LTCCORP Inc.	Mohammad, Sardar, a.k.a. "Sardar Mohammad Barakzai"
McCammon, Christina	LTCCORP/Kaya Dijbouti LLC	Pittman, James C., a.k.a. "Carl Pittman"
Mohibzada, Ahmadullah, a.k.a. "Ahmadullah Mohebzada"	LTCCORP/Kaya East Africa LLC	Poaipuni, Clayton
Neghat, Mustafa	LTCCORP/Kaya Romania LLC	Wiley, Patrick
Qurashi, Abdul	LTCCORP/Kaya Rwanda LLC	Crystal Island Construction Company
Raouf, Ashmatullah	LTCORP Technology LLC	Afghan Columbia Constructon Company
Shah, David	Toltest Inc., d.b.a. "Wolverine Testing and Engineering," d.b.a. "Toledo Testing Laboratory," d.b.a. "LTC," d.b.a. "LTC Corp," d.b.a. "LTC Corp Ohio," d.b.a. "LTC Ohio"	Ahmadi, Mohammad Omid
Touba, Kajim		Dashti, Jamsheed
Zahir, Khalid		Hamdard, Eraj
Aryubi, Mohammad Raza Samim		Hamidi, Mahrokh
Atlas Sahil Construction Company		Raising Wall Construction Company

APPENDIX F

ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
AAF	Afghan Air Force
AAP	Aviation Action Plan
ABP	Afghan Border Police
ACAP	Afghan Civilian Assistance Program
ACC	Army Contracting Command
ACD	Afghanistan Customs Department
ACE	Agricultural Credit Enhancement
ACU	Anticorruption Unit
AD	Alternative Development
ADB	Asian Development Bank
ADF	Agricultural Development Fund
AFMIS	Afghan Financial Management Information System
AGO	Attorney General's Office
AHRIMS	Afghan Human Resource Information Management System
AIB	Afghanistan International Bank
AIF	Afghanistan Infrastructure Fund
ITF	Afghanistan Infrastructure Trust Fund
ALBA	Assistance to Legislative Bodies of Afghanistan
ALP	Afghan Local Police
AML/CFT	Anti-Money Laundering and Combating the Financing of Terrorism
ANA	Afghan National Army
ANASOC	ANA Special Operations Command
ANCOP	Afghan National Civil Order of Police
ANDSF	Afghan National Defense and Security Forces
ANP	Afghan National Police
ANSF	Afghan National Security Forces
AOCG	Afghanistan Operations Coordination Group
APL	American President Lines Ltd.
APPF	Afghan Public Protection Force
APRP	Afghan Peace and Reintegration Plan
ARTF	Afghanistan Reconstruction Trust Fund
ASFF	Afghanistan Security Forces Fund
ASI	Afghan Security Institutions
AT&L	DOD Acquisition Technology, and Logistics
ATAC	Afghan Tactical Air Coordinator
ATAR	Afghanistan Trade and Revenue Project
AUAF	American University of Afghanistan
AUP	Afghan Uniform Police

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ACRONYM OR ABBREVIATION	DEFINITION
AVB	Avia Baltika
AWCC	Afghan Wireless Communication Company
AWDP	Afghanistan Workforce Development Program
BAF	Bagram Airfield
BELT	Basic Education, Literacy, and Technical-Vocational Education and Training
BMTF	Border Management Task Force
CBE	Community Based Education
CBR	Capacity Building for Results
CCI	Community Cohesion Initiative
CCWG	Counter Corruption Working Group
CDC	Community Development Council
CENTCOM	U.S. Central Command
CEPPS	Consortium for Elections and Political Process Strengthening
CERP	Commander's Emergency Response Program
CHAMP	Commercial Horticulture and Agricultural Marketing Program
CID	Criminal Investigation Department
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CMS	case-management system
CNCE	Counter Narcotics Community Engagement
CNJC	Counter Narcotics Justice Center
CNPA	Counternarcotics Police of Afghanistan
COR	contracting officer's representative
CPI	Clear Path International
CSIS	Center for Strategic and International Studies
CSTC-A	Combined Security Transition Command-Afghanistan
DAB	Da Afghanistan Bank
DABS	Da Afghanistan Breshna Sherkat
DCIS	Defense Criminal Investigative Service (U.S.)
DEA	Drug Enforcement Administration (U.S.)
DHS	Department of Homeland Security (U.S.)
DLA	Defense Logistics Agency (U.S.)
DOD	Department of Defense (U.S.)
DOD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DOD IG	Department of Defense Office of Inspector General
DOJ	Department of Justice (U.S.)
ECF	Extended Credit Facility
EF	essential function
EMIS	Education Management Information System (Afghan)
EQUIP	Education Quality Improvement Project
ERW	Explosive Remnants of War
ESF	Economic Support Fund
EUM	end-use monitoring
FAA	Federal Aviation Administration

