
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.


(For a list of the congressionally mandated contents of this report, see Section 3.)
Provinces where SIGAR has conducted audit, inspection, and investigation work

- Current SIGAR offices
- Provinces where SIGAR has conducted audit, inspection, and investigation work
I am pleased to submit to Congress, and the Secretaries of State and Defense, SIGAR’s 26th quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

NATO formally lowered its flag this quarter as its 13-year combat mission in Afghanistan came to an end, and the International Security Assistance Force (ISAF) was replaced by Resolute Support Mission, a much smaller NATO mission that will train, advise, and assist the Afghan National Security Forces (ANSF). At the London Conference in December, the United States and other donor nations emphasized that although combat has ended, reconstruction will continue into the “Decade of Transformation” (2015–2024). They renewed their commitment to provide at least $16 billion through 2015 and maintain support at or near the levels of the past decade through 2017.

This year, as in the past, the bulk of the U.S. support for Afghanistan will go to build and sustain the ANSF. For the last six years, SIGAR has kept Congress and the public informed about the United States’ $65 billion investment in the ANSF by reporting every quarter on the effectiveness of the Afghan army and police.

Last quarter, ISAF classified the executive summary of a report that SIGAR had used as a primary source of information on ANSF capability. This quarter, the new Resolute Support Mission went further, classifying information SIGAR has, until now, used to publicly report on, among other matters, ANSF strength, attrition, equipment, personnel sustainment, infrastructure, and training, as well as Afghan Air Force and Special Mission Wing capabilities, and anticorruption initiatives at the Ministry of Defense (MOD) and Ministry of Interior (MOI). (A more detailed description of what has been classified may be found in the Security chapter of Section Three in this report.) In a new Appendix E to this report, SIGAR has published a list of the questions it provided to Resolute Support Mission, but whose answers can no longer appear in a public report. As authorized by statute, SIGAR will provide its now-classified analysis of the responses to these questions to Congress and the Secretaries of State and Defense in a classified annex. In Appendix F, SIGAR has provided the memo Resolute Support Commander General John F. Campbell wrote explaining the decision to classify this material.

After many delays, Afghanistan’s national-unity government announced a new cabinet this quarter. The cabinet, whose nominees require parliamentary approval, faces many challenges. To help the new government and other stakeholders achieve reconstruction goals, SIGAR in December published a High-Risk List to draw attention to program areas and elements of the U.S.-funded reconstruction effort that are especially vulnerable to significant waste, fraud, and abuse.

SIGAR also announced the creation of its new Lessons Learned Program (LLP) this quarter. The LLP will conduct a comprehensive analysis of the $107.5 billion reconstruction effort in Afghanistan from 2001 onwards to identify best practices and lessons to help address systemic issues. An essay in Section One of this quarterly report on the difficulties of coordinating aid to Afghanistan explores some of the issues that the LLP will address more broadly in its first product, expected to be published mid-2015.

SIGAR investigators had an exceptionally productive quarter, recovering a record $53.7 million for the U.S. government and saving an additional $12 million in U.S. reconstruction monies. The criminal fines, restitutions, forfeitures, civil settlement recoveries, and cost savings to the U.S. government from SIGAR’s ongoing investigations amount to more than $570 million to date. SIGAR’s suspension and debarment program referred 12
individuals and five companies for suspension and debarment this quarter based on allegations that they engaged in fraud or failed to perform under reconstruction contracts.

SIGAR also issued 17 performance audits, financial audits, alert letters, and other reports examining the reconstruction effort.

One performance audit reported on a key foreign policy goal for the United States: improving the status of Afghan women. The audit found that although the Departments of Defense (DOD) and State, and the U.S. Agency for International Development (USAID) reported gains and improvements in the status of Afghan women in fiscal years 2011 through 2013, there was no comprehensive assessment available to confirm that these gains were the direct result of specific U.S. efforts.

A second performance audit found that more than $300 million in annual U.S. government funding for Afghan National Police (ANP) salaries is based on partially verified or reconciled personnel and payroll data. The MOI does not have sufficient controls in place to ensure that this data is accurate and that ANP personnel are receiving their intended salaries, increasing the risk that U.S. funding for salaries could be wasted or abused.

A third performance audit determined that DOD implemented more than 75% of SIGAR’s 209 recommendations in a timely, successful manner, reducing the risk of waste, fraud, and abuse of U.S. reconstruction funds.

SIGAR’s financial audits in this reporting period identified nearly $23.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR’s financial audits have identified more than $106.7 million in questioned costs and $198,368 in unremitted interest on advanced federal funds, and agencies have issued bills for collection to recover more than $8.5 million in questioned amounts.

This quarter, I must once again reiterate my concerns about the policies of the U.S. Army’s suspension and debarment program. As I have pointed out in our last seven quarterly reports, the Army’s refusal to suspend or debar supporters of the insurgency from receiving government contracts because the information supporting these recommendations is classified is not only legally wrong, but contrary to sound policy and national-security goals.

However, I am encouraged by the fact that the new U.S. military leadership in Afghanistan shares our concerns about this issue. Following a briefing by SIGAR in Afghanistan this quarter, we learned that the Army’s newly appointed Suspension and Debarment Official has begun a review of the issue. I am hopeful that common sense will ultimately be applied to the Army’s suspension and debarment program to prevent supporters of the insurgency from obtaining government contracts.

With the departure of Coalition combat troops and the concomitant drawdown of U.S. civilian personnel, Afghanistan has entered a new era. In these circumstances, U.S.-funded reconstruction will require more aggressive oversight than ever, even as carrying out that oversight becomes more difficult and dangerous. SIGAR will continue to oversee U.S. spending and operations to protect the U.S. taxpayer’s investment in the historic effort to rebuild Afghanistan.

Respectfully,

John F. Sopko
Special Inspector General for Afghanistan Reconstruction
This report provides a summary of SIGAR’s oversight work and an update on developments in the three major sectors of Afghanistan’s reconstruction effort from October 1 to December 31, 2014.* It also includes a discussion of coordination of aid to Afghanistan. During this reporting period, SIGAR published 17 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, construction deficiencies, and other threats to health and safety. SIGAR also announced the creation of its new Lessons Learned Program and published its first High-Risk List. SIGAR’s Investigation Directorate had an exceptionally productive quarter, with monetary results totaling over $65.8 million from criminal fines, restitutions, forfeitures, contract monies protected, and civil settlement agreements. SIGAR investigations also resulted in five arrests, six indictments, six convictions, one sentencing, and the discharge of a U.S. military member. In Afghanistan, 10 individuals were barred from access to military installations. SIGAR’s suspension and debarment program referred 12 individuals and five companies for suspension or debarment based on allegations that they engaged in fraud and non-performance in contracts.

SIGAR OVERVIEW

AUDITS
SIGAR produced one audit alert letter, three performance audits, six financial audits, and two inspections. The alert letter addressed:
• Concerns about the Sheberghan-Mazar natural gas pipeline, repaired in part by the Department of Defense’s (DOD) Task Force for Business and Stability Operations (TFBSO).

The performance audits found:
• Although DOD and State, and the U.S. Agency for International Development (USAID) reported gains and improvements in the status of Afghan women in fiscal years 2011 through 2013, there was no comprehensive assessment available to confirm that these gains were the direct result of specific U.S. efforts.
• More than $300 million in annual U.S. government funding for Afghan National Police (ANP) salaries is based on partially verified or reconciled personnel and payroll data. The MOI does not have sufficient controls in place to ensure that this data is accurate and that ANP personnel are receiving their intended salaries, increasing the risk that U.S. funding for salaries could be wasted or abused.
• DOD implemented more than 75% of SIGAR’s 209 recommendations in a timely, successful manner, reducing the risk of waste, fraud, and abuse of Afghan reconstruction funds.

The financial audits identified nearly $23.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, failure to provide contractually required costs and GPS locations for contract project sites, unapproved equipment purchases, failure to account for and track assets purchased, rental expenses incurred and billed after the end of the period of performance, failure to follow competitive procurement procedures, personal use of company-purchased vehicles, business receipts taxes erroneously charged to the U.S. government, incorrectly calculated currency exchange transactions, unauthorized overtime compensation, missing personnel timesheets, improper disposition of nonexpendable equipment, lack of documentation to support costs incurred, subcontract charges higher

* Per statute, SIGAR may also report on products and events occurring after December 31, 2014, up to the publication date.
than approved subcontract amounts, and ineligible entertainment expenses.

The inspection reports of U.S.-funded facilities found:
- At ANA Camp Commando, the generators were not synchronized and could only provide about 25% of the planned total power output; the fuel pumps at the fuel point had not been used; and the dining facility was built for 280 Afghan soldiers but was handling 1,600 soldiers.
- A dry-fire range built at a cost of nearly half a million dollars to the U.S. government disintegrated four months after construction was completed due to poor contractor performance and a lack of government oversight.

NEW AUDITS AND INSPECTIONS
This quarter, SIGAR initiated four new performance audits to assess DOD's support to the ANA’s Technical Equipment Maintenance Program (A-TEMP), DOD and State's progress made in completing FY 2011 Afghanistan Infrastructure Fund (AIF) projects, USAID’s use of the Measuring Impacts of Stabilization Initiatives (MISTI) contract to measure agency progress in its stabilization programs, and U.S. government efforts to improve access to and quality of primary and secondary education in Afghanistan. SIGAR also initiated three new inspections of the Sheberghan Teacher Training Facility, the Gardez Hospital, and the Afghan Air Force Air University.

SPECIAL PROJECTS
During this reporting period, the Office of Special Projects issued four inquiry letters addressing:
- USAID's response to SIGAR's original inquiry letter, concerning the recovery of questioned costs identified in several SIGAR financial audits
- DOD's Light Air Support (LAS) aircraft program
- State's public diplomacy grant program
- TFBSO's troubling business practices

INVESTIGATIONS
SIGAR recovered a record $53.7 million for the U.S. government through Civil Settlement Agreement payments, and saved the government another $12 million through its investigative work. Criminal investigations resulted in five arrests, six indictments, six convictions, a sentencing, the discharge of a U.S. military member, and $105,000 in fines, restitution, and forfeitures.

In Afghanistan, 10 individuals were barred from U.S. military installations. SIGAR initiated 38 new investigations and closed 34, bringing the total number of ongoing investigations to 328. SIGAR’s suspension and debarment program referred 12 individuals and five companies for suspension or debarment.

Investigations highlights include:
- Total payments to the U.S. government of $53.7 million from three Civil Settlement Agreement payments
- Two investigation resulting in recoveries of over $1.2 million for the U.S. government
- An undercover operation that helped thwart a scheme to steal $800,000 worth of U.S. government property
- A U.S. Army staff sergeant discharged “other than honorable” from the military for the sale and distribution of alcohol while deployed to Afghanistan
- A former U.S. Army specialist pleading guilty to fuel theft scheme
- Three U.S. military members pleading guilty to embezzlement scheme
- Two businessmen arrested for bribery in the United Kingdom
- A former U.S. Army sergeant pleading guilty to bribery scheme
- An investigation resulting in a $10 million cost savings for the U.S. government
- The sentencing of one U.S. contractor for bribery, the indictment of another for fraud, and a guilty plea from a third for stealing U.S. government property
- A U.S. Army staff sergeant arrested and indicted on charges of bulk cash smuggling, false statements, theft of government property, smuggling goods to the United States, and wire fraud
- A contractor barred from military installations
- The recovery of an armored pickup truck worth $103,000
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—Congressional Research Service
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Despite more than a decade of multilateral efforts, achieving effective coordination of assistance to Afghanistan remains an elusive goal for the United States, other donors, and the Afghan government.

The stakes are high on both sides of the aid transaction. Experience and research show that well-coordinated aid can reduce transaction costs and increase aid effectiveness for security, development, and humanitarian conditions. Increasing aid effectiveness is especially important in Afghanistan, where much is yet to be achieved while resources are diminishing.

The World Bank characterizes impoverished, largely illiterate, and battle-scarred Afghanistan as an “extreme outlier” in its reliance on foreign aid for at least 50% of gross national income. The Afghan government said in a paper prepared for the London Conference in December 2014 that “Afghanistan is facing an economic crisis with the transition taking a heavier than expected toll on the economy and the pace of reforms. Private sector confidence has slumped and a fiscal crisis is underway.”

The Afghan government’s paper explained that “The social and economic impacts of the sharp scale-down of [foreign] activities were considered to be marginal, but it is now clear that this was a miscalculation and the economic effects of [U.S.-led Coalition] withdrawal have been and will continue to be severe, creating a sizable fiscal gap in the Afghan economy.”

Just a week after the London Conference, the Afghan treasury chief told Reuters News that his country lacked cash to pay salaries for its civil servants, teachers, and other employees, and needed immediate help from donors.

In sum, the year 2015—the first full year for the new Afghan administration and for the country’s “Decade of Transformation”—opens with a display of daunting obstacles for the Afghan government:

- But for a small U.S. counterterrorism force, foreign troops’ combat missions have ended, leaving responsibility for security to the Afghan National Security Forces (ANSF), while violent incidents and Afghan casualties have increased.
- Donors are showing no eagerness to expand aid, and the duration of the counterinsurgency struggle, weakness in the Afghan state, and terrorist

Kabul, Afghanistan, street scene. (Wikimedia Commons photo by Christopher Killalea)
or geopolitical threats in other areas of the world are contributing to “donor fatigue” with Afghanistan’s problems.

- Despite reforms and revenue-mobilizing efforts, the Afghan government cautions that “A large fiscal gap is expected to persist through 2025 and Afghanistan will continue to require high levels of donor grant assistance.”5
- The Afghan economy is weakening, government revenues are falling far short of targets, and the need for foreign assistance to close the resulting fiscal gap is growing. But the Ministry of Finance reported that as of fall 2014, external grants for the first 10 months of the Afghan fiscal year were 6.5% lower than the same period a year earlier.6

The United States has been the lead donor to Afghanistan since the establishment of the post-Taliban government in 2002, but according to the Organization for Economic Cooperation and Development’s (OECD) most recent summary, other donors contributed more than half of total official development assistance to the country during 2011–2012,7 not counting the costs of their own military operations in Afghanistan.8 Besides the United States, leading donors have included the governments of Australia, Canada, Denmark, France, Germany, Japan, Norway, and United Kingdom, and international organizations such as the Asian Development Bank. Nongovernmental organizations (NGOs) like the Aga Khan Foundation, Oxfam, and Doctors Without Borders have also provided significant assistance in Afghanistan.

The bulk of the $107.5 billion Congress has appropriated for Afghan reconstruction since fiscal year (FY) 2002 has gone to create and sustain the ANSF, with a smaller but still significant amount dedicated to reconstruction and development. See the Status of Funds section and Appendix B of this report for details.

The 60-nation London Conference saw the United States and other donors reaffirm their commitment to provide another $16 billion of aid to Afghanistan through 2015 and to continue aid “at levels commensurate with the last decade through 2017.”9 Whether governmental, multilateral, or NGO, donors have many billions of dollars invested in and pledged to aiding Afghanistan. Unfortunately, much assistance remains unilaterally determined by donors and uncoordinated with recipients, other donors, or even among single donors’ agencies, while multilateral organizations and trust funds intended to improve coordination can be hobbled by earmarked contributions and their own shortcomings in management and accountability.

For donors and for Afghanistan, then, the country’s current travails and uncertain future make this a critical time to ask how better coordination of international aid could reduce costs and increase effectiveness.
COordinating AID

HOW COORDINATED IS INTERNATIONAL AID?

“Aid coordination is a very desirable objective,” say development economists at the Paris School of Economics and the University of Namur in Belgium, “because it can reduce the costs of delivering and monitoring aid (the transaction cost effect) and improve the targeting of the poor (the governance effect)… In practice, however, we observe too little of such aid coordination.”

Coordination problems—whether in sharing information, agreeing on goals, selecting priorities, assigning division of labor, sequencing initiatives, working with developing-country institutions and stakeholders, or other aspects of collaborative undertaking—run the gamut from multinational and national issues, to departmental and programmatic shortcomings within a single country’s operations. Coordination issues in Afghanistan are a subset—in an unusually fraught arena—of issues in the broader set of international concerns.

Aid coordination and effectiveness are long-standing concerns of the international-assistance community, reflected in agreements like the 2003 Rome Declaration on aid harmonization. Soon thereafter, a conference of international aid donors, including the United States, issued the Paris Declaration on Aid Effectiveness in 2005. The Paris Declaration called for improving aid effectiveness by promoting and monitoring (1) recipient-country “ownership” through poverty reduction, institutional improvement, and anticorruption efforts; (2) donor “alignment” with local objectives; (3) “harmonization” via donor-countries’ coordination, procedure simplification, and information sharing; (4) “results” focus on measurable gains in development; and (5) “mutual accountability” for results between donors and partners. Other conferences have echoed and reaffirmed those goals.

Results have been mixed. The Congressional Research Service (CRS) notes that coordination is “a major theme” of donor agreements and is a stated goal of U.S. foreign policy. “Nevertheless,” CRS reports, “donors on average, and the United States in particular, have had limited success in meeting the coordination goals they established for themselves.” The problem includes American intragovernmental shortcomings: “It has long been recognized by analysts and other aid professionals that lack of coordination between the two dozen or so U.S. departments and agencies involved in foreign assistance is an obstacle to coordination with other donors, in addition to a source of inefficiency and incoherency within the U.S. aid structure.”

At least three statistical studies by teams of European researchers have likewise found that much international aid remains fragmented and uncoordinated despite Paris Conference promises.

The concern about fragmentation and noncoordination is not new. A World Bank paper of November 2001—just after the U.S.-led overthrow of the Taliban regime—noted that while the United States and the European Union were the largest bilateral aid donors to Afghanistan, most of the

“Where possible, it is important to work together on: upstream analysis; joint assessments; shared strategies; and coordination of political engagement. Practical initiatives can take the form of joint donor offices, an agreed division of labour among donors, delegated cooperation arrangements, multi-donor trust funds and common reporting and financial requirements. Wherever possible, international actors should work jointly with national reformers in [recipient-country] government and civil society to develop a shared analysis of challenges and priorities.”

assistance was then being delivered by NGOs. The Bank cited some coordination improvements, but added, “Aid delivery remains highly fragmented. There are cases of duplication, working at cross-purposes, and ‘crowding’ on the part of both UN agencies and NGOs in response to donor demands.”

In the same vein, Dr. Siegfried Wolf of Heidelberg University’s South Asia Institute notes in a review of post-2001 interventions and future scenarios in Afghanistan that “Many of the development projects were not set up in coordination with the Afghan authorities. In addition, the foreign actors (governmental and non-governmental organizations) developed their own structures for decision-making and implemented projects in parallel to government projects.” The noncoordination, the author concludes, undermined the Afghan regime and “further contributed to mal-governance, corruption and weakening of political institutions.”

Problems have persisted despite more than a decade of effort to coordinate aid to Afghanistan. Early efforts included the pre-2001 Afghan Support Group of donors; the November 2001 Senior Officials Meeting on Reconstruction Assistance to Afghanistan held in Washington, DC; United Nations (UN), World Bank, and Asian Development Bank meetings in late 2001 to analyze aid gaps; the January 2002 International Conference on Reconstruction Assistance to Afghanistan held in Tokyo; and the 2002 creation of the Kabul government’s Afghan Assistance Coordination Authority and the United Nations Assistance Mission in Afghanistan (UNAMA). Numerous other meetings and conferences followed, most recently the London gathering.

America’s multi-billion-dollar development efforts in Afghanistan, largely executed through the U.S. Agency for International Development, have continued to draw notice for shortcomings in coordination even among U.S. entities. A 2009 CRS report said, “There is no overarching mechanism in place to coordinate or evaluate the broad range of foreign assistance activities.” In 2012, the Government Accountability Office (GAO) analyzed U.S. development activities in six Afghan districts and found 28 potential duplications—“potential” because data gaps and limitations, including lack of a shared database, prevented GAO from making a conclusive determination.

A 2011 SIGAR audit of U.S. programs to develop the Afghan financial sector found, among other things, that “U.S. agencies have not fully coordinated the implementation of their efforts.” The audit reported that a key interagency working group did not include all U.S. agencies involved in sector-program implementation, and that Department of Defense (DOD) and Department of Homeland Security officials had not coordinated their work when both were dealing with the same commercial banks. SIGAR observed, “Limited interagency coordination puts U.S. agencies at risk of working at cross-purposes or, at a minimum, missing opportunities to leverage existing relationships and programs.”
Summing up the current state of affairs, Tamim Asey, a former Afghan official and teacher at the American University of Afghanistan, wrote in a recent online column for Foreign Policy: “Donor coordination still remains a big challenge in Afghanistan; each donor pursuing their own stated goals and priorities through their own agencies, NGOs, and contractors with little reporting or transparency to the Afghan government.”

LACK OF COORDINATION HAS COSTS

Seeking coordination in development aid is more than an exercise in programmatic design or a quest for conceptual neatness. Failure to practice effective coordination can impose real costs on donors and recipients.

The German Federal Ministry for Economic Cooperation and Development has pointed out that recent years’ proliferation of bilateral donors, foundations, trust funds, and multilateral organizations engaged in development assistance “offers huge political and financial potential.” At the same time, the expanding aid universe promotes fragmentation, increases total transaction costs, creates inefficient duplication of administrative structures, and “binds—and often overstretches—governance capacities in partner countries, especially in the least developed and fragile states.” Note that these side effects are simply the consequences of the numbers of aid donors. If the donors themselves are also significantly uncoordinated—as the evidence cited earlier indicates—then the costs of noncoordination add to, or perhaps even multiply, the direct, indirect, and opportunity costs of the multi-pronged, loosely coordinated approach.

Like other fragile states, Afghanistan must deal with many donors. A paper prepared for the World Bank’s Independent Evaluation Group in 2013 counted 50 countries and organizations providing development (as distinct from humanitarian or security) assistance, with the United States accounting for 42% of the total and the top 10 donors accounting for 85%. Donors included OECD members acting bilaterally, multilateral organizations such as the UN, and “nontraditional” donors like Iran and Turkey.

Dealing with a plethora of donors imposes costs. As of November 2014, the Afghan Ministry of Finance had conducted 19 of its annual dialogue meetings with bilateral donors—the Asian Development Bank, Canada, the European Union, Finland, South Korea, Switzerland, and the World Bank, among others—and 17 more with UN agencies. The ministry said the proceedings took longer than planned for reasons including “non-availability of the donor’s data on time, rescheduling . . . by donors, security reasons, and [the] large number of the donors.”

Apart from loading poor countries like Afghanistan with multiple requirements for travel arrangements, security, translation services, and other needs of visitors, uncoordinated and fragmented development aid can also impose administrative burdens with requests for customized
Coordinating Aid

reports, nonstandard data, and specific formats. Such costs in time and money, though largely invisible to donors, are another part of the cost of noncoordination.

SO WHY DON'T DonORS COORDINATE MORE?

If better coordination could reduce costs for both donors and recipients and make aid more effective, why don’t we see more of it? Organizational dysfunction, bureaucratic inertia, or failure to apply best practices might be part of the answer, but there are also rational and pragmatic—though not necessarily enlightened—considerations that could explain some failures to coordinate.

For one thing, the Bonn-based German Development Institute notes, “There is no consensus on what the right level of coordination is or should be.” Further, “The political economy of donor coordination is complex; there are strong incentives working against more coordination (such as the interest of [donor-community] member states in ‘visibility.’”

As CRS observes, business-promotion efforts like “buy American” rules in providing aid hamper coordination, while “There are countries where the United States remains an active donor for reasons related more to strategic security advantages than to development outcomes.” If activities like building schools are part of a campaign to make Afghans view the United States more favorably, CRS adds, such strategic objectives “make it difficult for U.S. officials, and those from many donor countries, to delegate their authority to other donors for fear of losing the access and influence that are often a perceived trade-off for aid.”