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ACRONYM OR ABBREVIATION	DEFINITION
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation (U.S.)
FOB	forward operating base
FPF	Facilities Protection Force (Afghan)
FY	fiscal year
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office (U.S.)
GCPSU	General Command of Police Special Units
GDP	gross domestic product
GDPDC	General Directorate of Prisons and Detention Centers
GDPSU	General Directorate Police Special Unit
GIROA	Government of the Islamic Republic of Afghanistan
GLE	Governor-Led Eradication
GPI	Good Performer's Initiative
GSA	General Services Administration
HA Yard	Humanitarian Aid Yard
HL	Hapag-Lloyd
HOO	High Office of Oversight for Anti-Corruption (aka "HOOAC") (Afghan)
HPC	High Peace Council
HPP	Health Policy Project
ICCTF	International Contract Corruption Task Force
ICG	International Crisis Group
ICRC	International Committee of the Red Cross
IDEA-NEW	Incentives Driving Economic Alternatives-North, East, and West
IDLG	Independent Directorate of Local Governance
IDP	internally displaced person
IEC	Independent Election Commission (Afghan)
IED	improvised explosive device
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement (U.S.)
INL	Bureau of International Narcotics and Law Enforcement Affairs (U.S.)
INTOSAI	International Organization of Supreme Audit Institutions
IOCC	Interagency Operations Coordination Center
IPA	Independent Public Accountant
IRD	International Relief and Development Inc.
ISAF	International Security Assistance Force
ISIL	Islamic State in Iraq and the Levant
ISLA	Initiative to Strengthen Local Administrations
JCCC	Joint Command and Control Coordination Center
JCC-I/A	Joint Contracting Command Iraq/Afghanistan
JRD	Juvenile Rehabilitation Directorate
JSSP	Justice Sector Support Program (State)
JTTP	Justice Training Transition Program (State)

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APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
KAF	Kandahar Airfield
KFZ	Kandahar Food Zone
KHPP	Kandahar-Helmand Power Project
LARA	Land Reform in Afghanistan
LLP	Lessons Learned Program
LMG	Leadership, Management, and Governance Project
LOTFA	Law and Order Trust Fund for Afghanistan
LTERRA	Land Titling and Economic Restructuring Activity
MAAR	Monthly ANDSF Assessment Report
MAIL	Ministry of Agriculture, Irrigation, and Livestock (Afghan)
MCN	Ministry of Counternarcotics (Afghan)
MCTF	Major Crimes Task Force
MDHI	MD Helicopters inc.
MEC	Monitoring and Evaluation Committee (Afghan)
MIDAS	Mining Investment and Development for Afghan Sustainability
MISTI	Measuring Impacts of Stabilization Initiatives
MLL	Maersk Line Limited
MOD	Ministry of Defense (Afghan)
MOE	Minister of Education (Afghan)
MOF	Ministry of Finance (Afghan)
MOFA	Ministry of Foreign Affairs (Afghan)
MOI	Ministry of Interior (Afghan)
MOI HQ & IS	Ministry of Interior Headquarters and Institutional Support (Afghan)
MOMP	Ministry of Mines and Petroleum (Afghan)
MOPH	Ministry of Public Health (Afghan)
MOTCA	Ministry of Transport and Civil Aviation (Afghan)
MOU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NCO	noncommissioned officer
NDAA	National Defense Authorization Act
NDP	New Development Partnership
NDS	National Directorate of Security (Afghan)
NEPS	Northeast Power System
NGO	nongovernmental organization
NIU	National Interdiction Unit
NKB	New Kabul Bank
NPA	National Procurement Authority (Afghan)
NPC	National Procurement Commission (Afghan)
NSOCC-A	NATO Special Operations Component Command-Afghanistan
NSP	National Solidarity Program
NSRWA	Non-Standard Rotary Wing Aircraft
NTM-A	NATO Training Mission-Afghanistan
O&M	operations and maintenance