In addition, donors may resist coordinating their aid because of policy preferences, such as favoring poverty reduction instead of rewarding governance reforms, or giving priority to security over advances in human rights. Other considerations that militate against aid coordination, according to researchers at Sweden’s University of Gothenburg, include tendencies to micromanage, desires to preserve independence or promote political influence, and assert administrative control, “in particular if aid is given to poorly governed or corrupt countries.” The authors conclude, “It seems clear that donors could save significant amounts of resources by reducing aid fragmentation, but the fact that they have not done this may be an indication that they consider the political costs of adjusting to be too high.”

Afghan school children in Kabul. (DOD photo by Robert Romano, U.S. Army)
TRUST FUNDS HELP, BUT NEED WATCHING

One mechanism with the potential to coordinate aid while providing reassurance to donors and simplifying life for recipients is the multilateral trust fund—an administrative entity that collects and disburses aid and provides a single point of contact and on-budget funding for the recipient country.

Multidonor trust funds, according to a study funded by the Norwegian government in cooperation with the Dutch, Canadian, and UK governments, “represent ‘best practice’ post-crisis funding” and are “by far the most important coordination, harmonization and alignment vehicle in place.” Such trust funds, the study says, are well suited to countries in need of immediate reconstruction, where governance and capacity are weak, and where risk, uncertainty and information costs are high.30

The appeal of such mechanisms for Afghanistan was noted early on. In 2002, Alastair McKechnie, then the World Bank’s country director for Afghanistan, recorded that “To avoid overburdening the [Afghan] government with administrative requirements and to provide transparency and accountability in the use of funds, a multi-donor trust fund was recommended to finance both the recurrent and development budget.”31 Accordingly, the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF) became operational in May 2002.

Other Afghan-focused, multi-donor development trust funds followed. The field now includes:

- The Law and Order Trust Fund for Afghanistan (LOTFA), established 2002 to support law enforcement, including salaries, training, and infrastructure. Administered by the United Nations Development Programme (UNDP), supported by 15 donors. Total U.S. contribution, FY 2002–FY 2015: $1.5 billion.
- The Afghanistan Infrastructure Trust Fund (AITF), established 2010 by the Asian Development Bank to provide grant co-financing to infrastructure projects and certain other investments from the private sector and donors. Supported by three donors. Total U.S. contribution, FY 2002–FY 2015: $105 million.
- The Peace and Reintegration Trust Fund (PRTF), established 2010 to support peace and reconciliation processes and reintegration of former combatants. UNDP-administered, supported by seven donors (the United States is not a donor). Total contributions to community-recovery aspect of fund activities, FY 2002–FY 2015: $121 million.
- The NATO Afghan National Army (ANA) Trust Fund, established 2007 by International Security Assistance Force (ISAF) nations but open to donations from the international community, provides funds for
equipment, services, and training for the ANA. The fund has received $971 million in contributions.

The United States also contributes to its own funds, the Afghanistan Security Forces Fund (ASFF), with total funding of $60.7 billion, and the Economic Support Fund (ESF), with total funding of $17.7 billion. For descriptions and data about each of these funds, see the Status of Funds section in this and prior SIGAR Quarterly Reports to Congress.

The World Bank has been a consistent supporter of the trust-fund approach. In 2001, the Bank argued that “A critical mass of international funding for [Afghan] reconstruction needs to be channeled through a well-designed trust fund on an un-earmarked basis. The trust fund should be managed by a credible institution, with sound mechanisms for resource allocation and accountability. Un-earmarked and untied funding is essential for ensuring alignment of funding and programs with the strategy for reconstruction.”

Trust funds are not, however, a magic bullet for coordination or aid effectiveness. In a 2011 review of its trust-fund portfolio, the World Bank noted that trust funds’ resource decisions:

- do not always conform to Paris Declaration principles
- may reflect diverging views and interests among donors, administrators, and recipients
- may not achieve sufficient coordination or recipient-country ownership
- may not align with recipient-country programs or with other aid sources
- may have effectiveness affected by design, such as lack of clear objectives, and management

The World Bank’s 2013 lessons-learned review of aid to Afghanistan offers an example of trust-fund problems regarding the LOTFA law-enforcement fund, which it said “has continually suffered from funding shortfalls and uncertainties,” as well as from “concerns about leakage of funds” and about the actual effectiveness of the Afghan police it supports.

SIGAR has repeatedly raised its own concerns about multilateral trust-fund management, transparency, and accountability. In September 2014, SIGAR issued letters of inquiry about ARTF and LOTFA issues. The letter concerning ARTF noted that up to 32 Afghan students and a teacher were injured in the collapse of a school built with funds from the ARTF, and asked USAID and the administering World Bank why the school had collapsed and what had been done to impose accountability.

A SIGAR letter about LOTFA raised several concerns about the trust fund and its oversight by UNDP. The letter noted $23 million in unsupported financial charges against LOTFA by the Afghan Ministry of Interior, over $15 million in miscoded and ineligible costs, possible overcompensation of Afghan personnel, a lack of mandate to audit and investigate Afghan
ministry processes, and an apparent disinclination of the UNDP to carry out fiduciary management. “If UNDP and LOTFA are not simply a conduit for funding,” Special Inspector General John Sopko wrote, “then a more aggressive approach to oversight is warranted.”36

The subsequent 16-page UNDP/LOTFA response described several changes made or under way to improve management and accountability of the trust fund. One item in the response illustrates the reason for SIGAR’s concerns: three ID-card reviews in late 2013 and the first half of 2014 determined that the Afghan human-resources information-management system “contains approximately 50,000 invalid ID cards.” The response added, “LOTFA recognizes that valid ID cards are a critical element to ensure that only active forces are paid, and [to] prevent irregularities within the payroll system.”37

SIGAR recognizes that the UNDP has made improvements in LOTFA, but believes that long-standing problems remain unresolved, and that considerably more progress is required to ensure that funds appropriated to support the Afghan National Police are in fact being used for their intended purpose. For example, a January 2015 SIGAR audit has found that “Neither CSTC-A [the U.S.-led Combined Security Transition Command-Afghanistan] nor UNDP has taken responsibility for verifying ANP personnel or payroll data.” Both entities acknowledge the importance of obtaining correct data, the audit noted, but “officials contradicted each other about who is ultimately responsible” for doing it.38

Dissatisfaction with LOTFA is not confined to donors. The New York Times reported in December 2014 that newly installed Afghan President Ashraf Ghani wants the UN to hand over control of LOTFA to Afghanistan within six months.39 Such a change could be expected, based on SIGAR’s and other oversight agencies’ work, to result in even less visibility into the uses of monies and to lower-quality execution and verification of expenditures by Afghan ministry staff.

**U.S. EFFORTS COULD IMPROVE COORDINATION**

Development assistance to Afghanistan—and to other developing countries—resists full and effective coordination for many reasons. But even after taking a cold, realistic view of competing motives and practical problems, there appears to be room for improvement that could benefit both donors and recipients.

The State Department’s forthcoming Quadrennial Diplomacy and Development Review (QDDR) could provide a good springboard for improvement. The QDDR office at the State Department told SIGAR the successor to 2010’s first edition should be published in February 2015. A harbinger of the new QDDR’s treatment of coordination may have appeared in June 2014, when USAID Administrator Rajiv Shah joined Secretary of
State John Kerry and Special Representative Thomas Perriello in a kick-off meeting for the new QDDR. Shah said one key principle guiding the new QDDR is that “We have to constantly be willing to do things differently, to continuously improve, to modernize, to partner with others, to get more leverage out of our relationships, and to more actively engage with the Congress and with partners all around the world.”

A whole-of-government perspective on American aid programs and opportunities could be of use in deciding whether some programs could be consolidated or terminated, and whether more funds should be rerouted from bilateral into multilateral channels such as the various trust funds. That exercise would of course require separating developmental interests from geopolitical and domestic-politics interests. As former U.S. Ambassador to Afghanistan Ronald E. Neumann has observed, “Coordinated strategies require compromise in goals, some of which must come from us. We—not only others—may need to let go of pet concepts that we try to impose from a distance” to promote better implementation on the ground.

For reasons suggested earlier, directing more U.S. aid into multilateral trust funds—and encouraging other donors to do likewise—could yield both cost savings and better outcomes through coordination and efficiencies, while also making progress on the commitment by the United States and other donors to deliver at least 50% of aid to Afghanistan on-budget.

But as SIGAR’s concerns with management of the ARTF and LOTFA trust funds indicate, the United States needs assurance that taxpayer cash funneled through such conduits can be tracked and evaluated, and that administrative failure or misconduct can be detected and corrected. Doing that without undermining the operational advantages of trust funds will be a large and long-term challenge.

Whether trust funds are indeed the best path to improved coordination, and whether U.S. policymakers conclude that taking further steps toward aid coordination is politically acceptable, it is clear that Afghanistan’s “Decade of Transformation” is off to a rocky start. A reeling economy and a determined insurgency require that every dollar of (likely diminishing) aid be targeted to best effect. A new SIGAR project could point the way to a path that benefits both donors and recipients of reconstruction aid to Afghanistan.

NEW SIGAR PROJECT WILL REVIEW COORDINATION TO IDENTIFY LESSONS AND BEST PRACTICES

SIGAR’s new Lessons Learned Program has launched a study of the challenges of effective aid coordination—and of aid coordination’s potential to improve the effectiveness of aid on the ground in recipient countries.
The project focuses on the effectiveness of U.S. coordination with external partners in administering development aid to Afghanistan. Spanning the period from the 2001 Bonn Conference, which paved the way for reestablishing an Afghan nation-state after the overthrow of the Taliban regime, to the London Conference in 2014, the project will examine how effectively aid to Afghanistan was prioritized, planned, coordinated, and overseen. The examination will consider both international criteria and U.S. objectives and intended outcomes.

The project has already conducted extensive research. Follow-on work will include numerous interviews with U.S., Afghan, and international government officials, and with other informed sources.

The completed project is intended to meet SIGAR’s statutory mandate to review the effectiveness of U.S. coordination with other donors and with the Afghan government. In the process, it will extract lessons and identify best practices that can both improve results in the future in Afghanistan—and in contingency environments that have not yet emerged. For example, under the aegis of Operation Inherent Resolve, the United States and partner nations including NATO members and Mideast states are conducting air strikes in Syria and Iraq against armed elements of ISIL, the Islamic State of Iraq and the Levant.42

On December 17, 2014, the DOD inspector general was designated as lead IG for Operation Inherent Resolve and tasked with acting jointly with the IGs of the U.S. State Department and the U.S. Agency for International Development to coordinate, plan, and provide oversight for that contingency operation.43 SIGAR plans to meet with the IG for Operation Inherent Resolve to discuss the new Lessons Learned Program. If, as in Afghanistan, the initial phase of military operations is followed by a program of internationally funded reconstruction and development for the populations and areas affected by ISIL, then coordination of that assistance will present another challenge to the donor community.
“Ministerial capacity to disburse development funds will continue to be a significant challenge in the years to come, and the U.S. should not lower its oversight standards in providing on-budget assistance.”

—U.S. Senate Foreign Relations Committee, Majority Staff Report
SIGAR
OVERSIGHT
U.S. taxpayers paid nearly $500,000 to build a dry-fire training facility, or one that does not use live ammunition, for Afghan police in Wardak Province. It is being rebuilt because the original started disintegrating four months after it was finished. (National Police Training Center photo)
SIGAR OVERSIGHT ACTIVITIES

This quarter SIGAR issued 17 audits, inspections, alert letters, and other reports. SIGAR recovered a record $53.7 million for the U.S. government through Civil Settlement Agreement payments, and saved the government another $12 million through its investigative work. This quarter SIGAR also published its first High-Risk List and announced the creation of its Lessons Learned Program (LLP) to expand oversight of U.S. reconstruction funds.

In SIGAR’s audit work this quarter, one performance audit found that although the Departments of Defense (DOD) and State and the U.S. Agency for International Development (USAID) reported gains and improvements in the status of Afghan women in fiscal years 2011 through 2013, there was no comprehensive assessment available to confirm that these gains were the direct result of specific U.S. efforts.

A second performance audit found that more than $300 million in annual U.S. government funding for Afghan National Police (ANP) salaries is based on partially verified or reconciled personnel and payroll data. The MOI does not have sufficient controls in place to ensure that this data is accurate and that ANP personnel are receiving their intended salaries, increasing the risk that U.S. funding for salaries could be wasted or abused.

A third performance audit determined that DOD implemented more than 75% of SIGAR’s 209 recommendations in a timely, successful manner, reducing the risk of waste, fraud, and abuse of Afghan reconstruction funds.

This quarter, SIGAR’s financial audits identified nearly $23.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR’s financial audits have identified more than $106.7 million in questioned costs and $198,368 in unremitted interest on advanced federal funds. Agencies have issued bills for collection for 21 of the completed audits in order to recover more than $8.5 million in questioned amounts.

SIGAR published one inspection report on Phase II of the Afghan National Army (ANA) Camp Commando, which found that the generators were not synchronized and could only provide about 25% of the planned total power output; the fuel pumps at the fuel point had not been used; and the dining facility was built for 280 Afghan soldiers but was handling 1,600 soldiers. In that report, SIGAR expresses concern that the U.S. government issued a
**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 about whether an entity’s reported condition, results, and use of resources. 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.

The U.S. Army Corps of Engineers stated was damaged by the ANA making an improper and unauthorized connection to a transformer, and repairing and synchronizing the generators to allow for parallel operation—all initially part of the Phase II work. In addition, even though the fuel point constructed in Phase II—at a cost of $332,000—has never been fully used as intended, a second, larger fuel point was built by a new contractor under Phase III at a cost of approximately $1 million. A second inspection report found that a dry-fire range built at a cost of nearly half a million dollars to the U.S. government disintegrated four months after construction was completed due to poor contractor performance and a lack of government oversight.

SIGAR’s Office of Special Projects wrote inquiry letters to USAID, DOD, and the State Department to express concerns about decisions in which questioned costs were not fully recovered, the potential for training and maintenance problems with a Light Air Support aircraft program, a dramatic increase in State’s public affairs grants, and allegations of mis-spending and mismanagement at TFBSO. Due to DynCorp International’s prolonged failure to respond to a Special Project inquiry letter, SIGAR issued a subpoena this quarter. Subsequently, DynCorp produced the requested documents and promised continued cooperation.

SIGAR also announced the creation of its new Lessons Learned Program (LLP). The LLP will 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 in Afghanistan. The LLP is a central component of SIGAR’s legislative mandate to inform the Secretaries of State and Defense about: (1) problems and deficiencies relating to the reconstruction, and (2) the need for corrective actions. It also complements SIGAR’s 2014–2016 strategic plan to provide recommendations and assistance to help stakeholders address systemic problems facing U.S.-funded reconstruction effort.

SIGAR published a High-Risk List this quarter to draw attention to program areas and elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse.

During the reporting period, SIGAR recovered $53.7 million for the U.S. government from Civil Settlement Agreement payments. SIGAR investigations saved the U.S. government more than $12 million. Criminal investigations resulted in five arrests, six indictments, six convictions, a sentencing, the discharge of a U.S. military member and $105,000 in fines, restitution, and forfeitures. In Afghanistan, 10 individuals were barred from U.S. military installations. SIGAR initiated 38 new investigations and closed 34, bringing the total number of ongoing investigations to 328. Savings to date from SIGAR investigations total over $570 million. SIGAR’s suspension
and debarment program referred 12 individuals and five companies for suspension or debarment. Seven 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 564—encompassing 304 individuals and 260 companies to date.

AUDITS
SIGAR conducts performance audits, inspections, and financial audits of programs and projects connected to the reconstruction in Afghanistan. Since its last report to Congress, SIGAR has issued three performance audits, two inspections, six financial-audit reports, and one audit alert letter. This quarter SIGAR also began four new performance audits, bringing the total number of ongoing performance audits to 13. The published performance-audit reports examined DOD, State, and USAID progress in implementing funding and efforts to support Afghan women; the risks to $300 million in annual U.S. government payments to ANP salaries; and the status of SIGAR’s recommendations to DOD. The performance audits made a total of eight recommendations; the inspections made six. The financial audits identified nearly $23.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues.

Alert Letters
With Afghanistan in the midst of transition, U.S. military and civilian officials have asked SIGAR to provide them with real-time information to prevent waste and increase the effectiveness of U.S. reconstruction programs. One of SIGAR’s main goals is to provide implementing agencies and Congress with actionable information while there is still time to make a difference. To achieve that goal, SIGAR sends alert letters to highlight concerns in real time while implementing agencies are still able to act. During this reporting period, SIGAR sent one alert letter, addressing a natural-gas pipeline repaired in part by TFBSO.

Audit Alert Letter 15-15-AL: TFBSO Pipeline
On November 3, SIGAR wrote to DOD regarding the safety of a natural gas pipeline in northern Afghanistan, which TFBSO helped repair. During the course of a SIGAR audit of U.S. efforts to develop Afghanistan’s extractive industries, SIGAR was informed that the Sheberghan-Mazar pipeline had suffered years of corrosion and had been operating at low pressure between 2004 and 2011. Since 2011, TFBSO had been engaged in an initiative to rehabilitate the 89.1 km pipeline, but the project was not yet completed before TFBSO ceased its work in Afghanistan on November 21, 2014.
A June 2004 report by Sofregaz, a France-based engineering company specializing in natural gas, presented the results of its evaluation of Afghanistan’s gas transmission and distribution infrastructure. Sofregaz’s report noted high leakage rates along the Sheberghan-Mazar pipeline resulting from “corrosion, poor design, low quality welding and a lack of proper pipe supports.” According to Sofregaz, these deficiencies created the conditions for catastrophic failure, although the report noted that the danger of this happening was mitigated by the pipeline’s low operating pressure. The Sofregaz report recommended an assessment of the Sheberghan-Mazar pipeline to identify the level of leakage and the condition of the pipeline, as well as the development of a repair policy and the replacement of heavily affected sections.

TFBSO analyzed data collected by Afghan Gas Enterprise (AGE) engineers to determine the extent of pipeline corrosion. While TFBSO determined that eventual replacement was warranted, they opted to procure only 15 km of pipe, which AGE would replace. However, AGE had connected only 12 km of the 15 km before TFBSO ceased field operations.

USAID and U.S. Embassy Kabul officials have expressed reservations about the rehabilitation project, pointing out that only a small number of discrete sites on the pipeline were tested for corrosion. Furthermore, there is concern that AGE lacks the capacity to complete the remaining 3 km replacement, incrementally increase pressure while checking for leakages, and perform future maintenance without continued support and guidance, concerns echoed by SIGAR.

According to TFBSO’s response to these concerns, the 12 km of the pipeline that it replaced accounted for the majority of the leaks, and TFBSO notes that it successfully assisted the AGE in tying in two sections of pipeline with the AGE independently tying in four of five remaining sections. However, the final section has yet to be tied in because of security concerns and the departure of security forces from the area. Although TFBSO’s response details a variety of capacity-building efforts, SIGAR remains concerned about the AGE’s ability to properly survey the pipeline. TFBSO states in its response that the “entire 89.1 kilometer of pipeline is regularly surveyed for leaks by the AGE through direct assessment methods.” However, TFBSO’s response goes on to state that there are insecure areas that prevent AGE from conducting leakage surveys. Despite this, TFBSO expects AGE to survey the pipeline “as necessary and as security conditions allow.” Regardless of the reason, AGE’s inability to fully inspect the pipeline is cause for concern.

Performance Audit Reports Published
This quarter SIGAR published three performance audits that examined DOD, State, and USAID progress in implementing funding and efforts to support Afghan women; the risks to $300 million in annual U.S.
government payments to ANP salaries; and the status of SIGAR’s recommenda-
tions to DOD.

Audit 15-24-AR: Afghan Women
Comprehensive Assessments Needed to Determine and
Measure DOD, State, and USAID Progress
Since 2001, the U.S. government has made improving the lives of Afghan
women and girls a priority and has solidified its commitment through
the U.S. Embassy Kabul Gender Strategy; funding designated for Afghan
women; and programming to support this vulnerable group. However,
despite reported improvements in conditions for Afghan women, U.S. agen-
cies, the Congress, nongovernmental organizations, and members of Afghan
civil society have expressed concerns that Afghan women still face chal-
lenges and that gains made since 2001 may be difficult to sustain.

This audit followed up on SIGAR’s 2010 report on U.S. funding design-
ated for Afghan women. Its objectives were to (1) evaluate the extent
to which DOD, State, and USAID can identify and track U.S. funding and
efforts to support Afghan women implemented from fiscal years 2011
through 2013; (2) determine the extent to which U.S. agency coordination
has improved since SIGAR’s 2010 report; and (3) evaluate the extent to
which DOD, State, and USAID have assessed the overall impact of their
efforts to support Afghan women, and are prepared to do so beyond 2014,
in view of current and future challenges.

Although DOD, State, and USAID reported gains and improvements in
the status of Afghan women in fiscal years 2011 through 2013, SIGAR found
that there was no comprehensive assessment available to confirm that these
gains were the direct result of specific U.S. efforts. Further, although the
agencies monitor and evaluate most of their individual efforts at the pro-
gram or project-level, none of the agencies has compiled this information
into an agency-level assessment of the impact these efforts have had on the
lives of Afghan women, in accordance with best practices in managing and
assessing government programs, and as called for in the 2011 United States
Embassy Kabul Gender Strategy.

Together, DOD, State, and USAID reported spending at least $64.8 million
on 652 projects, programs, and initiatives to support Afghan women in fis-
cal years 2011 through 2013. However, SIGAR found that the full extent of
the agencies’ efforts to support Afghan women was unclear. For example,
State and USAID reported spending an additional $850.5 million on 17
projects, but could not identify the specific amount of funds within these
projects that directly supported Afghan women. This lack of accountability
is primarily due to the fact that none of the three agencies has effective
mechanisms for tracking the funding associated with these projects.
SIGAR also found that agency responsibility for projects and programs to benefit Afghan women was fragmented. For example, multiple DOD commands and State bureaus and offices are responsible for implementing, tracking, and reporting on the departments’ efforts relating to Afghan women. As a result, no single DOD or State office was able to readily identify the full extent of their department’s efforts to support Afghan women. In addition, USAID officials told SIGAR that although gender equality and female empowerment policy goals are integrated into all of their programs, it was not possible to track funding by gender in the agency’s financial management system, and its implementing partners did not separate funding by gender. The inability to identify the portion of the programs and related funding that specifically supports Afghan women could lead to inaccurate reporting of the agencies’ efforts.

Since SIGAR’s 2010 report on U.S. funding directed at supporting Afghan women, DOD, State, and USAID have taken steps to improve coordination of their efforts in this area. The Interagency Gender Working Group and the Afghanistan Gender Task Force—both established in late 2010—are the primary mechanisms for the U.S. agencies to exchange information and coordinate efforts within Afghanistan. The three agencies also coordinate their efforts with Coalition partners, Afghan ministries, and international and nongovernmental organizations in Afghanistan, although the mechanisms for doing so varied in method and frequency. Officials from all three agencies reported that although the number of projects, programs, and initiatives specifically intended to benefit Afghan women will be consolidated after 2014, their efforts to support Afghan women will continue and, in some cases, the funding for these efforts will increase. However, the lack of agency-level assessments of the impact of these efforts to date, combined with ongoing challenges to implementing efforts to support Afghan women and with the U.S. government’s expected reduced visibility over activities, will make it difficult for agency leaders and the Congress to understand and make decisions on future programs and funding in support of Afghan women.

SIGAR recommends that the Secretaries of Defense and State and the USAID Administrator take action, and report back to SIGAR within 90 days, to (1) develop and implement agency-wide mechanisms to track the number and funding—both obligated and disbursed—of projects, programs, and initiatives that, either wholly or in part, support Afghan women; (2) use existing program-level monitoring and evaluation data and reports to conduct an agency-wide assessment of each agency’s efforts to support Afghan women, which can be used as benchmarks for future programming and assessments; and (3) develop a plan and timeframes for assessing each agency’s efforts to support Afghan women on an ongoing basis that account for the changing operational environment in Afghanistan, and implement the plan going forward. In commenting on a draft of this report, DOD partially concurred with SIGAR’s recommendations, stating that it has plans
to track future spending on women in the Afghan National Security Forces (ANSF) and that its existing progress reports provide an overall assessment of women in Afghanistan.

**Audit 15-26-AR: Afghan National Police**

*More than $300 Million in Annual, U.S.-Funded Salary Payments Is Based on Partially Verified or Reconciled Data*

Since 2002, the U.S. government has provided more than $15 billion to train, equip, and sustain the ANP. In 2002, the United States and other international donors established the Law and Order Trust Fund for Afghanistan (LOTFA), administered by the United Nations Development Programme (UNDP), to fund ANP salaries and other payroll costs. As of July 2014, the international community had contributed $3.6 billion to the fund, with the United States contributing $1.3 billion of the total.

In March 2014, the Combined Security Transition Command-Afghanistan (CSTC-A) reported that the ANP had 152,678 assigned personnel, filling 97% of the force’s 157,000 authorized positions. Although the MOI and the ANP collect personnel and payroll data, CSTC-A and UNDP are required to verify this data. Accurate data is necessary for the Afghan government to ensure the security and stability of the country—for example, by providing police full and accurate salary payments—and for the United States and others to determine funding levels and transition strategy as the ANSF assumed control over security in Afghanistan at the end of 2014.

Despite 13 years and several billions of dollars in salary assistance to the Afghan government for the ANP, there is still no assurance that personnel and payroll data are accurate. Since 2006, U.S. government audit agencies have consistently found problems with the tracking and reporting of ANP personnel and payroll data. Although all entities involved—the U.S. and Afghan governments as well as the international community—have been working to develop effective ANP personnel and payroll processes, those processes continue to exhibit extensive internal control deficiencies. In a 2011 audit of the ANP payroll process, SIGAR found that many weaknesses—such as irreconcilable and unverified data, a lack of data reconciliation and verification procedures, and difficulties implementing electronic systems—continue to pose challenges to CSTC-A, the UNDP, LOTFA, and the MOI and MOF.

CSTC-A and UNDP rely on the MOI and the ANP to collect and accurately report personnel and payroll data. However, the ANP’s process for collecting attendance data, which forms the basis of all ANP personnel and payroll data, has weak controls and limited oversight. ANP oversight officials are not generally co-located with the unit-level officer responsible for collecting attendance data. Further, neither CSTC-A nor UNDP officials are present to oversee the data collection and reported limited knowledge of and influence over the process. Also, a daily sign-in, sign-out system for
recording attendance was reportedly only used by officers and not enlisted personnel, so there is no documentation that unit commanders are accurately reporting subordinate personnel attendance. All these factors could result in personnel being paid for days not worked, either with or without knowledge of supervisory personnel.

SIGAR found that the two main electronic systems used for ANP personnel and payroll data—the Afghan Human Resource Information Management System (AHRIMS) and the Electronic Payroll System (EPS)—are not fully functional, cannot communicate directly with each other, and do not span all personnel and payroll data processes. This situation exists, in part, because MOI-issued ANP identification cards and identification numbers—intended to be the bridge between the two systems—are not consistently or effectively used for daily attendance, and some ANP personnel have not yet received an identification card. In addition, both systems contain thousands of personnel records with incorrect or missing identification numbers. As a result, controls—such as automated data transfers, the capability to reconcile personnel between systems, and reduced dependence on handwritten reports—are not in place, and the risks of relying on untimely, inaccurate, or falsified ANP personnel and payroll data persist.

Even if AHRIMS and EPS were fully integrated, SIGAR found that the systems would still have internal control weaknesses. AHRIMS (1) was unable to distinguish between active and inactive personnel, making it difficult for CSTC-A to determine what percentage of active ANP personnel had records in the system; and (2) did not yet contain data matching active ANP personnel records with the authorized position each person was filling. Similarly, EPS (1) was not fully functional at all provincial headquarters, leaving records for over half of ANP personnel subject to manual data entry; (2) did not prevent payments to more personnel per province than authorized; and (3) could not calculate or verify whether incentive payments or payroll deductions were accurate.

SIGAR found that nearly 20% of ANP personnel are at risk of not receiving their full salaries because they are paid in cash by an MOI-appointed trusted agent, a process that lacks documentation and accountability. CSTC-A and UNDP officials told SIGAR that there is limited oversight of trusted agents and a higher risk that funds may be subject to corruption. Further, CSTC-A reported that corrupt practices within the trusted agent system of salary payments “could take as much as 50 [percent] of a policeman’s salary.”

CSTC-A, UNDP, and the MOI are each supposed to be responsible for verifying ANP personnel and payroll data. The verifications that these organizations performed were ad hoc and uncoordinated, and no one has conducted a comprehensive verification to cover all ANP personnel and payroll processes. CSTC-A could not provide SIGAR with written procedures for how it validates ANP personnel totals and officials confirmed that over the past year they accepted, without question, all personnel totals provided
by the MOI. Because CSTC-A does not conduct required reconciliation practices, the command is unable to independently verify that the correct number of ANP personnel is being reported and that they are the same personnel who are receiving U.S. and other donor-funded salary payments. CSTC-A noted that limited staffing prevented the implementation of a full audit program as required by its standard operating procedures. Of concern, the only audit CSTC-A conducted in 2013 of ANP payroll data identified serious deficiencies, including improper salary deductions and late payments. CSTC-A officials also reported that the Afghan government has not provided required monthly financial and data reports and that CSTC-A has not requested the documentation due to staff shortages.

UNDP has contracted with an independent monitoring agent to conduct regular verification of ANP payroll data and LOTFA expenditures. SIGAR found that the agent’s sampling methodology for physically verifying personnel was not sufficiently detailed and documented in its monitoring plan or reporting, and was inconsistently applied. This inconsistent approach may have artificially inflated the percentage of successfully verified personnel from 59% to as much as 84%.

As U.S. and Coalition forces continue to draw down and transfer security responsibility to the Afghan government by the end of 2014, the U.S. government will have increasingly limited visibility over ANP data collection processes. As a result, the U.S. government will become even more reliant on the MOI’s ability to verify the accuracy of the personnel and payroll data it collects, as well as UNDP’s oversight of LOTFA funds. Unless the MOI develops the capability to ensure and verify the accuracy of ANP personnel and payroll data, there is a significant risk that a large portion of the more than $300 million in annual U.S. government funding for ANP salaries will be wasted or abused.

SIGAR recommends the Commander, U.S. Forces-Afghanistan (USFOR-A)—in coordination with the MOI, UNDP, and other donors—implement five actions to improve oversight of the ANP personnel and payroll data collections processes; ensure that ANP incentive payments and salaries are accurate; and improve oversight of U.S. and other donor funding for the ANP provided through LOTFA. These actions include using fully operational and integrated electronic systems to track and report all ANP personnel and payroll data; implementing a process to verify that ANP personnel obtaining their salaries via trusted agent receive full, accurate payments; and ensuring the LOTFA monitoring agent develops and documents a sound methodology and consistently implements it when physically verifying personnel.
SIGAR OVERSIGHT ACTIVITIES

Audit 15-29-AR: Department of Defense
More than 75% of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented

SIGAR initiated this review to (1) identify and assess the status of SIGAR recommendations made to DOD in all performance audits, financial audits, and inspections; and (2) review actions taken or planned by DOD to address any open recommendations.

To accomplish these objectives, SIGAR examined all 209 recommendations made to DOD from SIGAR's inception in January 2008 through June 2014, and conducted an analysis to determine the number of open, closed and implemented, and closed but not implemented recommendations.

In conducting the analysis, SIGAR categorized each recommendation by broad sector, recommended action, and intended outcome. Finally, SIGAR examined documentation that DOD provided for each recommendation to determine any quantifiable financial benefit in the form of cost savings or recovered funds.

SIGAR made 209 recommendations to DOD from SIGAR's inception in January 2008 through June 2014. Of the 196 recommendations that have been closed, DOD has implemented 161 of them to date. SIGAR conducted three separate analyses of the 161 recommendations and found:

• One hundred and five recommendations were designed to assist in efforts to build the ANSF and ensure the security of U.S. personnel and reconstruction sites.

• Eighty-four recommendations had intended outcomes of either ensuring accountability and oversight of contract funds, or ensuring that facilities are safely constructed and used as intended.

• Eighty-nine recommended that DOD, to achieve the intended outcomes, (1) conduct or improve assessments or reviews; (2) establish, improve, or follow existing procedures, policies, or other guidance; or (3) address concerns regarding facility construction that SIGAR identified.

DOD's implementation of these recommendations improved the accountability of U.S. funds spent on reconstruction activities in Afghanistan. For example, recommendations from seven audits resulted in up to $1.1 billion in savings or funds put to better use. In one report, SIGAR found that DOD lacked a comprehensive basing plan for the ANSF that considered future reductions in personnel. As a result of SIGAR's recommendation, DOD's CSTC-A discontinued construction on all or part of 101 projects, achieving savings estimated at up to $800 million. In addition, recommendations from two audits resulted in the sustainment or recovery of more than $11.1 million of questioned costs or other potentially recoverable funds. Specifically, an audit of the U.S. Army Corps of Engineers' (USACE) Defense Base Act Insurance Program identified $58.5 million of potentially recoverable funds.
In response to SIGAR’s recommendations, USACE identified and collected $9.9 million owed to either the U.S. government or the contractors.

SIGAR closed an additional 35 recommendations as not implemented for several reasons:

- Fifteen recommendations were closed because DOD has not provided sufficient evidence of implementation.
- Seven recommendations were closed either because DOD did not concur with the recommendation and/or took no action on implementation, and SIGAR believed no further action would be taken.
- Seven recommendations were closed because DOD did not take timely action, which rendered the recommendations moot.
- Six recommendations were closed because planned audit work could supersede the recommendations.

Of the 13 recommendations that remain open, nine were made to U.S. Central Command (CENTCOM) subordinate commands, one to the International Security Assistance Force, one to USACE, one to Army Contracting Command, and one to the Office of the Secretary of Defense. SIGAR is monitoring the open recommendations to determine if DOD is taking appropriate steps to implement the recommendations.

This report contains no new recommendations.

**New Performance Audits Announced This Quarter**

This quarter SIGAR initiated four new performance audits. They will assess DOD’s support to the ANA’s Technical Equipment Maintenance Program (A-TEMP); DOD and State’s progress made in completing FY 2011 Afghanistan Infrastructure Fund (AIF) projects; USAID’s use of the Measuring Impacts of Stabilization Initiatives (MISTI) contract to measure agency progress in its stabilization programs; and U.S. government efforts to improve access to and the quality of primary and secondary education in Afghanistan.

**Afghanistan Technical Equipment Maintenance Program (A-TEMP) for ANA Vehicle Maintenance and Capacity Building**

In December 2010, Afghan Integrated Support Services JV (AISS) was awarded a nearly $30 million firm-fixed-price maintenance and capacity-building contract to support the ANA’s A-TEMP. As of October 8, 2014, the contract has been modified 46 times with the contract’s value increasing to over $303 million. In December 2013, SIGAR contracted with Mayer Hoffman McCann P.C. to audit $31,886,195 in costs incurred by AISS under the contract. Mayer Hoffman McCann reported four internal-control deficiencies and five instances of noncompliance with the terms of the contract or applicable regulations, which prompted the auditors to question a total of $2,651,664 in unsupported costs. In April 2014, DOD reported that,
Despite substantial progress, the ANSF continued to face several challenges during the reporting period. Specifically, it noted that the ANSF logistics and sustainment capabilities remained underdeveloped.

This audit will review DOD’s support to the ANA’s 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 and, if not, assess the reasons why.

**Afghanistan Infrastructure Fund (AIF) Follow-Up**

Over the past decade, the U.S. government has spent billions of dollars in Afghanistan to build or rehabilitate key infrastructure for power generation, transmission, and distribution; dam improvements; and transportation improvements, among others. As part of these efforts, Congress has appropriated $1.3 billion to the AIF since 2011 and authorized DOD and State to jointly develop, approve, and implement these types of large-scale infrastructure projects. USAID implements AIF projects for State, and USFOR-A implements AIF projects through USACE for DOD.

The National Defense Authorization Act for FY 2011 requires AIF projects to be jointly developed and approved by DOD and State, but implemented by State, in coordination with DOD. However, State and DOD may jointly determine that DOD should implement a project. For FY 2011, DOD and State identified seven projects that would receive AIF funding: five projects for improving the power sector, a road project, and a project to build or improve provincial justice centers.

In July 2012, SIGAR identified concerns regarding these projects and recommended actions to help ensure that AIF projects achieved counterinsurgency goals. SIGAR also expressed concerns about the long-term sustainment of these projects. For example, the audit found inadequate sustainment or transition plans, a lack of identified or evaluated counterinsurgency benefits, and ongoing delays in project completion potentially having adverse effects on broader whole-of-government efforts.

Building on SIGAR’s previous work, the overall objective of this audit is to evaluate the progress made in completing FY 2011 AIF projects. Specifically, SIGAR plans to determine the extent to which DOD and State (1) made progress in completing FY 2011 AIF projects and assessed the impact that project completion has had on other U.S. infrastructure priorities; (2) revised, measured, and achieved planned counterinsurgency objectives; and (3) developed project sustainment costs and addressed other sustainment challenges.

**USAID’s Measuring Impacts of Stabilization Initiatives (MISTI) Program**

USAID has a multi-tiered monitoring and evaluation strategy for Afghanistan to include using independent, third-party contractors to
monitor and evaluate the agency’s programs. In March 2012, USAID awarded a task order to Management Systems International Inc. for MISTI’s implementation. USAID documents describe MISTI as a third-party monitoring and evaluation program designed to measure and map stabilization trends and impact in areas such as security, rule of law, and economic activity; build a community of practice for rigorous monitoring and evaluation of Afghan reconstruction programs; and communicate lessons learned for the transition to Afghan-led sustainable development. MISTI has three main objectives:

- Provide independent evaluation and impact assessment of USAID stabilization programs.
- Collect, synthesize, and analyze data at the district, provincial, and regional levels to track higher-order stabilization trends and inform U.S. and Afghan government policy and practice related to transition.
- Contribute to the larger body of knowledge on best practices and lessons learned related to the design, implementation, and assessment of stabilization activities within a counterinsurgency context.

This audit will look at USAID’s use of the MISTI contract to measure agency progress in its stabilization programs. Specifically, SIGAR 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.

### U.S. Efforts to Improve Afghanistan’s Primary and Secondary Education Systems

The Afghan government’s Afghanistan National Development Strategy for 2008–2013 (ANDS) made improving primary and secondary education a development priority, and established goals to improve access to education; improve the quality of education, including teachers, facilities, and materials; and ensure the skills and knowledge students acquire in the education system are relevant to present-day needs. The National Education Strategic Plan for Afghanistan for 2010–2014 reiterates the goal in the ANDS for general education to provide equitable access to all school-age children to quality education so that they may acquire competencies needed for a healthy individual, family, and social life.

Since 2002, the U.S. government has implemented numerous programs to support Afghanistan’s development goals in the primary and secondary education systems, such as building schools, developing curricula, and delivering textbooks. DOD, State, and USAID are the key U.S. agencies...
involved in these efforts. For example, DOD has constructed and refurbished primary school facilities, State has funded programs to promote English-language skills at secondary schools, and USAID has printed and distributed primary school textbooks to students nationwide.

This audit will examine U.S. government efforts to improve access to and the quality of primary and secondary education in Afghanistan. Specifically, SIGAR plans (1) determine the extent to which DOD, State, and USAID have defined strategies and objectives to support primary and secondary education in Afghanistan; (2) evaluate the extent to which DOD, State, and USAID have identified and tracked U.S. government funding and efforts to support primary and secondary education in Afghanistan since 2002; (3) evaluate the extent to which DOD, State, and USAID have assessed the progress the United States has made in achieving its primary and secondary education development objectives in Afghanistan.

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 six financial audits of U.S.-funded contracts to rebuild Afghanistan. SIGAR's financial-audits program has completed a total of 37 financial audits with nearly $3.1 billion in auditable costs and has another 30 financial audits ongoing with more than $2.4 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 more than $106.7 million in questioned costs and $198,368 in unremitted interest on advanced federal funds. When the funding agency determines that a questioned amount is unallowable, the agency issues a bill for collection. To date, agencies have issued bills for collection for 21 of the completed audits to recover more than $8.5 million in questioned amounts. It takes time for funding agencies to carefully consider audit findings. As a result, final determinations remain to be made for several of SIGAR’s

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<th>SIGAR’S FINANCIAL AUDIT COVERAGE ($ BILLIONS)</th>
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<td>37 Completed Audits</td>
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<td>30 Ongoing Audits</td>
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<td><strong>Total</strong></td>
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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.
issued financial audits. SIGAR’s financial audits have also identified and communicated 159 compliance findings and 190 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, new, and ongoing financial audits can be found in Appendix C of this quarterly report.

Financial Audits Published

This quarter, SIGAR completed six financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified nearly $23.6 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, failure to provide contractually-required costs and GPS locations for contract project sites, unapproved equipment purchases, failure to account for and track assets purchased, rental expenses incurred and billed after the end of the period of performance, failure to follow competitive procurement procedures, personal use of company-purchased vehicles, business-receipts taxes erroneously charged to the U.S. government, incorrectly calculated currency exchange transactions, unauthorized overtime compensation, missing personnel timesheets, improper disposition of nonexpendable equipment, lack of documentation to support costs incurred, subcontract charges higher than approved subcontract amounts, and ineligible entertainment expenses.

**Questioned amounts:** the sum of potentially unallowable questioned costs and unremitted interest on advanced federal funds.

**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).

**Bill for collection:** a letter or form sent to a debtor for the amount due, including interest, administrative charges, and late penalties, if applicable.

**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 Audit 15-13-FA: Department of State’s Project for Architectural and Engineering Design of the National Museum in Kabul, Afghanistan

Audit of Costs Incurred by Sayed Majidi Architecture and Design

On June 12, 2011, State awarded a cooperative agreement to Sayed Majidi Architecture and Design (SMAD) in the amount of $2.79 million. The agreement initially funded project management services for the architectural and engineering design of the new National Museum in Kabul, Afghanistan. Through five modifications that included adding a second project to plan and construct the exterior security upgrades, the value of the award increased to $6.35 million. SIGAR’s financial audit, performed by Mayer Hoffman McCann P.C. (MHM), reviewed $6.35 million in expenditures charged to the cooperative agreement from July 15, 2011, through February 28, 2014.

MHM identified 10 internal control deficiencies and four instances of noncompliance in its audit of costs incurred by SMAD. For example, the two SMAD directors received unsupported compensation, which led to questioned costs of $1.34 million. The project had budgeted $3.39 million to pay salaries for seven full-time equivalent (FTE) employees. The two directors stated that due to a lack of resources, they had to divide the workload of the seven FTEs between them. Based on MHM’s review of a sample of timesheets submitted during the audit period, the hours charged by both directors equated to 3.61 FTEs, or 52% of budgeted positions; however, the salaries paid to the two directors totaled $2.69 million, or 79%, of the project’s budget for personnel and staff salaries. The additional duties assumed by the directors—which also created a lack of separation of duties—resulted in inadequate internal controls that can raise the appearance or perception of fraud under the agreement.

As a result of these deficiencies and instances of noncompliance, MHM identified $1,487,417 in total questioned costs, consisting of $1,468,431 in unsupported costs—costs not supported with adequate documentation or that did not have required prior approval—and $18,986 in ineligible costs—costs prohibited by the agreement, applicable laws, or regulations.

MHM reviewed the corrective actions SMAD has taken to address the findings and recommendations from prior engagements or internal audits. The auditors identified three internal control deficiencies that would have a material effect on the Special Purpose Financial Statement. Of the three deficiencies, the auditors determined that adequate corrective action had been taken on two of the deficiencies. For the third deficiency, however, they noted that some of SMAD’s personnel files were still incomplete and not up to date. MHM rendered a qualified opinion on SMAD’s Special Purpose Financial Statement due to the nearly $1.49 million in questioned costs, which represents a material misstatement of the Special Purpose Financial Statement.
Based on the results of the audit, SIGAR recommends that State’s
Grants Officer:

1. Determine the allowability of and recover, as appropriate, $1,487,417
   in questioned costs identified in the report.
2. Advise SMAD to address the report’s 10 internal control findings.
3. Advise SMAD to address the report’s four noncompliance findings.

**Financial Audit 15-16-FA: USAID’s Media Development in Afghanistan Program**

*Audit of Costs Incurred by Private Agencies Collaborating Together, Inc.*

On July 27, 2006, USAID awarded a cooperative agreement, initially funded
in the amount of $6 million, to Private Agencies Collaborating Together Inc.
(Pact) for the Media Development in Afghanistan Program. This program
was designed to ensure that Afghanistan has an independent, pluralistic,
and trustworthy media providing accurate news and information on a broad
range of local and national issues. The program also aimed to reinforce
USAID investment in Afghanistan media by assisting newly established
media outlets to become mature, sustainable businesses and organizations.
Subsequent modifications to the agreement increased the funding to
$20,644,984. SIGAR’s financial audit, performed by Kearney & Company P.C.
(Kearney), reviewed $20,576,207 in expenditures charged to the agreement
from August 1, 2006, through September 30, 2011.

Kearney identified three internal-control deficiencies and two instances
of noncompliance in its audit of costs incurred by Pact. Pact lacked
documentation to support its travel costs and its subcontracting costs.
Specifically, Pact did not provide or retain adequate supporting docu-
ments in 59 instances of costs incurred in the Media Development in
Afghanistan Program. The lack of adequate supporting documentation in
these instances increases the likelihood that there are other instances of
unsupported costs. The unavailability of records complicates oversight of
the cooperative agreement and is not consistent with applicable record
retention requirements.

As a result of the internal control deficiencies and instances of noncom-
pliance, Kearney identified $250,155 in total questioned costs, consisting of
$247,826 in unsupported costs and $2,329 in ineligible costs. Kearney iden-
tified three findings in previous audits of Pact’s subcontractor, Internews,
that could have a material effect on Pact’s Special Purpose Financial
Statement. Kearney concluded that adequate corrective action had been
taken on all three findings.

Kearney issued a disclaimer of opinion on Pact’s Special Purpose
Financial Statement because Pact was unable to provide sufficient and
appropriate audit evidence to substantiate costs incurred for a material
portion of the sub-grants line item in the financial statement. Because
a majority of the total costs incurred were attributable to this line item,
Kearney was unable to form an opinion on the financial statement taken as a whole.

Based on the results of the audit, SIGAR recommends that the USAID Mission Director to Afghanistan:

1. Determine the allowability of and recover, as appropriate, $250,155 in questioned costs identified in the report.
2. Advise Pact to address the report’s three internal control deficiencies.
3. Advise Pact to address the report’s two instances of noncompliance.

**Financial Audit 15-19-FA: Department of State’s Afghan TV Content Production Manager Project and Nationwide Adult Literacy and Education Program**

**Audit of Costs Incurred by Cetena Group**

On September 26, 2010, State awarded a cooperative agreement to Cetena Group (Cetena) in the amount of $4,931,600. The initial period of performance was from October 1, 2010, through October 1, 2011. The agreement was modified two times to extend the period of performance through April 30, 2014. The project’s purpose was to create content for Afghan television, the internet, and other media. In addition, on February 24, 2011, State awarded a grant to Cetena in the amount of $2,402,800. The initial period of performance was from February 24, 2011, through February 19, 2012, but the grant was modified three times, increasing the total award amount to $3,493,104 and extending the period through July 31, 2012. The grant’s purpose was to support the Nationwide Adult Literacy and Education program. SIGAR’s financial audit, performed by MHM, reviewed $7,215,420 in combined expenditures charged to the cooperative agreement from October 1, 2010, through December 31, 2013, and to the grant from February 24, 2011, through July 31, 2012.