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APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
OCC-Rs	Operational Coordination Centers-Regional
OCIE	operational clothing and individual equipment
OCO	overseas contingency operations
OECD	Organization for Economic Cooperation and Development
OIG	Office of the Inspector General
OMAR	Organization for Mine Clearance and Afghan Rehabilitation
OPPD	Office of Program and Project Development (USAID)
OSD	Office of the Secretary of Defense (U.S.)
OSD-CN	Office of the Secretary of Defense-Counter-Narcotics (U.S.)
OTA	Office of Technical Assistance (U.S. Treasury)
PAB	Procurement Approval Board (Afghan)
PACC	Parliamentary Anti-Corruption Caucus
PAE	Pacific Architects and Engineers Inc
PCH	Partnership Contracts for Health
PM/WRA	Bureau of Political-Military Affairs-Office of Weapons Removal and Abatement (U.S.)
PMP	performance-measurement plan
POAM	Plan of Action and Milestones
PRC	project-review committee
Promote	Promoting Gender Equity in National Priority Programs (USAID)
PTec	Power Transmission Expansion and Connectivity
RADP	Regional Agriculture Development Program
RASR	Regional Command ANSF Assessment Report
RC	recurrent cost
RCC	Regional Contracting Center
RLS-F	Rule of Law Stabilization-Formal
RLS-I	Rule of Law Stabilization-Informal
RMU	Roads Maintenance Unit
RNIFC	regional narcotics interagency fusion cell
RS	Resolute Support
RSSP	Road Sector Sustainability Project
SAGAL	Strengthening Afghan Governance and Alternative Livelihoods
SAI	Supreme Audit Institution
SEPS	Southeast Power System
SERC	Special Electoral Reform Commission (Afghan)
SGDP	Sheberghan Gas Development Program
SGGA	Sheberghan Gas Generation Activity
SHCAC	Senior High Level Committee on Anti-Corruption
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIKA	Stability in Key Areas
SMP	Staff-Monitored Program
SMW	Special Mission Wing (Afghan)
SRAP	Special Representative for Afghanistan and Pakistan (U.S.)
State OIG	Department of State Office of the Inspector General

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APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
SY	solar year
TAC	Transparency Accountability Committee
TACC-Air	RS Train, Advise, and Assist Command-Air
TAF	Trade Accession and Facilitation for Afghanistan
TFBSO	Task Force for Business and Stability Operations in Afghanistan
TMAF	Tokyo Mutual Accountability Framework
TMR	transportation movement request
TPAO	Turkish Petroleum Corporation
TPP	Tarakhil Power Plant
UN	United Nations
UNAMA	United Nations Assistance Mission in Afghanistan
UNDP	United Nations Development Programme
UNHCR	UN High Commission for Refugees
UNODC	UN Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACID	U.S. Army Criminal Investigative Command
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of the Inspector General
USDA	U.S. Department of Agriculture
USFOR-A	U.S. Forces-Afghanistan
USIP	U.S. Institute of Peace
USTRANSCOM	U.S. Transportation Command
USWDP	Afghanistan University Support and Workforce Development Program
UXO	unexploded ordnance
VAT	value-added tax
VSO	Village Stability Operations
WTO	World Trade Organization
ZACC	Zia Ahmadzai Construction Company

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The Shah Foladi Protected Area in the central highlands of Afghanistan is seen here from atop a giant Buddha statue. Protected-area status was declared on June 5, 2015, World Environment Day. (United Nations Development Programme photo)

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