MHM identified seven internal-control weaknesses and three instances of noncompliance with terms of the cooperative agreement and grant. Specifically, MHM found that Cetena’s new management did not ensure that documentation of costs incurred was properly retained when Cetena Consultancy acquired Cetena in March 2013. In addition, Cetena’s previous management team did not have a formal records-retention policy in place, as required by the two State awards. Cetena could not provide records, or provided insufficient records, to support transactions for personnel, fringe benefits, travel, procurement of supplies, contractual costs, and other direct-cost categories. Cetena’s management response indicated that the organization agreed with the findings because it could not provide documentation to support that the costs were reasonable, allowable, and allocable. As a result of these internal-control weaknesses and instances of noncompliance, MHM identified $4,799,768 in total questioned costs, consisting of $4,760,263 in unsupported costs and $39,505 in ineligible costs.
MHM also identified an outstanding fund balance of $132,266. Cetena will use the outstanding fund balance to cover costs to be incurred during the remaining period of performance of the cooperative agreement. MHM did not identify any prior audit report findings with a direct and material effect on Cetena’s Special Purpose Financial Statement.

MHM rendered a qualified opinion on Cetena’s Special Purpose Financial Statement because of the material effects of the nearly $4.8 million in questioned costs, which represents a material misstatement of the Special Purpose Financial Statement.

Based on the results of the audit, SIGAR recommends that State’s Agreement/Grant Officer:

1. Determine the allowability of and recover, as appropriate, $4,799,768 in questioned costs identified in the report.
2. Advise Cetena to address the report’s seven internal control findings.
3. Advise Cetena to address the report’s three noncompliance findings.

Financial Audit 15-20-FA: USAID’s Afghan Clean Energy Program
Audit of Costs Incurred by International Resource Group

On September 8, 2009, USAID signed a contract task order in the amount of $13.0 million with International Resource Group (IRG) to provide long-term energy solutions in targeted areas of Afghanistan. The contract task order funded the Afghan Clean Energy Program (ACEP), whose purpose was to develop, install, and rehabilitate renewable energy systems in isolated areas and to promote energy efficiency. Through subsequent modifications to the contract task order, the value of the award increased to $23.9 million. SIGAR’s financial audit, performed by Crowe Horwath LLP (Crowe Horwath), reviewed $23.9 million in expenditures charged to the ACEP contract task order from September 8, 2009, through April 30, 2012.

Crowe Horwath identified six internal-control weakness and five instances of noncompliance with the terms of the contract task order. For example, the contract task order stated that the contractor must submit monthly construction schedules and develop a construction database that would track the project information. Crowe Horwath found that IRG inadequately tracked project costs. Specifically, IRG could not provide the cost, GPS location, or complete budget expenditures by site. This lack of supporting documentation prevented the verification of completed project work, leading Crowe Horwath to question the construction work due to an inability to verify that work was performed.

As a result of these internal control weaknesses and instances of noncompliance, Crowe Horwath identified $16,207,400 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 audits, reviews, or assessments that contained findings with a potential material impact on IRG’s Special Purpose Financial Statement.
Purpose Financial Statement. Crowe Horwath issued a disclaimer of opinion on IRG’s Special Purpose Financial Statement, meaning that Crowe Horwath was prevented from expressing an opinion on the Statement’s fair presentation and whether it was free from material misstatement. This was because Crowe Horwath could not determine if the costs presented in the Statement were used to meet the project objectives. In other words, Crowe Horwath was unable to determine what IRG spent $16,207,400 on.

Based on the results of the audit, SIGAR recommends that the Mission Director for USAID/Afghanistan:

1. Determine the allowability of and recover, as appropriate, $16,207,400 in questioned costs identified in the report.
2. Advise IRG to address the report’s six internal control findings.
3. Advise IRG to address the report’s five noncompliance findings.

Financial Audit 15-22-FA: Department of State’s Afghanistan Justice Sector Support Program

Audit of Costs Incurred by Pacific Architects and Engineers, Inc.

On March 31, 2005, the Department of State awarded a $9.9 million task order to Pacific Architects and Engineers Inc. (PAE) to implement the Afghanistan Justice Sector Support Program (JSSP). The program’s purpose was to build the capacity of Afghanistan’s criminal-justice sector institutions by improving the professional staff’s ability to deliver fair and effective justice services to the country’s citizens. JSSP’s activities included mentoring justice officials, developing legal training, and restructuring criminal-justice institutions. The award’s initial period of performance had an estimated completion date of March 30, 2006, but due to 27 modifications, program funding increased to more than $100.7 million and the period of performance was extended through May 30, 2010. SIGAR’s financial audit, performed by Crowe Horwath, reviewed $65.1 million in expenditures charged to the task order from March 31, 2005, through May 30, 2010.

Crowe Horwath identified eight material weaknesses and significant deficiencies in internal controls, and three instances of material noncompliance with laws, regulations, or the terms and conditions of the task order. For example, Crowe Horwath found instances in which PAE was missing employee billing records—such as timesheets, labor records, and summary reports—and had unreconciled differences in its payroll records. Crowe Horwath also noted missing qualification documentation for five JSSP employees.

As a result of these internal control deficiencies and instances of noncompliance, Crowe Horwath identified $506,866 in total questioned costs, consisting entirely of unsupported costs. Crowe Horwath did not identify any ineligible costs. The auditor also determined that the U.S. government lost $176 in interest because PAE drew more funds than required to meet its immediate cash needs.
Crowe Horwath did not identify any prior reviews or assessments that pertained to PAE’s implementation of JSSP 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 Department of State Contracting Officer:

1. Determine the allowability of and recover, as appropriate, $506,866 in questioned costs identified in the report.
2. Collect $176 from PAE in interest payable to the department.
3. Advise PAE to address the report’s eight internal control findings.
4. Advise PAE to address the report’s three noncompliance findings.

Financial Audit 15-28-FA: USAID’s Afghan Sustainable Water Supply and Sanitation Project

Audit of Costs Incurred by ARD, Inc.

On September 29, 2009, USAID awarded a $51,863,898 task order, inclusive of two option periods, to ARD Inc. (ARD) to implement the Afghan Sustainable Water Supply and Sanitation Project. The project’s purpose was to improve the long-term sustainability of potable water supply and sanitation services, improve the hygiene behaviors of poor and vulnerable populations in Afghanistan through a hygiene education campaign, and strengthen local community capacity for water-supply management. ARD incurred costs of $42,517,360 over the course of the project, which spanned from September 30, 2009, through December 29, 2012, after USAID issued 13 modifications to the task order and exercised both option periods. SIGAR’s financial audit, performed by Crowe Horwath, reviewed $42,517,360 in expenditures charged to the task order from September 30, 2009 through December 29, 2012.

Crowe Horwath identified six material weaknesses, one significant deficiency in internal controls, and nine instances of noncompliance with laws, regulations, or the terms and conditions of the task order. For example, Crowe Horwath found instances of unauthorized overtime and sixth-day workweek charges for locally hired contract personnel and unapproved information technology (IT) equipment and software purchases. Because ARD did not separate the questionable overtime from other charges and did not provide specifics of IT purchases subject to approval, Crowe Horwath recommended that ARD conduct analyses of overtime, sixth-day workweek compensation, and the approval of IT equipment and software purchases, and provide the results to USAID.

As a result of these internal-control deficiencies and instances of noncompliance, Crowe Horwath identified $330,105 in total questioned costs. However, this amount could change based on the results of ARD’s analysis.
of overtime and IT equipment purchases. The $330,105 in questioned costs consist of $170,612 in unsupported costs and $159,493 in ineligible costs. In addition, Crowe Horwath estimated that the U.S. government lost $698 in interest because ARD submitted costs for reimbursement before they were eligible.

Crowe Horwath did not identify any prior reviews or assessments that pertained to ARD’s implementation of the Afghan Sustainable Water Supply and Sanitation Project or were material to the Special Purpose Financial Statement. Crowe Horwath issued an unmodified opinion on ARD’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.

INSPECTIONS

Inspection Reports Published

This quarter SIGAR published two inspection reports. One report detailed an inspection of Phase II of the Afghan National Army Camp Commando, which found that the generators were not synchronized and could only provide about 25% of the planned total power output; the fuel pumps at the fuel point had not been used; and the dining facility was built for 280 Afghan soldiers but was handling 1,600 soldiers. A second inspection report found that a dry-fire range built at a cost of nearly half a million dollars to the U.S. government disintegrated four months after construction was completed due to poor contractor performance and a lack of government oversight.

**Inspection 15-25-IP: ANA Camp Commando Phase II**

*Power Plant and Fuel Point Not Fully Operational Nearly Two Years after Project Completion*

On July 1, 2009, the Department of Defense awarded the first of four contracts to construct and/or renovate facilities at the ANA’s Camp Commando in Kabul, Afghanistan. The four contracts—corresponding to Phases I through IV of the work—were funded through the Afghanistan Security Forces Fund and totaled $57.1 million over five years. The purpose of these contracts was to help establish an operating base for the ANA Special Operations Command Division Headquarters, the Commando School of Excellence, the 6th Special Operations Kandak, the Military Intelligence Kandak, and the Garrison Support Unit. In March 2010, USACE awarded the Phase II contract to Fazullah Construction and Engineering Company/United Infrastructure Projects Joint Venture—Afghan and U.S. firms, respectively—for $15.1 million. Following a series of modifications and amendments, the contract’s price increased to approximately $18.7 million. The Phase II contract—a mix of new construction, renovation of existing facilities, and completion of unfinished Phase I work—included a power...
plant and electrical distribution system, fuel point, dining facility, barracks, roadways, site drainage, water and sewer distribution/treatment system, and communications network.

This inspection focused on Phase II because it involved the most recently completed facilities at the time of SIGAR’s site visits on February 22 and April 27, 2014. SIGAR focused on three facilities—the power plant, fuel point, and dining facility—based on cost and complexity, as well as the potential for construction and usage problems. For this inspection, SIGAR assessed whether the (1) work was completed in accordance with contract requirements and technical specifications, and (2) facilities were being used as intended.

SIGAR found that all three facilities inspected—the power plant, the fuel point, and the dining facility—generally appeared to be well constructed, but a complete inspection was not possible because neither the power plant nor the fuel point were fully operating. On April 7, 2012, USACE transferred all three facilities to the NATO Training Mission-Afghanistan (NTM-A). The form completed for the transfer listed some deficiencies with the facilities, including the fact that testing and commissioning of the power plant’s electrical system and the fuel point’s fuel pumps had not been completed.

On February 17, 2013, USACE sent a letter to the contractor acknowledging that all work associated with Phase II had been completed and that all issues had been resolved. This letter also noted the final payment on the $18.7 million contract would be $130,467.45. However, SIGAR’s site inspections—in February and April 2014—identified continuing deficiencies with the power plant and fuel point. For example, the power plant’s master control panel and switchgear were not functioning as required for parallel operation of the generators. As a result, only one of the four primary generators could operate at a time. USACE stated that ANA personnel made improper and unauthorized connection to a transformer, resulting in damage to two transformers, several sections of medium voltage cables, and the main power distribution panel for the plant. With respect to the fuel point, although all of the components were provided and the fuel point was constructed, SIGAR found that the fuel pumps were not operational and, at the time of SIGAR’s inspection, had not been tested and commissioned as the contract required.

The Phase II contract required the completion of a dining facility, including a dining room to seat 280 people. The dining facility’s design and initial construction began in Phase I. However, the Phase I contract recognized that the contractor might not be able to complete construction during that phase, since it only had a 90-day period of performance. The contract noted that if the dining facility was not completed during Phase I, that the contractor would complete the facility during Phase II. Based on SIGAR’s site inspections, as well as analysis of the Phase I construction drawings and statement of work, SIGAR found that the dining facility was generally
completed according to the contract requirements in Phase II. Although the statement of work did not specify how many food storage units were to be provided, SIGAR found three units had been installed—two cold storage and one dry storage. Based on two site visits, SIGAR found that all three Phase II facilities—the power plant, the fuel point, and the dining facility—were being used. However, neither the power plant nor the fuel point was being fully used as intended. Specifically, the power plant’s generators were not operating as designed, and the pumps at the fuel point had never been used to fuel vehicles. The dining facility was being used and was serving more than five times the number of personnel for which it was designed.

User error and lingering construction deficiencies have resulted in the underutilization of the facilities constructed as part of Phase II work at Camp Commando. The power plant with five generators—meant to provide electricity to the ANA Special Operations Command Division Headquarters and the Commando School of Excellence, among other units—was in operable condition until the ANA made an unauthorized connection to a transformer and severely damaged the power plant’s master control panel. The damage limited the plant to only 25% of full power and caused soldiers to use as many as 19 smaller, portable generators. Meanwhile, the fuel point appears well built and the above-ground fuel tanks are used for storage, but the fuel pumps are not used. In addition, the dining facility was well built to serve 280 personnel, but now serves 1,600. As a result, the $7 million plant was delayed in delivering full power for nearly two years until repair work was completed in May 2014. The fuel point does not fully serve its purpose; and the dining facility is likely receiving more wear and tear than planned.

SIGAR is also concerned that the U.S. government issued a new contract, which includes approximately $3.1 million in Phase III to complete work on or make repairs to the camp’s power system and construct another fuel point. Specifically, CSTC-A is funding $2.1 million to repair the power plant’s electrical system, including replacing the original master control panel and repairing and synchronizing the generators to allow for parallel operation—all initially part of the Phase II work. In addition, even though the fuel point constructed in Phase II—at a cost of $332,000—has never been fully used as intended, a second, larger fuel point was built by a new contractor under Phase III at a cost of approximately $1 million.

SIGAR recommends that the Commanding General and Chief of Engineers, USACE, direct the Commander, USACE Transatlantic Division, to take the following actions and report back to SIGAR within 90 days: (1) determine the amount paid to the Phase II contractor for required work that was not completed on the camp’s power plant and fuel point, and, where appropriate, recoup those funds; (2) provide documentation showing that the power plant’s electrical system has been fully tested and commissioned; (3) determine the reason(s) why the ANA has not used the Phase II fuel point to dispense fuel for vehicles, and, based on the results, decide
whether steps should be taken to make it operational; and (4) determine the circumstances leading to the acceptance of the Phase II work as completed, with full payment made to the contractor, when known deficiencies existed. Based on the results, determine what disciplinary action, if any, should be taken against the contracting officer or contracting officer’s representative.

Inspection 15-27-IP: Afghan Special Police Training Center’s Dry Fire Range

Poor Contractor Performance and Poor Government Oversight Led to Project Failure
On May 2, 2012, the Regional Contracting Center (RCC) at Forward Operating Base Shank in Logar province awarded a $456,669 firm fixed-price contract to Qesmatullah Nasrat Construction Company (QNCC)—an Afghan firm—to construct a dry-fire range (DFR) for the Afghan Special Police Training Center. This training center is co-located in Wardak Province with the larger National Police Training Center (NPTC). NTM-A requested the DFR’s construction, which involved multiple adobe-style brick buildings within four discrete compounds. The U.S. government accepted the completed project on October 20, 2012. With RCC’s payment of the final invoice on November 13, 2014, QNCC was paid in full for its DFR work.

For this inspection, SIGAR assessed whether (1) construction was completed in accordance with contract requirements and applicable construction standards, and (2) the DFR was being used as intended and maintained. This report focuses on the construction and warranty repairs made under the original construction contract overseen by RCC officials. SIGAR’s inspections staff were not able to conduct an on-site inspection due to security concerns, which prohibited travel to the site. However, a SIGAR investigator was able to visit the site in April 2013.

The DFR was not constructed according to contract requirements, and SIGAR’s analysis showed that, as a result, water penetration caused its walls to begin disintegrating within four months of U.S. government’s accepting the project from QNCC. QNCC’s use of defective construction methods and materials—as well as poor project planning and oversight—were responsible for the water penetration and subsequent damage to the range. SIGAR identified several instances of QNCC’s noncompliance with contract requirements and building standards for the DFR. Analysis of available documentation showed that the contracting officer’s representatives failed to identify any of the deficiencies.

After RCC transferred the facility to the Afghan government and the warranty period expired, ongoing maintenance for the facility became the Afghan government’s responsibility. However, the NPTC commander noted that, to his knowledge, no provisions were made for routine maintenance at the facility. Based on SIGAR’s engineering assessment—due to the range’s...
fundamental structural deficiencies—routine maintenance would likely not have prevented its ultimate deterioration.

Within four months of the U.S. government spending nearly a half a million dollars to construct the Afghan Special Police Training Center’s DFR, the range’s buildings began to disintegrate. This disintegration or “melting” was caused by QNCC failing to adhere to contract requirements and international building standards, and using substandard bricks and other materials. Further, the DFR’s construction was plagued by poor government oversight throughout all phases of the contract. RCC failed to ensure proper design of the facility and failed to hold the contractor accountable for its work. In particular, RCC accepted work that did not fulfill the requirements of the contract, and then failed to hold the contractor fully accountable for correcting all of the range’s structural deficiencies before the contract warranty expired. Due to the fact that these deficiencies were not corrected, the range’s safety and its long-term sustainability were compromised. As a result, Afghan authorities demolished the DFR and are rebuilding it with funds from the MOI. Therefore, although this project may have been well intended, the fact that the Afghans had to demolish and rebuild the DFR is not only an embarrassment, but, more significantly, a waste of U.S. taxpayers’ money.

To ensure full accountability for the expenditure of government resources and help avoid future problems with contract oversight, SIGAR recommends that the Commander, U.S. CENTCOM, direct the Commander, Joint Theater Support Contracting Command, in coordination with the Commanding General, Combined Security Transition Command-Afghanistan, take the following actions and report back to SIGAR within 90 days: (1) determine the extent to which QNCC substituted building materials without authorization or did not complete work according to the contract requirements and, where appropriate, recoup those funds, and (2) identify the contracting officer and contracting officer’s representatives responsible for oversight of the DFR construction activities and determine why the range was not built according to contract requirements and acceptable construction standards, and what disciplinary action should be taken against these contracting officials for failing to provide adequate oversight.

New Inspections Announced This Quarter
This quarter, SIGAR has initiated three 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:
- Sheberghan Teacher Training Facility
- Gardez Hospital
- Afghan Air Force Air University
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 43 recommendations contained in 15 audit reports. Seven of the reports contained recommendations that resulted in the recovery of $409,851 in ineligible or unsupported contract costs paid by the U.S. government. From 2009 through September 2014, SIGAR published 161 audits, alert letters, and inspection reports and made 485 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed over 84% 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 35 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. However, there are six audit reports over 12 months old where SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions. SIGAR recently initiated audits of the agency resolution process at the Departments of Defense and State, and USAID. The audits examine the status and oversight process for reaching audit resolution at these agencies.

SIGAR recently completed audits of the status of SIGAR recommendations made to DOD, State, and USAID. Specifically, the audits identified and assessed the status of SIGAR recommendations and reviewed actions taken or planned by the agencies to address them. In January 2015, SIGAR issued its report on the status of recommendations to DOD, identifying a more than 75% implementation rate. Previously, SIGAR issued final reports for State (identifying a nearly 75% implementation rate) and USAID (identifying a more than 80% implementation rate).

SPECIAL PROJECTS

The Inspector General’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.

COMPLETED SPECIAL PROJECTS

- Special Project 15-17-SP: Reply to USAID’s Response to SIGAR’s Questioned Costs Inquiry Letter
- Special Project 15-18-SP: Light Air Support Aircraft Program; Pilot Recruitment and Retention
- Special Project 15-21-SP: State Public Affairs Section Grants
- Special Project 15-23-SP: TFBSO Operations
SIGAR OVERSIGHT ACTIVITIES

Update on SIGAR Special Project 14-96-SP

On September 12, 2014, as part of its ongoing investigation of human trafficking issues at U.S. military bases in Afghanistan, SIGAR issued a letter of inquiry to DynCorp International regarding the company’s efforts to address possibly improper and deceptive recruitment practices, in connection with work performed under the U.S. Military Logistics Civil Augmentation Program (LOGCAP) service contracts in Afghanistan. Specifically, the inquiry related to the prohibited payment of so-called recruitment fees of as much as $4,000 by third-country nationals to labor brokers who supply workers to DynCorp and other LOGCAP contractors and their subcontractors. Despite repeated attempts to communicate with DynCorp representatives about securing the documents requested, DynCorp failed to provide any information in response to the letter for an extended period. As a result, SIGAR issued a subpoena to DynCorp International on December 9, 2014, demanding the documents described in the original September 12, 2014, inquiry letter. DynCorp International produced its first set of documents on December 23, 2014, and has promised continued cooperation.

SIGAR’s Office of Special Projects wrote inquiry letters to USAID, DOD, and the State Department to express concerns about decisions in which questioned costs were not fully recovered, the potential for training and maintenance problems with a Light Air Support aircraft program, a dramatic increase in State’s public affairs grants, and allegations of misspending and mismanagement at TFBSO. Furthermore, due to DynCorp International’s prolonged failure to respond to a Special Project inquiry letter, SIGAR issued a subpoena this quarter, which resulted in DynCorp producing the requested documents and promising continued cooperation.

Inquiry Letter 15-17-SP: Reply to USAID’s Response to SIGAR’s Questioned Costs Inquiry Letter

On November 7, SIGAR wrote a letter to USAID, addressing the agency’s October 29 letter to SIGAR concerning the recovery of questioned costs identified in several SIGAR financial audits. USAID’s response stated that the agency’s goal is to “seek an accurate accounting of taxpayer funds.” SIGAR shares that goal, but also believes that USAID should take all actions necessary to fully recover questioned costs. The purpose of SIGAR’s original inquiry letter was to make USAID aware of the trend—by highlighting several examples—of revised decisions where the amount of questioned costs was reduced and ultimately recovered.

Inquiry Letter 15-18-SP: Light Air Support Aircraft Program; Pilot Recruitment and Retention

On November 12, SIGAR sent a letter to the Secretary of Defense and Commanders of USFOR-A and CENTCOM to request information regarding the Light Air Support (LAS) aircraft program, which is intended to help develop the Afghan Air Force’s advanced flight training, aerial reconnaissance, and air support capabilities. To date, a contract with a potential maximum value of $950 million has been awarded in support of this program, and SIGAR is concerned that this program could be affected by training and maintenance problems similar to those identified by SIGAR in prior inquiries concerning programs to provide aircraft to the Afghan military. SIGAR has requested an on-site visit to the Air Force facility in Georgia which is managing the LAS program in order to be briefed about the planes and the training program for Afghan pilots who are being brought to the United States to learn to fly and maintain the aircraft. DOD responded on January 8 with answers to the questions posed in SIGAR’s letter of inquiry, and agreed to arrange a near-term visit.
Inquiry Letter 15-21-SP: State Public Affairs Section Grants
SIGAR wrote to the Secretary of State on November 21 to request information about State’s public-diplomacy grant program in Afghanistan. Under this program during FY 2007 through 2009, 177 grants were awarded at a value of approximately $1.5 million. One year later, beginning FY 2010 through 2011, the numbers increased to 578 grants valued at $111 million, the subject of a 2012 SIGAR audit. SIGAR’s Office of Special Projects will conduct a preliminary review of grants and cooperative agreements awarded during FY 2012 through 2014 to assess whether gaps in management oversight exist that might lead to grant monies not being appropriately administered, used for their intended purpose, or used effectively. The State Department responded to the letter of inquiry on December 16, and SIGAR is examining documents provided.

Inquiry Letter 15-23-SP: Task Force for Business and Stability Operations
On December 10, SIGAR wrote to the Secretary of Defense to request more information about TFBSO. Between TFBSO’s inception in 2010 and March 2013, TFBSO obligated nearly $700 million in DOD funds to pursue its mission of economic stabilization in Afghanistan. SIGAR has received troubling allegations related to TFBSO practices involving imprudent spending, profligate travel by employees and contractors, and possible mismanagement. For example, SIGAR received allegations of mismanagement concerning seismic testing related to hydrocarbon exploration in western Afghanistan, matters which SIGAR plans to address in an upcoming audit of TFBSO support of Afghan extractive industries.

LESSONS LEARNED
SIGAR Launches New Lessons Learned Program
This quarter SIGAR announced the creation of its new Lessons Learned Program (LLP). The LLP will 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 in Afghanistan.

LLP will conduct its analysis by working with DOD, State, USAID, Congress, academia, and other relevant stakeholders to gain insights into the evolution of key elements of the reconstruction effort. Through a series of reports focused on various aspects of the reconstruction, SIGAR will document what the U.S. government sought to accomplish through its reconstruction programs, assess what it achieved, and evaluate the degree to which these programs helped the United States reach its strategic goals in Afghanistan. The reports will contain actionable recommendations to
SIGAR OVERSIGHT ACTIVITIES

address the challenges stakeholders face in ensuring efficient, effective and sustainable reconstruction efforts in conflict zones, thereby helping to improve current and future reconstruction efforts. The LLP comprises subject-matter experts that have considerable experience working and living in Afghanistan, aided by a team of experienced research analysts. In producing its reports, the LLP also leverages the considerable skills and experience found throughout SIGAR in its Audits, Investigations, and Research and Analysis Directorates, as well as the Office of Special Projects.

The LLP is a central component of SIGAR’s legislative mandate to inform the Secretaries of State and Defense about: (1) problems and deficiencies relating to the reconstruction, and (2) the need for corrective actions. It also complements SIGAR’s 2014–2016 strategic plan to provide recommendations and assistance to help stakeholders address systemic problems facing U.S.-funded reconstruction effort.

The LLP announced two new projects this quarter, described below, and is planning two additional projects on counternarcotics and corruption.

New Lessons Learned Projects
The LLP announced two new projects this quarter that will examine U.S. reconstruction efforts in Afghanistan from 2001 to 2014 to report on interagency coordination on strategy and planning and U.S. coordination with external partners in administering aid to Afghanistan.

Interagency Coordination on Strategy and Planning
Since 2001, the National Security Council (NSC), Office of Management and Budget (OMB), State, DOD, USAID, and other agencies have been engaged in planning and implementing the U.S. reconstruction effort in Afghanistan. These organizations have been faced with the enormous and complex task of reconstructing a country devastated by nearly three decades of war. To deal with this problem, the United States attempted to undertake a multidimensional strategy that integrated the activities of multiple agencies and actors.

To better understand how these agencies coordinated and cooperated to ensure unity of purpose and effort, this LLP project will trace the role that interagency and interdepartmental strategy and planning efforts played in the U.S.-funded reconstruction of Afghanistan.

This project will examine U.S. reconstruction efforts in Afghanistan from 2001 to 2014 to: (1) identify the statutorily defined roles of the National Security Council, Office of Management and Budget, State, DOD, and USAID in the interagency process for developing and implementing strategies and plans for reconstruction in Afghanistan; (2) identify and assess any gaps in those statutory authorities and/or in agency practices that may have impacted the effectiveness of interagency coordination of strategies and plans from 2001 to 2014; (3) identify critical decisions on the appropriation,
authorization and/or obligation of funds in support of interagency coor-
dination on strategy that may have impacted the effective alignment of
agency capabilities and the allocation of resources for reconstruction in
Afghanistan; and (4) assess the sufficiency of strategies and plans relative
to conditions on the ground in Afghanistan; and determine which variables
most impacted the strength or weakness of interagency coordination of
strategy and plans for reconstruction.

U.S. Coordination with External Partners in
Administering Aid to Afghanistan

Afghanistan has been the world’s leading recipient of official development
assistance for the last three years tabulated by the World Bank—more
than $6 billion a year in 2010 through 2012. The United States has provided
nearly half of that development aid, and vastly more in security assis-
tance; total U.S. appropriations for Afghan reconstruction now exceed
$107.5 billion.

At least 45 nations have been aid donors to Afghanistan since 2001, and
the international community has regularly held conferences on Afghanistan
2014) to discuss issues of mutual importance, to coordinate the develop-
ment aid effort, and to establish commitments and mutual expectations.
These conferences have resulted in a number of different strategies and
structures to coordinate and administer aid, including the establishment of
the Afghanistan Compact and the Joint Coordination and Monitoring Board,
the development of the Afghanistan National Development Strategy and
National Priority Programs, and efforts to strengthen accountability for aid
spending and results through the Tokyo Mutual Accountability Framework.

To better understand how United States coordinated with external
actors, this LLP product will identify and analyze the coordination strate-
gies, mechanisms and structures developed and employed by the United
States, other donors, and the Afghan government to prioritize, plan, coordi-
nate, and oversee aid administration in Afghanistan.

This project will examine U.S. reconstruction efforts in Afghanistan from
2001 to 2014 to (1) identify US goals and objectives in developing or engag-
ing with strategies and structures to coordinate development aid with the
Afghan government and the international community; (2) assess the effec-
tiveness of US coordination with external partners in ensuring that aid was
appropriately prioritized, planned, coordinated and overseen with reference
to widely accepted international criteria for aid administration, U.S. objec-
tives, and intended program results; (3) identify best practices and lessons
learned for the effective coordination of development aid for future devel-
opment efforts by the United States and the international community.
INVESTIGATIONS

During the reporting period, SIGAR recovered a record $53.7 million for the U.S. government from Civil Settlement Agreement payments. SIGAR investigations saved the U.S. government more than $12 million. Criminal investigations resulted in five arrests, six indictments, six convictions, a sentencing, the discharge of a U.S. military member, and $105,000 in fines, restitution, and forfeitures. In Afghanistan, 10 individuals were barred from U.S. military installations. SIGAR initiated 38 new investigations and closed 34, bringing the total number of ongoing investigations to 328, as shown in Figure 2.1.

Investigation Results in $25 Million Civil Settlement

On December 5, 2014, a settlement agreement was entered into between the United States, acting through the U.S. Department of Justice and the United States Attorney’s Office for the Southern District of Illinois on behalf of U.S. Transportation Command (USTRANSCOM), and Supreme Logistics FZE (Supreme), a third-party logistics provider for international transport of goods. According to the terms and conditions of the agreement, Supreme will pay $25 million to the United States.

USTRANSCOM awarded a series of contracts collectively referred to as the “USC-06” contracts to three global transportation and logistics companies, Maersk Line Limited (MLL), American President Lines (APL) and Hapag-Lloyd (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, 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 the USTRANSCOM, as a result of actions by 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 relied on those false invoices and passed them along to the USTRANSCOM for payment. SIGAR and various members of the International Contract Corruption Task Force conducted an investigation, interviewing more than 25 key personnel, and analyzing more than 10,000 contract and audit documents.

As a result, the investigation revealed that Supreme submitted false claims to the prime USC-06 companies causing them to overcharge the U.S. government for refrigerated containers when Supreme was using dry good containers and 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.
Afghanistan with a lower USC-06 inland rate than the destination and inland rate booked and invoiced to the prime companies.

**Investigation Results in $20 Million Civil Settlement**

On December 8, 2014, in the Eastern District of Virginia, Supreme Site Services Gmbh (Supreme) agreed to pay $20 million to settle allegations of over-billing for fuel purchased by the Defense Logistics Agency at Kandahar under the NATO Basic Ordering Agreement (BOA).

In March 2012, SIGAR and members from the ICCTF initiated an investigation, after information was received from Task Force 2010 that an employee of Supreme had reported a significant amount of diesel fuel was being pilfered by Supreme drivers and later sold to customers at various locations on Kandahar Airfield (KAF). The investigation revealed Supreme delivery drivers routinely shorted deliveries to generators on KAF and personally profited by selling the “shorted” fuel to other customers.

In order to calculate the loss, the investigative team could not rely solely on the paperwork and interviews but had to determine the burn capacity rate for each generator and compare that to the available documents. This unique investigative tactic required agents to physically inspect the individual generators on KAF which received Supreme deliveries under the NATO BOA and to identify the make and model. With that information, the generator manufacturers were contacted in order to determine the actual burn rate capacity for each generator as if the generators were running 24 hours a day, seven days a week. Using the consumption data that was stored on computers housed within the actual generators, agents compared the consumption data on the Supreme delivery tickets during a specific time period to focus on the potential loss. To further define their analysis, agents compiled and compared the Supreme invoices on the NATO BOA during the same time period.

The comprehensive analytical approach revealed Supreme billed for more fuel than was delivered as evidenced by the generators, their burn capacity, consumption data, and invoices. The difference between the amount of fuel actually delivered and what Supreme billed for was calculated and used as a basis for the loss. In addition, during the course of the investigation, Supreme worked with the investigative team and designed and implemented a completely new way of tracking fuel deliveries using hand-held scanners to prevent future thefts by their delivery drivers.

**Civil Settlement Results in $8.7 Million Payment to U.S. Government**

On October 30, 2014, a settlement agreement was entered into between the United States, acting through the U.S. Department of Justice on behalf of DOD, USTRANSCOM, and Maersk Line Limited (Maersk), a global transportation and logistics company. According to the terms and conditions of the
agreement, Maersk will pay $8.7 million to the United States for an alleged failure of performance associated with a USTRANSCOM contract and alleged noncompliant shipments to military outposts in Afghanistan.

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

The investigation discovered numerous other missing containers belonging to APL and that Maersk may have had falsified PODs submitted for various locations throughout Afghanistan. In August 2012, the investigation of the container theft was combined with an ongoing civil investigation being conducted jointly by the U.S. Army Criminal Investigation Command (CID), U.S., Air Force Office of Special Investigations (AFOSI), and Defense Criminal Investigative Services (DCIS) in the Southern District of Illinois for the purpose of settlement negotiations with APL and Maersk.

As previously reported, in January 2013, a settlement agreement was entered into between the United States, USTRANSCOM, and APL. As a result of the settlement APL paid $4.25 million to the United States government.

**Investigation Results in $806,000 Recovery for the U.S. Government**

On October 04, 2014, Defense Finance and Accounting Services (DFAS) notified SIGAR that DFAS completed an $806,672 debt collection process with an Afghan company, Unity Logistics and Supply Services (Unity), and collected the full amount of debt pursuant to a recent investigation.

The investigation was initiated in November 2012 when the KAF U.S. Army Regional Support Group reported that Unity was drawing fuel from the KAF fuel depot based upon U.S. government contracts that did not allow access to fuel. The investigation uncovered that Unity contractors had misappropriated U.S. government fuel and meal cards at KAF by using letters of authorization relative to a contract at another base as credentials.

A search warrant of the Unity office at KAF discovered 72 improperly issued meal cards and 10 improperly issued fuel cards. Based on the findings, the estimated potential loss to the U.S. government is nearly $1 million.

On October 20, 2013, the Regional Contracting Center-South issued Unity a Debt Collection Demand Letter to remit $806,672 to the U.S. government,
pursuant to the investigation. The debt-collection process continued until September 2014 when the complete debt of $806,672 was finally collected.

Investigation Results in $403,000 Savings to the U.S. Government

On November 26, 2014, a determination was made to deny payment to an Afghan construction company because of falsified invoices, representing a savings of over $403,000 to the U.S. government.

In January 2011, USACE awarded a $12.7 million contract to Awrish Builders to build troop housing at KAF. The contract was later terminated for convenience by USACE. After the contract was terminated, Defense Contract Audit Agency (DCAA) discovered two identical invoices reflecting two different dollar amounts.

In February 2014, DCAA contacted the U.S. Army CID Major Procurement Fraud Unit (MPFU) assigned to KAF regarding the invoices discovered in their audit. MPFU notified the ICCTF and SIGAR agreed to assist with the investigation.

Based on the findings of the investigation and the DCAA audit, the USACE contracting officer made the determination it would not pay the questionable invoices.

Former U.S. Military Member Pleads Guilty to Fuel Theft Scheme

On October 6, 2014, in the Eastern District of North Carolina, U.S. Army Specialist Alexander Swim pled guilty to theft and conversion of public property and aiding and abetting. In addition, Swim will be subject to forfeiture of assets.

From January 2012 until October 2012, Swim was deployed to Afghanistan under the Combined Joint Special Operations Task Force (CJSOTF) at FOB Sharana. During his deployment, Swim served as an advanced operating base mechanic with responsibility for overseeing the maintenance of vehicles and the distribution of fuel to special operations forces. On multiple occasions during his deployment, Swim participated in a conspiracy to steal government-appropriated fuel from FOB Sharana by escorting Afghan national-operated fuel trucks onto the installation to be loaded with fuel, and then escorting them back off the base. Because of Swim’s actions, the U.S. government suffered a loss of over $400,000 in stolen fuel.

Swim was scheduled to be sentenced on January 6, 2015.

Three U.S. Military Members Plead Guilty to Embezzlement Scheme

Arthur Cook each pled guilty to one count of theft of government property and conspiracy. Between October 2008 and April 2012, the subjects of the investigation were deployed with the Special Forces Group under the CJSPOTF at FOB Jalalabad in Afghanistan. During their deployment, they conspired to embezzle funds from the Commanders Emergency Response Program and from funds used by Special Forces Groups to support counter-terrorism operations. Over time, they stole cash, purchased a substantial number of $1,000 money orders, and sent the funds to their spouses, to electronic bank accounts, or to various vendors.

The three individuals are scheduled to be sentenced in January 2015.

**Two Arrested for Bribery in the United Kingdom**

On December 2, 2014, in the area of Dorset, England, two executives of Mondial Defense Systems, Robert Gillam and Simon Davies, were formally arrested and charged under the UK Bribery Act of 2010. During the subsequent interrogations, both subjects admitted to participating in a kickback scheme during August 2009 when they made two illegal payments to another individual in return for securing the award of three purchase orders valued at nearly $5.9 million.

Agents from SIGAR, the Federal Bureau of Investigations (FBI), and DCIS participated in the two arrests and three associated search warrants at the request of the City of London Police. Their names were included in the affidavits provided by the City of London Police to a UK judge, and they were authorized to be present and participate in the arrests and subsequent interrogations.

The investigation is ongoing.

**Former U.S. Army Sergeant Pleads Guilty to Bribery Scheme**


On October 22, 2014, Enmanuel Lugo relinquished $28,700 in U.S. currency to federal agents during a formal proffer session conducted at the offices of the Department of Justice in Washington, DC. According to Lugo, these funds were part of the proceeds gained from his illegal activities. The money was transported by SIGAR and FBI agents to a local bank where it was exchanged for a cashier’s check made payable to the U.S. Marshal’s Service.

The investigation was based on allegations that Lugo and co-conspirators collaborated to falsify Transportation Movement Requests (TMRs) to facilitate the theft of fuel at KAF that they sold on the black market in
neighboring towns in return for cash payments. The overall loss to the U.S. government because of this illegal scheme is approximately $10 million.

$10 Million Savings to the U.S. Government

On October 4, 2014, the Bagram Airfield (BAF) Contracting Officer reported that a SIGAR investigation resulted in a cost saving to the U.S. government of $10 million. The savings related to two contracts with BNN Logistics (BNN), a large-scale Afghan trucking company that transports bulk material for the U.S. government at BAF.

During the summer of 2013, CENTCOM Joint Theater Support Contracting Command (C-JTSCC) ordered that all TMRs be administratively closed for work not performed on contracts. Since the work was no longer needed, no payment was made to the contractors. A period of time was allocated for the contractors to submit their TMRs for work performed on contracts prior to the C-JTSCC order. C-JTSCC had a meeting to explain this process and subsequently BNN submitted TMRs for administrative closure during the allocated time in 2013.

During August 2014, BNN submitted two binders of TMRs to the C-JTSCC for payment, some of which were similar to the ones BNN submitted for closure in 2013. SIGAR explained to BNN that it was suspicious that BNN submitted TMRs approximately a year after the C-JTSCC order, and at a time when new Contracting Officer’s Representatives (CORs) were in a transition period. SIGAR recommended that BNN contact the COR to discuss what charges to the government would be acceptable for their work not previously reimbursed and then adjust the TMRs accordingly.

BNN and the COR came to a mutual agreement and subsequently BNN resubmitted TMRs at a significantly lower rate.

U.S. Contractor Sentenced for Bribery Scheme

On December 15, 2014, in the District of Arizona, Robert Bertolini was sentenced to three months of imprisonment followed by seven months of home detention, three years of probation upon release, and forfeiture of $59,975 to the U.S. government. In July 2014, Bertolini, a former employee of Lakeshore Engineering Services Inc. (LES), a subsidiary of Lakeshore Toltest Corporation, pled guilty to one count of conspiracy to commit wire fraud and receive an illegal kickback.

In December 2010, USACE awarded a contract to LES to design and construct FOB Rocco for the ANA in Kabul, Afghanistan. LES hired Bertolini to be the FOB Rocco project manager and in March 2011, LES contracted with Shams Group International (Shams) to provide materials, labor, and other services.

In May 2011, without approval from LES, Bertolini approved two modifications to Shams’ contract, increasing its value by over $1 million.
SIGAR UNDERCOVER OPERATION HELPS THWART SCHEME TO STEAL FIRE TRUCK AND OTHER U.S. GOVERNMENT PROPERTY WORTH OVER $800,000

The U.S. Army Criminal Investigation Command (CID) received information that Krishna Kumar, an employee of Ecolog International, a subcontractor of Fluor Corporation, frequently discussed stealing U.S. government property from Bagram Airfield (BAF) for the purpose of resale. Kumar was responsible for the transport of excess goods such as heavy equipment and automobiles to the Defense Logistics Agency (DLA) and on numerous occasions had asked a source if he knew of potential buyers of the items to which he had access.

On December 9, 2014, Kumar approached the source and expressed interest in finding a buyer for a fire truck and an up-armored Ford F-150 pickup truck. Kumar said the two U.S. government-owned vehicles had to be sold within a few days; otherwise, he would have to transfer them to DLA. Upon receiving this information, CID requested assistance from the International Contract Corruption Task Force (ICCTF) and an undercover operation was initiated.

On December 12, 2014, the source and a SIGAR special agent, acting in an undercover capacity as an interested buyer, met with Kumar and his co-conspirator, Roop Singh, at the Fluor Materials Yard at BAF. During the 40-minute meeting, the special agent was equipped with a recorder hidden on his person in order to record the conversation regarding the illegal purchase of the fire truck and the F-150 up-armored pickup truck. They agreed to a price of $40,000 and $10,000 respectively. As the fire truck had a flat tire and could not be moved, and the pickup truck was inaccessible at the time, it was agreed that Singh would contact the source after he had an opportunity to retrieve the pickup truck and repair the tire on the fire truck.

That same day, Singh contacted the source and advised the vehicles were ready for pick-up. He agreed to a specified meeting time later in the day and reiterated that the full payment of $50,000 would be required. Even though a recording of the initial meeting had already established culpability in the illegal sale, it was decided that the undercover agent and the source would be taken to the Fluor Materials Yard in order to further help identify the individuals involved in the scheme. With assistance from Fluor Corporate Investigations, all Fluor yard personnel were assembled in groups of ten so the agent and source could better identify the suspects with whom they
had met earlier. The special agent and source identified Krishna Kumar and Raj Janak as participants in the scheme. Subsequently, Kumar and Janak identified Singh, and two other individuals, Vijay Kumar, and Sat Pal, as having been involved. All five men were transferred to Provost Marshals Office for interrogation. Krishna Kumar, Janak, and Singh each admitted to being involved in selling the two trucks, but denied involvement in any previous illegal activity. Vijay Kumar and Sat Pal denied any involvement, but it was established that Vijay Kumar had actually participated. The subjects’ quarters were searched and the men were subsequently released to an Ecolog representative.

Because of the undercover operation, on December 14, 2014, Krishna Kumar, Raj Janak Roop Singh, and Vijay Kumar were barred from all USFOR-A and ISAF installations in Afghanistan by the U.S. Army Garrison. The garrison also coordinated with FLUOR and Ecolog to have the subjects deported from Afghanistan and returned to India. In cases involving third country nationals (TCNs), particularly when the TCNs are the subjects of the investigation(s), Afghan prosecutors typically decline prosecution. In this specific case, the chief Bagram prosecutor declined prosecution when he was advised all subjects were TCNs. Although the TCNs were not prosecuted criminally, suspension and debarment will be sought against them by SIGAR’s suspension and debarment program.

As the true value of the fire truck and the up-armored F-150 pickup truck is approximately $643,492 and $159,000 respectively, the investigation prevented a potential loss of $802,492.
Following the approval, Shams wired approximately $59,975 to a bank account owned by Bertolini’s son in Ohio.

Bertolini will report to the Bureau of Prisons on February 10, 2015.

U.S. Contractor Indicted for Fraud
On December 16, 2014, in the Eastern District of Texas, George E. Green was arrested subsequent to a five count federal indictment for violations of conspiracy to commit wire fraud and structuring financial transactions.

The investigation was initiated after USAID received allegations that Green, an employee of International Relief Development (IRD), had solicited and received kickbacks in exchange for contract awards for the USAID Southern Regional Agriculture Development (SRAD) program, with a contract value of $65 million. An Afghan employee of IRD wired $20,000 to Green’s U.S. bank account and several Afghan contractors wired $25,000 to Green’s bank account and to an antique-auto dealer in Italy. Green bought $16,000 in jewelry in Dubai as a means to launder money and he arranged for his wife to transport over $30,000 to the United States from Italy upon her return from their vacation together.

U.S. Contractor Pleads Guilty to Theft of U.S. Government Property
On December 12, 2014, in the Northern District of Illinois, Timothy Maurer, a former Raytheon employee, pled guilty to a criminal information charging him with theft of government property.

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 individuals residing in the U.S. who were later determined to be eBay re-sellers. Maurer admitted to stealing over $200,000 worth of equipment.

U.S. Military Member Arrested and Indicted
On December 3, 2014, in the District of Puerto Rico, U.S. Army Staff Sergeant Luis Casellas was indicted on charges of bulk cash smuggling, false statements, theft of government property, smuggling goods into the U.S., and wire fraud. Casellas was arrested on December 4, 2014, with assistance from a FBI SWAT Team.

On August 16, 2013, at the Customs and Border Protection (CBP) United Parcel Service (UPS) hub facility in Louisville, Kentucky, CBP officers interdicted $41,750 from a parcel originating from KAF, Afghanistan. The parcel was sent by Casellas to his spouse in Puerto Rico. On August 21, 2013, CBP interdicted a second parcel sent by Casellas with an additional $20,800 concealed in equipment items contained inside. The investigation uncovered
that the equipment was stolen property belonging to the U.S. Military LOGCAP in Afghanistan.

In September 2013, FBI San Juan, Puerto Rico, responded to the law offices of a private attorney representing an anonymous source who wanted to turn in $46,500 in abandoned currency and items from Afghanistan. Upon recovering the abandoned cash and items from the attorney, the FBI discovered the tools were marked with LOGCAP numbers and passed the information onto agents at KAF. The items were stolen U.S. government-owned property and the theft was traced back to Casellas.

In addition to stealing approximately $115,000 in currency and materials, Casellas received Overseas Housing Allowance payments from the Army as he fraudulently claimed he was paying rent and utilities for a residence owned by his wife. The fraud constitutes a $96,950 loss to the U.S. government.

**U.S. Military Member Discharged**

U.S. Army Staff Sergeant Charles Edward McElveen was discharged from the U.S. Army under Chapter 10 of the Uniform Code of Military Justice in lieu of trial by court martial. McElveen was discharged “other than honorable” from the military for the sale and distribution of alcohol while deployed to Afghanistan from 2012 until 2013. McElveen also faces suspension and debarment proceedings.

The investigation was initiated upon receipt of allegations that Crystal Construction Company (CCC) filed false claims in connection with a contract to deliver 450 barriers used to fortify bases in Afghanistan to FOB Salerno during 2012. Additional information surfaced involving McElveen, the COR on the contract, who allegedly received kickbacks and wired the proceeds to family members in the United States. The investigation uncovered that McElveen and Desean Denny, a private contractor working at FOB Salerno, wired thousands of dollars back to the United States while in Afghanistan.

McElveen and Denny were interviewed and both confessed to the smuggling and distribution of alcohol while stationed at FOB Salerno. However, there was no evidence of kickbacks in connection to the CCC contract. Denny was terminated and suspension and debarment proceedings are pending. McElveen returned to the United States to face court-martial proceedings involving the smuggling and distribution of alcohol.

**Contractor Barred from Military Installations**

On October 21, 2014, Christopher McCray was served with a barment letter at BAF. McCray had previously admitted to soliciting and receiving kickbacks while employed by Berger-Cummins, a contracting firm at BAF. McCray has also admitted to stealing copper wire from Berger-Cummins and facilitating its removal from BAF through abuse of his escort authority.
Consequently, McCray is permanently barred from U.S. military installations in Afghanistan.

**U.S. Government Property Worth $103,000 Recovered**

On February 14, 2014, ATL, a National Afghan Trucking (NAT) carrier, while hauling an armored pickup truck from Camp Phoenix, Kabul, to Gardez, Paktiya, was detained at a National Directorate of Security (NDS) checkpoint. NDS officials seized the truck after discovering the carrier did not have an armor license. Immediate efforts by the transportation company, the U.S. Army, and SIGAR, to take back possession of the vehicle were unproductive.

The vehicle was eventually located at the Kabul NDS logistics compound. After traveling to the compound and meeting with NDS officials on several occasions, SIGAR arranged for NDS to release the truck to a U.S. military contractor, SEK. On November 6, 2014, the truck, valued at $103,000, was released by NDS, and SEK took possession of it for return to its rightful owner.

**Suspensions and Debarments**

This quarter, SIGAR’s suspension and debarment program referred 12 individuals and five companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. Seven of these individuals were referred for suspension based upon criminal charges being filed against them based on 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 564, encompassing 304 individuals and 260 companies to date.

As of the end of December 2014, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 91 suspensions and 295 finalized debarments of individuals and companies engaged in U.S.-funded reconstruction projects. An additional 14 individuals and companies have entered into administrative compliance agreements with the Government in lieu of exclusion from contracting since the initiation of the program. During the first quarter of 2015 alone, SIGAR’s referrals resulted in seven suspensions and 74 finalized debarments of individuals and entities by suspension and debarment officials at the Departments of the Army and Air Force.

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 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 564 referrals for suspension and debarment that have been made by the agency to date, 535 have been made since the second quarter of 2011. During the 12-month period prior to January 1, 2015, referrals
by SIGAR’s suspension and debarment program resulted in the exclusion of 176 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 nearly $845 million.

In October 2014, SIGAR’s Suspension and Debarment Team was honored with a Special Act Award for Excellence by the Counsel of the Inspectors General on Integrity and Efficiency recognizing its efforts to identify contractors engaged in fraud and poor performance on Afghanistan reconstruction contracts since the program’s inception in 2011.

Debarment of 20 Individuals Participating in Fraudulent Linguist Certification Testing

The efforts of SIGAR’s investigators and its suspension and debarment program resulted in the debarment of 20 individuals as the result of a discovery of a fraudulent test-taking scheme designed to process unqualified linguists for deployment to Afghanistan under the Army’s linguist contract. Specifically, the evidence revealed that linguist recruiters working for FedSys Inc., a subcontractor to Mission Essential Personnel LLC, hired “test takers” to take and pass the oral proficiency language test for new linguists in order to advance them to Mission Essential Personnel’s pre-deployment processing center. To perpetuate the scheme, recruiters provided “test takers” with the personal information of prospective linguists, allowing them to take the oral proficiency language test on their behalf. Following the receipt of a passing score, the actual prospective linguists would be deployed to Afghanistan as part of the contract. The scheme was discovered by FedSys and Mission Essential Personnel in June 2012 and was disclosed to the U.S. government at that time. Based upon the initial allegations in SIGAR’s referral and research by the Army Procurement Fraud Branch, on November 4, 2014, 20 individuals were debarred for a three-year period, ending on September 17, 2017.

Debarment of Five Companies and Two Individuals for Overbilling $900,000 for Cancelled Tents

As a result of SIGAR’s investigation into the cancellation of a contract for the expansion of Camp Deh Dadi II in Mazar-e-Sharif, Afghanistan, five companies and two individuals were debarred for overbilling the U.S. government $900,000 for maintenance tents that were part of contract that was terminated for the convenience of the government. These tents were originally requested as part of contract W919QA-10-C-0073 in support of the expansion of Camp Deh Dadi II, awarded to Atlas Sahil Construction Company (ASCC) on September 27, 2010. As originally conceived, the contract required that ASCC deliver nine large area maintenance tents, construct multiple billeting facilities, level an area to serve as a logistics hub,
construct the logistics hub, and install a power-distribution system, generators, and an electronic sustainment system with a total value of $10,881,800. Due to the retrograde of U.S. Forces from the Mazar-e-Sharif area, the contract was terminated on March 17, 2012. As part of the termination of this contract, ASCC submitted a claim for payment of $1,647,400 for the nine large maintenance tents based on an invoice received from its subcontractor, Sambros International. As part of a review of the costs submitted for reimbursement, it was determined that Sambros International had only paid $747,000 for purchase of the tents from its supplier. Following the initiation of an investigation by SIGAR, it was determined that ASCC and Sambros International had knowingly submitted invoices to the Government which claimed costs of $171,000 for each tent, instead of $71,000 actually paid to the supplier, resulting in a $900,000 fraudulent claim for payment. Based on the information provided by SIGAR, on November 15, 2014, the Army debarred ASCC, Sambros International, the owners of both companies and three affiliated subsidiaries of Sambros International located in the United Kingdom for a period of approximately three years, ending on August 5, 2016. This period includes the period in which the entities were excluded from contracting after placement in proposed debarment status on August 5, 2013.

Debarment of Lakeshore Toltest Corporation and 28 Affiliated Companies Due to Failure to Pay Subcontractors and Filing of Bankruptcy

On December 10, 2014, as a result of a referral made by SIGAR, the Army Suspension and Debarment Official debarred Lakeshore Toltest Corporation and 28 affiliated companies in the United States and overseas, based upon the corporation’s failure to pay Afghan subcontractors for claims made as part of reconstruction contracts and the company’s filing of Chapter 7 bankruptcy in the U.S. Bankruptcy Court for the District of Delaware on May 2, 2014. Prior to its bankruptcy, Lakeshore Toltest Corporation had been ranked the 16th largest international engineering and construction contractor in the United States during 2013, based on approximately $436 million in revenues from overseas projects during 2012 and the 110th largest construction contractor in the United States, with approximately $537.5 million in revenues from both domestic and overseas contracts and 70% of its work coming from general construction contracts. During 2013 and 2014, SIGAR received hotline complaints from Afghan subcontractors of Lakeshore Engineering & Construction Afghanistan Inc., a subsidiary of Lakeshore Toltest Corporation, stating that the company had failed to pay for nearly $59.8 million in goods and services it had accepted as part of the performance of reconstruction contracts. Included in these complaints were claims for non-payment related to the construction of the Afghan National Security University, including facilities housing the Afghan
National Defense University, the Joint Services Academy, the Legal Branch School, and the Religious and Cultural Affairs School, as well as construction of ANA garrisons in Ghazni, Kunar, and Laghman Provinces. Based upon its bankruptcy filing and its history of failing to meet its financial obligations to subcontractors in Afghanistan, Lakeshore Toltest Corporation and 28 of its affiliates were debarred for a period of three years, ending on August 13, 2017. This period includes the period in which the entities were excluded from contracting after placement in proposed debarment status on August 12, 2014.

**Debarment of Customs Official Based on Offer to Conceal Shipments of Goods to Afghanistan via Iran**

As the result of a joint investigation by SIGAR, the Department of State Inspector General and the ICCTF, the Air Force Suspension and Debarment Official debarred Abdul Masoued Walizada based on his offers to prepare fabricated customs of documents for goods shipped into Afghanistan from Iran. Walizada, a government employee working in the Surface Deployment and Distribution Command’s office at the U.S. Embassy Kabul, had been previously identified as having accepted bribes to prepare paperwork that identified shipments into Afghanistan as destined for use by the U.S. military and therefore exempt from Afghan customs duties. Walizada was subsequently contacted by undercover investigators seeking assistance in shipping goods into Afghanistan and he offered to not only prepare the fictitious customs paperwork but to assist in shipping the goods through Iran, in violation of U.S. law. Walizada was subsequently terminated from his employment at the embassy, his special immigrant visa was terminated and he was debarred for a period of three years, ending on August 21, 2017.

**OTHER SIGAR OVERSIGHT ACTIVITIES**

**Congress Acts on Issues Highlighted by SIGAR**

SIGAR regularly briefs members of Congress and their staff on its audits, inspections, investigations, special projects, and other reconstruction oversight work in Afghanistan. This quarter, Congress addressed many issues highlighted by SIGAR through provisions in FY 2015 legislation, including the Consolidated and Further Continuing Appropriations Act and the National Defense Authorization Act.

**Consolidated and Further Continuing Appropriations Act**

The Consolidated and Further Continuing Appropriations Act and the accompanying Joint Explanatory Statement, which provides additional explanatory detail for the legislative text of the underlying bill, both
included various provisions highlighting SIGAR’s reconstruction oversight, including:

- A section prohibiting DOD from using funding the bill provides to transfer additional C-130 aircraft to the ANSF until DOD provides a report to Congress on the Afghan Air Force’s (AAF) medium airlift requirements. A July 2014 SIGAR alert letter to DOD called for a similar review prior to providing additional C-130 aircraft to the AAF.
- Language restricting direct government-to-government assistance to foreign governments, including Afghanistan, until various conditions are met. Among them is a requirement that implementing agencies and ministries be assessed and considered to have the systems required to manage assistance. In the case of Afghanistan, SIGAR has reported on the risks of providing direct government-to-government assistance to the Afghan government and called for placing conditions on such assistance.
- A provision prohibiting the use of Economic Support Fund (ESF) and International Narcotics Control and Law Enforcement (INCLE) funding on programs, projects, or activities in Afghanistan that are not subject to regular oversight, including site visits, by the Department of State or USAID. Over the last year, SIGAR has reported on the increased risk of waste, fraud, and abuse for reconstruction projects that cannot be accessed for oversight.
- Language requiring that ESF and INCLE funding for Afghanistan only be used for programs that the Afghans can sustain. SIGAR has reported on numerous occasions its concerns about unsustainable reconstruction programs and projects implemented by the Department of State and USAID.

**National Defense Authorization Act**

Likewise, the National Defense Authorization Act, which authorizes funding and programs administered by DOD for Afghanistan reconstruction, contained provisions relevant to SIGAR’s oversight work, such as:

- Language requiring the Secretary of Defense to review DOD’s compliance with current law concerning the disposal of covered waste in burn pits and to report to the congressional defense committees on the results of this review. SIGAR reporting has highlighted the limited operation of solid-waste incinerators at U.S. military facilities in Afghanistan and called attention to the continued use of open-air burn pits, which can expose U.S. personnel to toxic smoke.
- A section making further improvements to the Section 841, or “No Contracting with the Enemy,” process to prevent the enemy from accessing U.S. government contracting funds. SIGAR’s reporting has identified ways in which U.S. agencies and Congress can improve the Section 841 process.
• A provision requiring the Secretary of Defense, in coordination with the Secretary of State, to submit a report to the congressional defense committees containing a plan for sustaining the ANSF through the end of fiscal year 2017. SIGAR has frequently highlighted the myriad sustainability challenges confronting the ANSF, including the Afghan government’s lack of domestic revenue to financially sustain it.

• A section prohibiting the use of funds authorized by the bill for construction projects in Afghanistan in excess of $1 million that cannot be audited and physically accessed by U.S. government personnel or their designated representatives. The Secretary of Defense can waive this requirement by submitting a report to the congressional defense committees that, among other things, determines the project clearly contributes to U.S. national interests or strategic objectives; the project has been coordinated with the Afghan government, other implementing agencies, and international donors; and arrangements have been made to sustain the project. SIGAR has reported frequently on oversight access restrictions for infrastructure projects in Afghanistan and the need to make basic determinations when planning and implementing reconstruction programs and projects to prevent waste, fraud, and abuse.

SIGAR Publishes High-Risk List
SIGAR published the High-Risk List in December 2014. Its role is to call attention to program areas and elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse. SIGAR’s goal is to help SIGAR as well as others such as the new Afghan government to focus attention and corrective/preventive efforts on systemic rather than idiosyncratic problems facing reconstruction efforts. The list will also highlight program areas in which SIGAR believes implementing agencies are failing to mitigate risks in their areas of operation, and will help generate actionable and substantive recommendations for executive agencies, Congress, and the new Afghan government.

SIGAR aims to mitigate risks, not prevent them or eliminate them entirely. Even in countries at peace, there is no such thing as a risk-free project. But in the conflict zone that is Afghanistan, the risks of waste, fraud, and abuse multiply. The problem is that American taxpayer dollars and strategic and humanitarian interests in Afghanistan are being placed at unnecessarily high levels of risk by widespread failure to track results, anticipate problems, and implement prudent countermeasures. And, unlike in countries at peace, those problems can lead to lives lost and U.S. national security objectives hindered or denied.

The SIGAR High-Risk List was inspired by the Government Accountability Office’s (GAO) similarly named project that calls attention to federal programs that are at risk of waste, fraud, abuse or mismanagement. Like the GAO list, SIGAR’s will be a work in progress, with issue
areas and agency assessments changing over time—or staying constant, if no improvements occur. Department of Defense contract management, for example, has been on GAO’s list since 1992.

SIGAR’s topic-selection criteria also resemble GAO’s. SIGAR does not want to encourage devoting scarce human and technical resources to low value-added or non-mission-critical areas. Therefore the list of high-risk areas was developed by focusing on those that are:

1. essential to the success of the reconstruction effort;
2. at risk of significant and large-scale failure due to waste, fraud, or abuse;
3. part of ongoing or planned reconstruction efforts; and
4. subject to the control or influence of the U.S. government.

Applying that screening protocol gave SIGAR a list of seven high-risk areas:

1. Corruption/Rule of Law
2. Sustainability
3. ANSF Capacity and Capabilities
4. On-Budget Support
5. Counternarcotics
6. Contract Management and Oversight Access
7. Strategy and Planning

Each of the seven discussions in the SIGAR High-Risk List cites numerous points from SIGAR and other agencies’ work to illustrate the nature and severity of the risk. Each of the seven risk areas is a potent threat to the reconstruction mission. But because corruption is so pervasive and so destructive in every area of Afghan life, it leads the list of high-risk areas.

SIGAR also discuss the sources of risk, often a critical factor in deciding how to address the threat. The SIGAR High-Risk List notes that sources of risk for the reconstruction effort in Afghanistan include:

• limited institutional and human-capital capacity in Afghan institutions
• operational demands and constraints imposed by an active insurgency
• widespread corruption in Afghan society and government entities
• Afghan reluctance or inability to impose accountability, especially on the wealthy or well connected
• poor record keeping and data retention by U.S. agencies and Afghan entities
• frequent personnel turnover and loss of U.S. agencies’ in-country institutional memory
• U.S. oversight personnel’s noncompliance with existing rules and regulations
• lack of adequate, coordinated, context-sensitive planning to guide program conduct
• failure to give due weight to sustainability in considering projects for Afghan control
• limited visibility into Afghan records

These points of failure illustrate the vast amount of work that an oversight agency like SIGAR faces in Afghanistan. And the challenge is growing. The drawdown of U.S. troops and the consequent reduction in security, transportation assets, and access has led other federal oversight agencies to reduce or remove their employee strength in Afghanistan.

Special Inspector General Sopko Speaks at Carnegie Endowment for International Peace
On December 10, Special Inspector General Sopko announced SIGAR’s recently released High-Risk List and spoke about the corrosive effects of corruption on Afghanistan’s reconstruction at the Carnegie Endowment for International Peace. Sopko said that while SIGAR welcomed President Ghani’s steps to tackle corruption, more was required. He concluded his speech by emphasizing the importance of continued vigilance of reconstruction programs in Afghanistan.

Special Inspector General Sopko Speaks at NATO Conferences
In November and December 2014, Sopko spoke at two NATO Building Integrity conferences. The first conference focused on raising awareness of corruption in the defence and security sector, promoting good practice and practical tools to strengthen transparency, accountability, and integrity, and exploring the role that Members of Parliament could play in addressing these challenges. Sopko discussed the threat corruption poses to the reconstruction effort, and pointed out the opportunity to focus on corruption at the London Conference. The second conference emphasized transparent and sustainable support to the ANSF. At that conference, Sopko described the concerns that SIGAR, and others, have raised with ensuring that transparency and sustainability, given the military drawdown and the increased reliance on Afghan self-reported data to track reconstruction programs.

SIGAR Helps Conduct First All-Female Judicial Training
In January, at the request of the U.S. Department of Justice (DOJ), SIGAR’s Lindy Savelle and U. S. Army Colonel Martha Foss, Resolute Support Mission senior rule-of-law attorney, provided the first all-female training to 21 Afghan judges, prosecutors and investigators at the Afghanistan Supreme Court in Kabul, Afghanistan.

The training focused on the seven-step investigative process developed by the DOJ. In the three years the DOJ has taught this course, this was the
first time all attendees were female. In addition, the two personal security
detail team members inside the training room providing security support
throughout the training were also female.

Brigadier General Hekmat Shahi from the Ministry of Interior’s (MOI)
Director for Gender Affairs and Human Rights attended the graduation and
provided remarks, highlighting the importance of cooperation in criminal
cases between the court, police and the prosecutors. She and others stated
this training was a historical event in the careers of female law enforcement
and legal personnel as it paved the way for similar future training.

The training reinforced the importance of cooperation and coordina-
tion amongst the MOI, Ministry of Justice, Attorney General’s Office and
the Afghanistan Courts. Savelle and Colonel Foss emphasized to the
participants how teamwork is essential in bringing about resolution on
investigations, as each individual unit or component of the legal community
is part of a larger overall judicial system throughout Afghanistan. During
the training, time was provided to allow for coordination and networking
between the participants.

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
five directorates: (1) Audits and Inspections, (2) Special Projects,
(3) Investigations, (4) Management and Support, and (5) Research
and Analysis.

SIGAR STAFF
SIGAR staff count remained steady since its last report to Congress with
200 employees on board at the end of the quarter. At the end of the quarter,
there were 31 employees at the U.S. Embassy Kabul and six other employ-
ees in Afghan locations outside the U.S. Embassy. SIGAR staff members
were stationed at three locations across the country, including Kandahar
and Bagram airfields and the U.S. Embassy Kabul. SIGAR employed three
local Afghans in its Kabul office to support the Investigations and Audits
directorates. In addition, SIGAR supplements its resident staff with person-
nel assigned to short-term temporary duty in Afghanistan. This quarter,
SIGAR had eight employees on temporary duty in Afghanistan for a total of
140 days.
“A stable and a peaceful Afghanistan that is at peace with its neighbors is in the interests of all of us, and we all expect and hope for sure that the authorities in Kabul will make good on their promises.”

—U.S. Secretary of State John Kerry
3 RECONSTRUCTION UPDATE
## RECONSTRUCTION UPDATE CONTENTS

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A color guard of the U.S.-led International Security Assistance Force parades during the December 8, 2014, colors-casing ceremony in North Kabul for ISAF Joint Command and the U.S. XVIII Airborne Corps. Both commands were closing their missions in Afghanistan. (U.S. Air Force photo by Staff Sgt. Perry Aston)
OVERVIEW

This quarter witnessed the end of International Security Assistance Force (ISAF) operations and the beginning of NATO’s Resolute Support Mission (RSM) to train, advise, and assist the Afghan National Security Forces (ANSF). The remaining 9,500 U.S. troops in Afghanistan will participate in RSM and play a limited counterterrorism role.

In December, the United Nations (UN) Secretary-General reported that 2014 saw the highest number of civilian casualties yet recorded in the Afghanistan conflict, with the UN Assistance Mission in Afghanistan predicting civilian casualties to exceed 10,000 for all of 2014.

Assessments of the ANSF remain positive overall while recognizing capability gaps remain. The UN reported that overall the Afghan security forces were able to counter the insurgency with relative effectiveness and the insurgents were unable to permanently capture their intended targets.

Last quarter, SIGAR expressed concerns about ISAF’s classification of a previously unclassified ANSF assessment report summary. This quarter, the new RSM went further, classifying information that SIGAR, until now, has used to publicly report on such matters as ANSF strength, attrition, equipment, personnel sustainment, infrastructure, and training, as well as Afghan Air Force and Special Mission Wing capabilities, and anticorruption initiatives at the Ministry of Defense (MOD) and Ministry of Interior (MOI). As a result, much of the information SIGAR has used for the past six years to report on the $65 billion U.S. investment in the ANSF is no longer releasable to the public and SIGAR, for the first time, will produce a classified annex to this report.

On December 4, Afghanistan’s new national-unity government and representatives of the international community convened the London Conference on Afghanistan. Participants renewed commitments made at the 2012 Tokyo conference and agreed to update these commitments in 2015. The London Conference was not intended to result in new donor promises of assistance; instead, the international community reaffirmed its previous commitment of $16 billion in assistance through 2015.

Throughout the quarter, there were numerous delays in appointing a new cabinet and other high-ranking Afghan government officials. President
Ashraf Ghani finally announced nominations for key government positions on January 12, more than three months after his inauguration. The nominations must be approved by the National Assembly.

Afghanistan suffered from an estimated $500 million budget shortfall in fiscal year (FY) 1393 (December 21, 2013–December 20, 2014) that threatened to affect payments of civil servant salaries and pensions, as well as operating and development spending. In the first 10 months of FY 1393, domestic revenues missed Ministry of Finance (MOF) budget targets by 26% and decreased by about 7.6% from the same period last year. At the same time, Afghan government expenditures increased 11% from the same period in FY 1392, and are expected to continue rising, according to World Bank projections. This quarter, the United States gave Afghanistan $100 million to help cover the fiscal gap. Afghanistan is operating without an approved budget for FY 1394.

The Asia Foundation released the 2014 Survey of the Afghan People based on in-person interviews conducted from June 22 to July 8, 2014. At that time, 54.7% of Afghan respondents said the country is moving in the right direction, down from 57.2% in 2013; 40.4% said it is moving in the wrong direction, up from 37.9% in 2013. Despite yearly fluctuations, the long-term trend since 2006 shows an increase in the perception that the country is moving in the right direction.

This quarter, the United Nations Office on Drugs and Crime (UNODC) published its latest opium survey results for Afghanistan. Once again, the area under poppy cultivation increased, this time to 224,000 hectares—surpassing 2013’s all-time record—and eradication results decreased significantly to 2,692 hectares when compared to the 2013 numbers. Meanwhile, on the interdiction front, DOD reported lower interdiction numbers for 2014 as well as for this quarter. The drawdown of Coalition forces has affected the ability of Afghan counternarcotics forces to conduct operations. Even though specialized Afghan units are able to conduct complex counterdrug investigations and operations, results will likely continue to decline without the support of Coalition quick-reaction forces, air support, and dedicated medical evacuation.

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 increasing cumulative funding for Afghanistan reconstruction to approximately $107.5 billion, as of December 30, 2014. When this report went to press, final FY 2015 appropriation amounts for State and USAID accounts were still being determined. Total FY 2015 funding levels will increase when these amounts are known. A significant amount of reconstruction funds remain to be disbursed. Of the $91.2 billion appropriated for the seven major reconstruction funds, approximately $15.3 billion remained in the funding pipeline for potential disbursement at the end of the fiscal quarter.
The United States provides on-budget assistance to Afghan government entities and contributions to multinational trust funds. Since 2002, the United States has provided more than $8.1 billion in on-budget assistance. This includes about $4.1 billion to Afghan government ministries and institutions, and more than $4 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 to Afghan government entities.

<table>
<thead>
<tr>
<th>U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 ($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government-to-Government</strong></td>
</tr>
<tr>
<td>DOD</td>
</tr>
<tr>
<td>State</td>
</tr>
<tr>
<td>USAID</td>
</tr>
<tr>
<td><strong>Multilateral Trust Funds</strong></td>
</tr>
<tr>
<td>LOTFA</td>
</tr>
<tr>
<td>ARTF</td>
</tr>
<tr>
<td>AITF</td>
</tr>
</tbody>
</table>

Note: Government-to-government figures reflect amounts the United States has committed in on-budget assistance, excluding commitments to Multilateral Trust Funds. Multilateral Trust Funds figures reflect amounts the United States has paid in to each trust fund.

FUNDING FOR AFGHANISTAN RECONSTRUCTION

Since 2002, Congress has appropriated nearly $107.5 billion for Afghanistan relief and reconstruction. Of this amount, $91.2 billion (85%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2. This amount will increase when appropriation amounts for Afghanistan are determined for State and USAID accounts.

As of December, 31, 2014, approximately $15.3 billion of the amount appropriated to the seven major reconstruction funds remained for possible disbursement, as shown in Figure 3.1. These funds will be used to complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; train, equip, and sustain the ANSF; 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 appropriating the following amounts for the seven major reconstruction funds:

- $4.1 billion for the ASFF
- $10 million for CERP
- No additional funding for AIF
- No additional funding for TFBSO
- $110.1 million for DOD CN
- ESP amount for Afghanistan still being determined
- INCLE amount for Afghanistan still being determined

<table>
<thead>
<tr>
<th>Table 3.2</th>
<th>CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2015 ($ BILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Appropriated</td>
</tr>
<tr>
<td>ASFF</td>
<td>$60.67</td>
</tr>
<tr>
<td>CERP</td>
<td>3.68</td>
</tr>
<tr>
<td>AIF</td>
<td>1.04</td>
</tr>
<tr>
<td>TFBSO</td>
<td>0.81</td>
</tr>
<tr>
<td>DOD CN</td>
<td>2.83</td>
</tr>
<tr>
<td>ESF</td>
<td>17.71</td>
</tr>
<tr>
<td>INCLE</td>
<td>4.44</td>
</tr>
<tr>
<td><strong>Total 7 Major Funds</strong></td>
<td><strong>$91.20</strong></td>
</tr>
<tr>
<td>Other Reconstruction Funds</td>
<td>7.33</td>
</tr>
<tr>
<td>Civilian Operations</td>
<td>8.96</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$107.48</strong></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately $3.4 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.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/19/2015.
Congress appropriated nearly $8.1 billion to the seven major reconstruction funds for FY 2013. Of that amount, nearly $2.6 billion remained for possible disbursement, as of December 31, 2014, as shown in Table 3.3 and Figure 3.2.

<table>
<thead>
<tr>
<th>FY 2013 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED ($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriated</td>
</tr>
<tr>
<td>ASFF</td>
</tr>
<tr>
<td>CERP</td>
</tr>
<tr>
<td>AIF</td>
</tr>
<tr>
<td>TFBSO</td>
</tr>
<tr>
<td>DOD CN</td>
</tr>
<tr>
<td>ESF</td>
</tr>
<tr>
<td>INCLE</td>
</tr>
<tr>
<td><strong>Total 7 Major Funds</strong></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately $329 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.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/19/2015.

Congress appropriated nearly $5.5 billion to the seven major reconstruction funds for FY 2014. Of that amount, nearly $4.5 billion remained for possible disbursement, as of December 31, 2014, as shown in Table 3.4 and Figure 3.3.

<table>
<thead>
<tr>
<th>FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED ($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriated</td>
</tr>
<tr>
<td>ASFF</td>
</tr>
<tr>
<td>CERP</td>
</tr>
<tr>
<td>AIF</td>
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<tr>
<td>TFBSO</td>
</tr>
<tr>
<td>DOD CN</td>
</tr>
<tr>
<td>ESF</td>
</tr>
<tr>
<td>INCLE</td>
</tr>
<tr>
<td><strong>Total 7 Major Funds</strong></td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Pub. L. 113-235 rescinded $764.38 million from FY 2014 ASFF. 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.

Source: SIGAR analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/19/2015.
STATUS OF FUNDS CONTENTS

U.S. Reconstruction Funding for Afghanistan  

Afghanistan Security Forces Fund  

ASFF Budget Activities  

Commander’s Emergency Response Program  

Afghanistan Infrastructure Fund  

Task Force for Business and Stability Operations  

DOD Drug Interdiction and Counter-Drug Activities  

Economic Support Fund  

International Narcotics Control and Law Enforcement  

International Reconstruction Funding for Afghanistan
STATUS OF FUNDS

To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2014, the United States had appropriated approximately $107.48 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- $65.02 billion for security ($4.20 billion for counternarcotics initiatives)
- $30.65 billion for governance and development ($3.81 billion for counternarcotics initiatives)
- $2.86 billion for humanitarian aid
- $8.96 billion for civilian operations

Figure 3.4 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.4

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

AGENCIES

Note: Numbers have been rounded. Final FY 2015 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of December 31, 2014, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $107.48 billion, as shown in Figure 3.5. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately $8.01 billion of these funds support counternarcotics initiatives which crosscut both the security ($4.20 billion) and governance and development ($3.81 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

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. When this report went to press, final FY 2015 appropriation amounts for State and USAID accounts were still being determined. The amount reported as appropriated for FY 2015 will increase from the $4.29 billion, shown in Figure 3.6, when funding levels for these accounts are known.

The amount provided to the seven major U.S. funds represents over 84.8% (almost $91.20 billion) of total U.S. reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 87.3% (more than $79.57 billion) has been obligated, and over 79.5% (more than $72.54 billion) has been disbursed. An estimated $3.38 billion of the amount appropriated for these funds has expired.

FIGURE 3.5

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF DECEMBER 31, 2014 ($ BILLIONS)

Note: Numbers have been rounded. DOD reprogrammed $1 billion from FY 2011 ASFF. DOD reprogrammed $1 billion from FY 2012 ASFF. Pub. L. 113-6 rescinded $1 billion from FY 2012 ASFF. DOD reprogrammed $178 million from FY 2013 ASFF. Pub. L. 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.

* Final FY 2015 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

Two of the seven major reconstruction funds—the Afghanistan Infrastructure Fund (AIF) and the Task Force for Business and Stability Operations (TFBSO)—did not receive an appropriation for FY 2015. While many AIF-funded projects are still in progress with a significant amount remaining to be disbursed, the TFBSO plans to cease operations by March 31, 2015. The Afghanistan Security Forces Fund was appropriated the nearly $4.11 billion DOD requested for FY 2015; however, the FY 2015 Appropriations Act rescinded $764.38 million from FY 2014 ASFF.

Despite U.S. troop reductions in Afghanistan, a considerable amount is still in the reconstruction funding pipeline. More than $15.28 billion remains for potential disbursement even after the FY 2015 ASFF rescission. For more information about the reconstruction funding pipeline, see pages 74–75.

Note: Numbers have been rounded. DOD reprogrammed $1 billion from FY 2011 ASFF. DOD reprogrammed $1 billion from FY 2012 ASFF. Pub. L. 113-6 rescinded $1 billion from FY 2012 ASFF. DOD reprogrammed $178 million from FY 2013 ASFF. Pub. L. 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.

* Final FY 2015 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

AFGHANISTAN SECURITY FORCES FUND

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

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. As of December 31, 2014, more than $52.35 billion of total ASFF funding had been obligated, of which nearly $50.74 billion had been disbursed. Figure 3.7 displays the amounts made available for the ASFF by fiscal year.

DOD reported that cumulative obligations increased by nearly $582.52 billion over the quarter, and cumulative disbursements increased by nearly $1.80 billion. Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.


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. 113-6.
c DOD reprogrammed $178 million of FY 2013 ASFF.
d $764.38 million of FY 2015 ASFF was rescinded in Pub. L. 113-235.

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. 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.

As of December 31, 2014, DOD had disbursed nearly $50.74 billion for ANSF initiatives. Of this amount, more than $33.74 billion was disbursed for the ANA, and more than $16.62 billion was disbursed for the ANP; the remaining nearly $372.26 million was directed to related activities.

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly $13.51 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly $6.59 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.

---

**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.

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.\textsuperscript{54} CERP-funded projects may not exceed $2 million each.\textsuperscript{55}

The Consolidated and Further Continuing Appropriations Act, 2015, appropriated $10 million for CERP, increasing total cumulative funding to nearly $3.68 billion.\textsuperscript{56} Of this amount, DOD reported that nearly $2.28 billion had been obligated, of which nearly $2.26 billion had been disbursed as of December 31, 2014.\textsuperscript{57} 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.

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.11.png}
\caption{CERP Appropriations by Fiscal Year ($ Millions)}
\end{figure}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure3.12.png}
\caption{CERP Funds, Cumulative Comparison ($ Billions)}
\end{figure}

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

AFGHANISTAN INFRASTRUCTURE FUND

The Afghanistan Infrastructure Fund (AIF) received appropriations from FY 2011 through FY 2014. DOD did not request funds for the AIF for FY 2015. Each AIF-funded project was required to have a plan for its sustainment and a description of how it supported the counter-insurgency strategy in Afghanistan.58

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.59 Figure 3.13 shows AIF appropriations by fiscal year.

As of December 31, 2014, more than $837.47 million of total AIF funding had been obligated. Although the AIF will not receive additional funding, many AIF projects are still in progress—more than 60% of obligated AIF funds and all $280.5 million of the funds transferred to the ESF remain to be disbursed.60 Only $332.14 million of AIF funds had been disbursed, as of December 31, 2014, as shown in Figure 3.14.

FIGURE 3.13

AIF APPROPRIATIONS BY FISCAL YEAR

<table>
<thead>
<tr>
<th>($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$800</td>
</tr>
<tr>
<td>$600</td>
</tr>
<tr>
<td>$400</td>
</tr>
<tr>
<td>$200</td>
</tr>
<tr>
<td>$0</td>
</tr>
</tbody>
</table>

2011a 2012 2013b 2014

FIGURE 3.14

AIF FUNDS, CUMULATIVE COMPARISON

<table>
<thead>
<tr>
<th>($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appropriated $1,043.50</td>
</tr>
<tr>
<td>Obligated $751.63</td>
</tr>
<tr>
<td>Disbursed $296.91</td>
</tr>
</tbody>
</table>

As of Sep 30, 2014 As of Dec 31, 2014

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.

**TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS**

In 2010, the Task Force for Business and Stability Operations (TFBSO) began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO authorities expired on December 31, 2014, and the TFBSO is concluding its operations, which are planned to cease no later than 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.\(^6^1\)

Although DOD was not authorized additional funding for TFBSO projects in the FY 2015 National Defense Authorization Act, TFBSO did continue to receive a nominal amount of funding from the Operations and Maintenance, Army, account for costs associated with administrative shutdown.\(^6^2\)

Through December 30, 2014, the TFBSO had been appropriated nearly $814.92 million since FY 2009. Of this amount, more than $763.47 million had been obligated and nearly $631.26 million had been disbursed. DOD reported that approximately $4.3 million had been deobligated over the quarter.\(^6^3\) Figure 3.15 displays the amounts appropriated for the TFBSO by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for the TFBSO and its projects.

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**TFBSO FUNDS TERMINOLOGY**

- **Appropriations:** Total monies available for commitments
- **Obligations:** Commitments to pay monies
- **Disbursements:** Monies that have been expended


---

**Figure 3.15**

**TFBSO APPROPRIATIONS BY FISCAL YEAR**

($ MILLIONS)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Appropriated</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
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<td>2012</td>
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<td>2013</td>
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<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Figure 3.16**

**TFBSO FUNDS, CUMULATIVE COMPARISON**

($ MILLIONS)

<table>
<thead>
<tr>
<th>As of Sep 30, 2014</th>
<th>Appropriated $814.83</th>
<th>Obligated $763.47</th>
<th>Disbursed $631.26</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Dec 31, 2014</td>
<td>Appropriated $814.92</td>
<td>Obligated $767.76</td>
<td>Disbursed $641.12</td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Updated data resulted in a lower obligated figure than reported last quarter. Of the $814.92 million appropriated the TFBSO, $358.12 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.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

DOD’s Drug Interdiction and Counter-Drug Activities fund (DOD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement agencies—including the Afghan Border Police—with specialized training, equipment, and facilities.64

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.65

DOD reported that DOD CN received nearly $110.10 million for Afghanistan for FY 2014, bringing cumulative funding for DOD CN to more than $2.83 billion since FY 2004. Of this amount, more than $2.80 billion had been transferred to the military services and defense agencies for DOD CN projects, as of December 31, 2014.66 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.

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 multiyear procurement funding. FY14 DOD CN allocation for Afghanistan was significantly reduced from the planned $317.7 million to $105.3 million, as of December 31, 2014.

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

Source: DOD, response to SIGAR data calls, 1/14/2015 and 10/20/2014.
ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.67

When this report went to press, final FY 2015 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to more than $17.71 billion, including amounts transferred from the AIF to the ESF for USAID’s Northeast Power System transmission lines projects. Of this amount, nearly $16.38 billion had been obligated, of which nearly $12.49 billion had been disbursed.68 Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2014, decreased by more than $55.17 million and cumulative disbursements increased by more than $240.42 million from the amounts reported last quarter.69 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)

0.0 0.5 1.0 1.5 2.0 2.5 3.0 3.5
03 05 07 09 11 13 15
FY 15 APPROPRIATION AMOUNT HAS NOT BEEN DETERMINED

Figure 3.20

ESF FUNDS, CUMULATIVE COMPARISON

($ BILLIONS)

0 8 12 16 18
03 05 07 09 11 13 15
As of Sep 30, 2014 As of Dec 31, 2014

Note: Numbers have been rounded. Updated data resulted in a lower appropriated and obligated figure than reported last quarter. FY 2011 figure includes $101 million that was transferred to the ESF from the Afghanistan Infrastructure Fund (AIF). FY 2013 figure includes $179.5 million that was transferred to the ESF from the AIF. FY 2015 ESF appropriation amount will be determined after State completes the 653(a) consultation process.

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.\(^7^0\)

When this report went to press, final FY 2015 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to more than $4.44 billion. Of this amount, more than $4.16 billion had been obligated, of which, nearly $3.29 billion had been disbursed.\(^7^1\) Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of December 31, 2014, increased by nearly $1.40 million compared to cumulative obligations as of September 30, 2014. Cumulative disbursements as of December 31, 2014, increased by more than $135.85 million over cumulative disbursements as of September 30, 2014.\(^7^2\) Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.

<table>
<thead>
<tr>
<th>FY 15 APPROPRIATION AMOUNT HAS NOT BEEN DETERMINED</th>
<th>INCLE FUNDS, CUMULATIVE COMPARISON</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Sep 30, 2014</td>
<td>Appropriated $4.44</td>
</tr>
<tr>
<td>Disbursed</td>
<td>Obligated $4.16</td>
</tr>
<tr>
<td>$4.5</td>
<td>Disbursed $3.15</td>
</tr>
<tr>
<td>$4.0</td>
<td>Disbursed $3.29</td>
</tr>
<tr>
<td>$3.5</td>
<td>$3.0</td>
</tr>
<tr>
<td>$3.0</td>
<td>$2.5</td>
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<tr>
<td>$2.5</td>
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<tr>
<td>$1.5</td>
<td>$1.0</td>
</tr>
<tr>
<td>$1.0</td>
<td>$0.5</td>
</tr>
</tbody>
</table>

Note: Numbers have been rounded. Data may include inter-agency transfers. FY 2015 INCLE appropriation amount will be determined after State completes the 653(a) consultation process.

Source: State, response to SIGAR data calls, 1/15/2015 and 10/17/2014.
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).³³

Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to December 21, 2014, the World Bank reported that 34 donors had pledged more than $7.98 billion, of which more than $7.93 billion had been paid in.⁷⁴ According to the World Bank, donors had pledged more than $1.08 billion to the ARTF for Afghan fiscal year 1393, which ran from December 21, 2013 to December 20, 2014.⁷⁵ Figure 3.23 shows the 11 largest donors to the ARTF for FY 1393.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1393 BY DONOR, AS OF DECEMBER 21, 2014 ($ MILLIONS)

<table>
<thead>
<tr>
<th>Country</th>
<th>Commitments</th>
<th>Paid In</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>443</td>
<td>468</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>133</td>
<td>133</td>
</tr>
<tr>
<td>EC/EU</td>
<td>78</td>
<td>76</td>
</tr>
<tr>
<td>Germany</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Australia</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Japan</td>
<td>70</td>
<td>70</td>
</tr>
<tr>
<td>Norway</td>
<td>39</td>
<td>13</td>
</tr>
<tr>
<td>Sweden</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>Netherlands</td>
<td>32</td>
<td>25</td>
</tr>
<tr>
<td>Italy</td>
<td>18</td>
<td>19</td>
</tr>
<tr>
<td>Canada</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Others</td>
<td>20</td>
<td>22</td>
</tr>
</tbody>
</table>

Total Commitments: $1,083
Total Paid In: $1,028

Note: Numbers have been rounded. FY 1393 = 12/21/2013-12/20/2014.
As of December 21, 2014, the United States had pledged more than $2.43 billion and paid in nearly $2.41 billion since 2002. The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 48% 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. As of December 21, 2014, according to the World Bank, nearly $3.35 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. 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.

The Investment Window supports the costs of development programs. As of December 21, 2014, according to the World Bank, nearly $3.69 billion had been committed for projects funded through the Investment Window, of which more than $2.86 billion had been disbursed. The World Bank reported 20 active projects with a combined commitment value of more than $2.36 billion, of which more than $1.53 billion had been disbursed.

**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. Since 2002, donors have pledged nearly $3.84 billion to the LOTFA, of which nearly $3.77 billion had been paid in, as of September 30, 2014—the most recent LOTFA data available. The LOTFA’s sixth support phase started on January 1, 2011, and ended on December 31, 2014. From the beginning of Phase VI through September 30, 2014, the UNDP had transferred nearly $1.90 billion from the LOTFA to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional $53.52 million for capacity development and other LOTFA initiatives. As of September 30, 2014, donors had committed nearly $2.31 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly $967.10 million, and Japan had committed more than $746.76 million. Their combined commitments make up over 74% of LOTFA Phase VI commitments. The United States had committed more than $1.52 billion since the fund’s inception and had paid in all but $3.9 million of the commitment, as of September 30, 2014. Figure 3.25 shows the four largest donors to the LOTFA since 2002.

The LOTFA’s seventh phase began on January 1, 2015, and is initially planned to run through a six-month inception phase with an estimated budget of $296.84 million. During the inception phase, LOTFA activities are to begin transitioning to the Afghan government.
### SECURITY CONTENTS

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<td>106</td>
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</tbody>
</table>
As of December 31, 2014, the U.S. Congress had appropriated more than $65 billion to support the Afghan National Security Forces (ANSF). Most of these funds ($60.7 billion) were channeled through the Afghanistan Security Forces Fund (ASFF) and obligated by either the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. Congress established the ASFF to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the $60.7 billion appropriated for the ASFF, approximately $52.4 billion had been obligated and $50.7 billion disbursed as of December 31, 2014.87

This section discusses assessments of the ANSF and the Ministries of Defense and Interior; gives an overview of U.S. funds used to build, equip, train, and sustain the ANSF; and provides an update on efforts to combat the cultivation of and commerce in illicit narcotics in Afghanistan.

**KEY ISSUES AND EVENTS**

Key issues and events this quarter include the end of the International Security Assistance Force (ISAF) and its combat mission, the transition from Operation Enduring Freedom to Resolute Support Mission (RSM), record casualties within the ANSF, and the recent classification of previously publicly reported data on the status of the ANSF. In addition, the United Nations (UN) reported the worst year for civilian casualties in Afghanistan.

**International Security Assistance Force Ends Operations**

Thirteen years after its creation, ISAF concluded operations in a ceremony on December 28, 2014. ISAF initially focused on providing security in the capital of Kabul, and evolved into a coalition of some 50 nations combating the Taliban insurgency and rebuilding the Afghan security forces.88 At its peak, ISAF had 130,000 U.S. and international troops, but it gradually shrank in recent years as Afghan police and soldiers began to assume responsibility for security.89 ISAF was replaced on January 1, 2015, by RSM, a new NATO-led mission to train, advise and assist the ANSF.

“The road before us remains challenging, but we will triumph.”

*General John F. Campbell, Commander, Resolute Support*

Resolute Support Mission Begins

NATO’s new RSM advisory mission commenced on January 1, 2015. RSM will advise the security ministries, ANSF at the corps level, and Afghan special-operations forces at the tactical level. This train, advise, and assist mission will initially include approximately 12,000 troops. Four NATO members are serving as framework nations: Turkey will lead in the Kabul capital area, Germany in the north, Italy in the west, and the United States in the south and east. RSM will train Afghan soldiers and police and will conduct counterterrorism operations. NATO partners will focus exclusively on training and advising Afghan security forces, while U.S. forces will additionally have a limited combat role, as part of the new force’s counterterrorism component. The United States involvement with these two missions is code-named Operation Freedom’s Sentinel.

ISAF had developed a security-forces assistance framework, which RSM will now implement, to improve the capacity of the Afghan Defense and Interior ministries and their associated institutions to perform eight essential functions (EF):

- EF 1: Multi-year Budgeting and Execution of Programs
- EF 2: Transparency, Accountability, and Oversight
- EF 3: Civilian Governance of the Afghan Security Institutions
- EF 4: Force Generation (recruit, train, and equip the force)
- EF 5: Sustainment (supply and maintenance)
- EF 6: Strategy and Policy Planning, Resourcing, and Execution
- EF 7: Intelligence
- EF 8: Strategic Communication

SIGAR will follow and report on RSM progress in training, assisting, and advising the Afghan government and its security forces.

UN Reports Civilian Casualties Highest in 2014

The year 2014 saw the highest number of civilian casualties yet recorded in the Afghanistan conflict, according to the United Nations Assistance Mission in Afghanistan (UNAMA). In the first 11 months of 2014, civilian casualties totaled 9,617, of which 3,188 civilians were killed and 6,429 injured. UNAMA expected civilian casualties to exceed 10,000 for all of 2014.

In his December 9, 2014, report to the UN Security Council, the Secretary-General said antigovernment elements were emboldened to execute multiple assaults on district administrative centers, security-force checkpoints, and major roads. As reflected in Table 3.5, the number of security incidents decreased this period. However, overall the 19,469 security incidents recorded since the beginning of 2014 is 10.3% greater than the 17,645 recorded during same period in 2013.

Even though the threat levels are high in the east and south, as reflected in Figure 3.26, and a marked increase in incidents occurred in the east, the

---

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.

The rest of Afghanistan also experienced a significant number of security incidents. The UN recorded 5,199 security incidents from August 16 through November 15, 2014, that included 235 assassinations and 92 abductions, an increase of 9% for both over the same period in 2013. Armed clashes (48.9%) and improvised explosive device (IED) events (27.1%) accounted for 76% of all security incidents. Eight of the 46 suicide attacks occurred in Kabul City.

The UN reported that overall the Afghan security forces were able to counter the insurgency with relative effectiveness and none of the attacks succeeded in permanently capturing the intended targets. An intensive, Taliban effort to take control of the Sangin district in Helmand Province failed.

In Faryab Province, insurgents used heavier weapons than they had previously, resulting in part to security forces’ suffering more losses during 2014 than in past years (over 2,000 police officers and about 950 soldiers were killed in the country since March 21, 2014).
NATO Classifications

**NATO Cosmic Top Secret**: applied to information the unauthorized disclosure of which would cause exceptionally grave damage to NATO.

**NATO Secret**: applied to information the unauthorized disclosure of which would cause serious damage to NATO.

**NATO Confidential**: applied to information the unauthorized disclosure of which would be disadvantageous to the interests of NATO.

**NATO Restricted**: applied to information the unauthorized disclosure of which would be disadvantageous to the interests of NATO.

**NATO Unclassified**: applied to information for official NATO purposes and access only granted to individuals or organizations for official NATO purposes.


**After Six Years of Being Publicly Reported, ANSF Data Classified**

Last quarter SIGAR expressed concern about ISAF’s decision to classify a key measure of ANSF capabilities, the executive summary of the Regional ANSF Status Report (RASR). This quarter the new NATO-led Resolute Support Mission (RSM) that has taken over from ISAF went much further, classifying additional data that SIGAR has been using in every quarterly report for the past six years to discuss the progress of the ANSF, the MOD, and the MOI.

Every quarter SIGAR sends out a request for data to U.S. implementing agencies in Afghanistan with a list of questions about their programs. This quarter SIGAR received its data call responses from USFOR-A in the usual unclassified format on December 29, 2014. Five days later, SIGAR received an email stating that RSM planned to retroactively classify many of the responses. On January 8, Special Inspector General Sopko requested that Resolute Support Commander General John F. Campbell have his staff review the classification of the responses to SIGAR’s data call.

On January 14, SIGAR was informed that its data call responses concerning ANSF strength, equipment, infrastructure, anticorruption measures and many other matters had been classified under NATO guidelines at the Secret, Confidential, or Restricted levels. On January 16, SIGAR received an update that three of those responses had been changed back to unclassified, leaving the vast majority classified.

The classification of this volume of data for SIGAR’s quarterly report is unprecedented. The decision leaves SIGAR for the first time in six years unable to publicly report on most of the U.S.-taxpayer-funded efforts to build, train, equip, and sustain the ANSF. On January 18, General Campbell wrote the Special Inspector General a memo explaining why information that had previously been unclassified was now being treated as classified. The memo is reprinted in full in Appendix F of this report.

The types of data classified are addressed in the Security and Governance chapters of this section. The actual questions SIGAR asked—the responses to which RSM classified—are listed in Appendix E of this report. As authorized by its enabling statute, SIGAR will publish a classified annex containing the classified data.

**U.S. Forces in Afghanistan**

According to USFOR-A headquarters, 9,500 U.S. forces were serving in Afghanistan as of December 20, 2014, a decrease of 23,300 since June 1, 2014. Another 6,000 personnel from other Coalition nations were also serving at that time.

On May 27, 2014, President Obama announced U.S. forces in Afghanistan will reduce to approximately 9,800 by January 2015 and will be reduced further throughout 2015. Since operations began in 2001, a total of 2,216 U.S.
Military personnel have died in Afghanistan—83% of whom were killed in action—and 19,950 were wounded as of December 30, 2014.108 There were six insider attacks against U.S. forces during 2014 resulting in four deaths, including that of a U.S. Army major general on August 5, 2014.109 This quarter, an investigation into that attack determined that the killing was an isolated, opportunistic act by a determined shooter who acted without indicators or warnings.110 They concluded that the incident could not have been reasonably foreseen or prevented. However, they also found that the general’s visit to the university that day included an unusually large number of visitors, there was no comprehensive security plan, and changes made to the schedule of events that day were not coordinated with security personnel.111 Recommendations were made to help mitigate future risk.112

**ANSF STRENGTH**

This quarter RSM classified the information SIGAR has used for the past six years to report on ANSF troop strength. The questions SIGAR asked about ANSF troop strength can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

In December, the outgoing IJC commander, Lieutenant General Joseph Anderson, addressed the challenge of sustaining Afghan troops with soaring casualties and desertions. He said nearly 20% of ANA positions were unfilled as of October and recruiting and retention were not making up for personnel losses.113 CBS News reported that last year was the deadliest of the war, with more than 5,000 Afghan soldiers and police killed. General John Campbell, RS Commander, said the ANSF were going out on four times as many operations last year than previously, so it could be expected to entail more casualties.114

**NATO Set to Change ANSF Assessment Reporting**

Last quarter the IJC notified SIGAR that the executive summary of the Regional ANSF Status Report (RASR) assessing ANSF capabilities had been classified. The previous version of the RASR that SIGAR received provided reporting at the brigade level with synthesized analysis of observations and shortfalls, highlighting priority issues hampering long-term ANSF sustainability, and assessments of ANSF operational and equipment readiness. This quarter, U.S. Forces-Afghanistan (USFOR-A) provided SIGAR an unclassified excerpt from the RASR, which aggregated the assessments at the corps level in a single table.115

ISAF has been using the RASR since August 2013 to rate the ANSF.116 According to IJC, the RASR provides a monthly operational-level update on readiness, long-term sustainability, and associated shortfalls of the ANA and ANP.117

“The political meddling, not intelligence, drives Afghan military missions.”

*Lt. General Joseph Anderson*

The latest unclassified RASR rates a significant majority of ANSF components as capable or fully capable (74%), as shown in Table 3.6. However, with decreased U.S. and Coalition oversight, the reliability of the ANSF-provided assessment data cannot be validated.

In December, the last IJC commander, Lieutenant General Joseph Anderson, spoke to the press about his views of the ANSF. General Anderson said the record casualties of the Afghan forces were not sustainable, nor were their desertion rates. He added that the police and the army do not work together. He said the Afghan Uniformed Police, the Afghan National Civil Order Police, and the army do not agree on who is in charge in areas in which they share security responsibility. Furthermore, ANSF units are not repairing their own equipment, yet complain they don't have resources. General Anderson attributed this problem to “pure ineptitude.” However, he said at the tactical level, Afghan forces could beat the Taliban, if properly motivated. “They have always proven the more you push them and force them to be more responsible they end up coming through,” said the general.

With the transition to RSM and the closing of IJC on December 8, 2014, NATO is changing its method of assessing the ANSF. Effective January 1, 2015, the Monthly ANSF Assessment Report (MAAR) superseded the RASR. The MAAR will assess the ANSF capability and effectiveness for the eight essential functions related to the unit’s war-fighting functions. The MAAR is to provide the ability to evaluate not only what capabilities the ANSF possess, but also how well they employ those capabilities to defeat the insurgency and secure Afghanistan.

### Table 3.6

**ANSF RASR ASSESSMENTS, MONTHLY CHANGES**

<table>
<thead>
<tr>
<th></th>
<th>Fully Capable</th>
<th>Capable</th>
<th>Partially Capable</th>
<th>Developing</th>
<th>Not Assessed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>M1 M2 + --</td>
<td>M1 M2 + --</td>
<td>M1 M2 + --</td>
<td>M1 M2 + --</td>
<td>M1 M2 + --</td>
<td>M1 M2 + --</td>
</tr>
<tr>
<td>Corps/Divisions</td>
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</tr>
<tr>
<td>Operations Coordination Center - Regional</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Regional Logistics Support Center</td>
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<td></td>
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<td></td>
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</tr>
<tr>
<td>Regional Military Training Center/Combat Battle School</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghan Uniformed Police Type-A HQ</td>
<td>1 1 0 4 4 0 1 1 0 0 0 0 1 1 0 7 7 0</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Afghan Border Police Zone HQ</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Afghan National Civil Order Police HQ</td>
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<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: M1 = September 2014; M2 = October 2014
MAAR is scheduled for January 2015. SIGAR will report on the MAAR in its April 2015 quarterly report.

**MOD and MOI to Assume Responsibility for Literacy Training**

This quarter, USFOR-A reported 117,296 ANSF personnel have completed level 3 or functional literacy training as of December 1, 2014, as shown in Figure 3.27. However, DOD has not been able to provide information on how many of these trained personnel actually remain in the ANSF.

Level 1 literacy is the ability to read and write single words, count up to 1,000, and add and subtract whole numbers. At level 2, an individual can read and write sentences, carry out basic multiplication and division, and identify units of measurement. At level 3, an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute, and use printed and written materials.”

**NEW MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS**

This quarter, RSM Headquarters released a new plan to assess the Essential Functions (EFs) of ministries. The new plan—called the Plan of Actions and Milestones (PoAM) ministry-assessment reporting process—replaced the Capability Milestone rating system in December 2014. This plan was developed by RSM advisors and their Afghan counterparts in the ministries of Defense and Interior. The PoAM identifies and breaks down the EFs of the ministries by the capabilities needed to perform each function. It also defines the “conditions” (such as processes, tasks, milestones, and outcomes) needed to achieve those capabilities.

To assess a ministry, RSM uses the PoAM to assess the conditions, capabilities, and essential functions of a ministry’s offices and departments. Office assessments are combined to determine the overall assessment of each department within a ministry. Department assessments, in turn, are combined to determine the assessment of the ministry as a whole. RSM provided SIGAR with the overall assessment of the essential functions of the ministries, but did not provide a more detailed assessment of the capabilities and conditions within the ministry or its departments and offices.

Table 3.7 on the following page shows the chart USFOR-A uses to rate the operational capabilities of the ministries, along with the first MOD and MOI assessments.

According to the first assessment, 54% of the MOD’s development conditions are assessed as “initiated” and 15% as “partially capable.” For the MOI, 48% of its development conditions have been initiated and 10% were partially capable.

There are 284 U.S. personnel advising or mentoring the MOD and MOI: 151 assigned to the MOD and 133 to the MOI.
**AFGHAN LOCAL POLICE**

The Afghan Local Police (ALP) is under MOI authority and functions under the supervision of the district Afghan Uniformed Police (AUP). ALP members (known as Guardians) are selected by village elders or local power brokers to protect their communities against Taliban attack, guard facilities, and conduct local counterinsurgency missions. As of December 1, 2014, the ALP comprised 27,837 personnel, all but 800 of whom were fully trained, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A). The number trained decreased due to combat...
losses, tashkil (organizational-strength) redistribution, and attrition.\textsuperscript{136} The goal was to have 30,000 personnel in 154 districts by the end of December 2014, assigned to 1,320 checkpoints across 29 provinces.\textsuperscript{137}

According to NSOCC-A, the ALP will cost $121 million per year to sustain once it reaches its target strength.\textsuperscript{138} The United States has provided the ALP with equipment such as rifles, machine guns, light trucks, motorcycles, and radios.\textsuperscript{139}

According to NSOCC-A, between June 23, 2014, and October 22, 2014, the ALP had a retention rate of 92%. During that period, NSOCC-A reported 1% non-casualty attrition, while 7.4% of the force were killed or wounded in action.\textsuperscript{140}

The Afghan government has not determined the final disposition of the ALP or its funding source.\textsuperscript{141} DOD says U.S. policy on funding the ALP has not yet been determined.\textsuperscript{142} According to an independent assessment conducted by NSOCC-A based on data provided by Eureka Research and Evaluation focus-group surveys in ALP districts, most Afghans surveyed perceive the ALP as an effective security element and stabilizing force.\textsuperscript{143} That position is consistent with survey results from March 2014 that public perceptions of ALP’s value to community security are positive overall.\textsuperscript{144}

The ALP were generally viewed as a more trustworthy and effective force than either the ANA or ANP. However, certain districts vehemently disapprove of ALP members and their management. Favorable views appear to be correlated to the extent of community involvement in the ALP selection process.\textsuperscript{145} Areas where community leaders felt they had an operative role in implementing the ALP program and selecting ALP members tended to have a more favorable view of the security of their villages. Where the ALP was seen as a tool of a central authority, respondents reported lower levels of security.\textsuperscript{146} However, whether or not the community supported or respected the current ALP Guardians, they believed that if properly administered, the ALP program would work in their community.\textsuperscript{147} NSOCC-A provided updates on the status of the recommendations from the March 2014 assessment:\textsuperscript{148}

- Support and supervision from the ANP: staff regularly inspect processes that support the ALP and an initiative to pay 100% of the ALP via electronic funds transfer (EFT). Currently 46% of the ALP is paid via EFT.\textsuperscript{149}
- Transparent, locally owned recruitment processes: ALP was accepted more readily when village elders nominated local villagers as ALP Guardians as it was perceived that they will be more accountable to the people they already know.\textsuperscript{150}
- Balanced tribal representation: established ALP procedures require recruitment be done proportionately when multiple tribes live in an area.\textsuperscript{151}
- Regular information exchanges between community leaders and ALP commanders: the ALP leadership conducts summits for tribal elders and villagers to express concerns and to educate district and provincial-level security officials on the workings of the ALP.\textsuperscript{152}

Tashkil: the list of personnel and equipment requirements used by the MOD and MOI that detail authorized staff positions and equipment items. The word means “organization” in Dari.
STATUS OF AFGHAN PUBLIC PROTECTION FORCE TRANSITION NO LONGER AVAILABLE DUE TO DRAWDOWN OF U.S. FORCES

The Afghan Public Protection Force (APPF), a state-owned enterprise under the authority of the MOI, established to provide contract-based facility and convoy-security services in Afghanistan, was directed to be dissolved and its guard functions transitioned to the ANP. SIGAR was unable to obtain an update on the transition status as the U.S. Forces-Afghanistan (USFOR-A) reported they no longer provide advisors or monitor the program. SIGAR will attempt to obtain the status for the next quarterly report from other sources. For details on the last update on restructuring the security services into three parts, refer to page 88 in SIGAR’s October 2014 Quarterly Report to the United States Congress.

This quarter, RSM classified other information SIGAR uses to report on the costs of APPF services. The questions SIGAR asked about these costs can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

AFGHAN NATIONAL ARMY

As of December 31, 2014, the United States had obligated $34.8 billion and disbursed $33.7 billion of ASFF funds to build, train, equip, and sustain the ANA.

ANA Strength

This quarter, RSM classified the information SIGAR uses to report on ANA troop strength. The questions SIGAR asked about ANA troop strength and attrition can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

ANSF Attrition

Last quarter, SIGAR reported on its concerns about ANA attrition. Between September 2013 and August 2014, more than 36,000 ANA personnel were dropped from ANA rolls. This quarter, RSM classified information SIGAR uses to report on ANA attrition. The questions SIGAR asked about ANA attrition can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

ANA Sustainment

As of December 31, 2014, the United States had obligated $13.8 billion and disbursed $13.5 billion of ASFF funds for ANA sustainment.
ANA Salaries and Incentives
This quarter, RSM classified information SIGAR uses to report on ANA salaries and incentives. The questions SIGAR asked about ANA salaries and incentives can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

ANA Equipment and Transportation
As of December 31, 2014, the United States had obligated and disbursed $11.5 billion of the ASFF for ANA equipment and transportation.159 This quarter, RSM classified or otherwise restricted the release of information SIGAR uses to report on ANA equipment and transportation. The questions SIGAR asked about ANA equipment and transportation can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

ANA Infrastructure
As of December 31, 2014, the United States had obligated $6.2 billion and disbursed $5.4 billion of the ASFF for ANA infrastructure.160 This quarter, RSM classified information SIGAR uses to report on ANA infrastructure. The questions SIGAR asked about ANA infrastructure can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

ANA and MOD Training and Operations
As of December 31, 2014, the United States had obligated and disbursed $3.3 billion of the ASFF for ANA and MOD operations and training.161 This quarter, RSM classified information SIGAR uses to report on ANA training programs, costs, and students. The questions SIGAR asked about ANA training programs, costs, and students can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

Long-Standing Goals for Women in the ANA and Afghan Air Force Far From Met
Women still make up less than 1% of the ANA despite the past recruitment efforts and retention goals. The goal to increase the number of women in the ANA by 10% was moved into the ten-year plan. In March, the MOD is scheduled to publish the FY 1394 accession plan which will include the annual recruitment goal.162 To achieve this goal, the ANA has waived a requirement that the recruitment of women be balanced among Afghanistan’s various ethnic groups.

Additionally, the ANA is reviewing assignment locations to find locations with accommodation for females, such as separate restrooms. The ANA Recruiting Command also airs local television commercials directed at women beginning 20 days before training classes.163 Forty-five slots are

SIGAR INSPECTIONS
SIGAR has initiated an 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.

A SIGAR inspection published this quarter examined facilities constructed and renovated at Camp Commando, and found issues with the generators, power output, and fuel points. For more information, see Section 2, page 38.

SIGAR AUDIT
A SIGAR audit published this quarter found that although DOD, State, and USAID reported spending at least $64.8 million on 652 projects, programs, and initiatives to support Afghan women in fiscal years 2011 through 2013, there was no comprehensive assessment available to show that gains in women’s status were the direct results of U.S. efforts.

For more information, see Section 2, page 21.
allocated for the four-year National Military Academy, 90 for the one-year Junior Officer Academy, and 150 for the officer candidate school/noncommissioned officer school.164

This quarter, RSM classified information on how the $25 million authorized under the FY 2014 NDAA (Pub. L. 113-66), is being used to support the recruitment, integration, retention, training, and improved treatment of women in the ANSF. The questions SIGAR asked about ANA women’s programs can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

Afghan Air Force and the Special Mission Wing

The United States has a considerable investment in the Afghan Air Force. Between FY 2010 and FY 2014, the United States provided more than $6.5 billion to support and develop the Afghan Air Force, including over $3 billion for equipment and aircraft. In addition, DOD requested more than $925 million, including $21.4 million for equipment and aircraft, in FY 2015 for the Afghan Air Force. However, the majority of the funding is being requested for sustainment and training, as shown in Table 3.8.

This quarter the AAF declined to accept ownership of six C-182 fixed-wing training aircraft purchased with the ASFF. In lieu of training in C-182s, fixed-wing pilot training is being provided in the UAE, where Afghan students begin in C-172s and transition to more advanced training in C-208s.165

This quarter, RSM classified information SIGAR uses to report on the AAF and SMW capabilities, pilots, and aircraft inventories. The questions SIGAR asked about AAF and SMW capabilities, pilots, and aircraft inventories can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

According to NSOCC-A, contract support for both maintenance and logistics is anticipated to be required through 2017.166 A RSM advisory group is partnered with the Afghans to develop organic maintenance capabilities as well as contractor support.167

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**TABLE 3.8**

**U.S. FUNDING TO SUPPORT AND DEVELOP THE AFGHAN AIR FORCE, 2010–2015 ($ THOUSANDS)**

<table>
<thead>
<tr>
<th>Funding Category</th>
<th>FY 2010</th>
<th>FY 2011</th>
<th>FY 2012</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015 (request)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment and Aircraft</td>
<td>$461,877</td>
<td>$778,604</td>
<td>$1,805,343</td>
<td>$111,129</td>
<td>$2,300</td>
<td>$21,442</td>
</tr>
<tr>
<td>Training</td>
<td>62,438</td>
<td>187,396</td>
<td>130,555</td>
<td>141,077</td>
<td>164,187</td>
<td>123,416</td>
</tr>
<tr>
<td>Sustainment</td>
<td>143,784</td>
<td>537,600</td>
<td>571,639</td>
<td>469,230</td>
<td>520,802</td>
<td>780,370</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>92,200</td>
<td>179,600</td>
<td>113,700</td>
<td>53,000</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$760,299</strong></td>
<td><strong>$1,683,250</strong></td>
<td><strong>$2,621,237</strong></td>
<td><strong>$774,436</strong></td>
<td><strong>$687,289</strong></td>
<td><strong>$925,228</strong></td>
</tr>
</tbody>
</table>

MOI, MOD, and National Directorate of Security leaders signed the 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. The Afghan national security advisor is currently reviewing a proposal to transfer the SMW to the MOD while continuing to support both MOD and MOI special operation missions.

**AFGHAN NATIONAL POLICE**

As of December 31, 2014, the United States had obligated $17.1 billion and disbursed $16.6 billion of ASFF funds to build, equip, train, and sustain the ANP.

**ANP Strength**

This quarter, RSM classified the information SIGAR uses to report on ANP troop strength and attrition. The questions SIGAR asked about ANP troop strength and attrition can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

**ANP Sustainment**

As of December 31, 2014, the United States had obligated $6.7 billion and disbursed $6.6 billion of ASFF funds for ANP sustainment. This includes $1.5 billion in U.S. contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries.

**ANP Salaries**

This quarter, RSM classified information SIGAR uses to report on ANP salaries and incentives. The questions SIGAR asked about ANP salaries and incentives can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

The United Nations Development Program (UNDP) charges 4% of donor contributions—more than $20 million based on their estimated annual expenditures—to manage the LOTFA program. The Afghan government and some international donors prefer this funding instead be applied to police salaries. On December 24, 2014, President Ghani announced a six-month deadline for the UNDP to transfer control of the trust fund to the MOI. The European Union’s ambassador to Afghanistan expressed support: “You have to take that cue when the host government says it wants to do something; it’s not like the LOTFA

**SIGAR AUDIT**

A SIGAR audit on ANP personnel and payroll data released this quarter found no assurance that data are valid, that controls and oversight are weak, and that computer systems are not fully functional or integrated. For more information, see Section 2, page 23.
has tons of good will with the donor community."174 Because SIGAR has already found that MOI internal-control mechanisms are insufficient to the task, SIGAR believes shifting police payments from LOTFA to direct financial assistance to the Afghan government would invite 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.

ANP Equipment and Transportation
As of December 31, 2014, the United States had obligated and disbursed $3.6 billion of ASFF funds for ANP equipment and transportation.175

This quarter, RSM classified information SIGAR uses to report on ANP equipment. The questions SIGAR asked about ANP equipment can be found in Appendix E of this report. SIGAR is reporting on ANP equipment in a classified annex.

ANP Infrastructure
As of December 31, 2014, the United States had obligated $3.2 billion and disbursed $2.9 billion of ASFF funds for ANP infrastructure.176

This quarter, RSM classified information SIGAR uses to report on ANP infrastructure. The questions SIGAR asked about ANP infrastructure can be found in Appendix E of this report. SIGAR is reporting on ANP infrastructure in a classified annex.

ANP Training and Operations
As of December 31, 2014, the United States had obligated and disbursed $3.5 billion of the ASFF for ANP and MOI training and operations.177

This quarter, RSM classified or otherwise restricted additional information SIGAR uses to report on ANP training programs, costs, and students. The questions SIGAR asked about ANP training programs, costs, and students can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

ANP Unlikely to Meet Quotas for Policewomen
As in prior quarters, the number of women in the ANP is slowly increasing, but the ANP is far from reaching its goal of 5,000 women by March 2015. Women still make up only 1.4% of the force. This quarter, ANP personnel included 2,178 women, according to CSTC-A, an increase of 974 women since August 22, 2011.178 ISAF said the ANP is focused on finding secure workplaces with appropriate facilities for females and developing strategies to attract and retain qualified female recruits with at least a high-school degree.179 The 10-year goal for the ANP is to have 15,700 police women serving.180
The NDAA for FY 2014 (Pub. L. 113-66), provides $25 million to be used for the programs and activities to support the recruitment, integration, retention, training, and improved treatment of women in the ANSF.181 This quarter, RSM did not classify or restrict information on ANP women, however, they did classify or otherwise restrict information on how the NDAA provision is being used to support ANA women. The questions SIGAR asked about ANA women’s programs can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex. Some $1.1 million is allocated to provide secure transportation for policewomen. One reason families do not allow females to join the ANP is the fear that they will be targeted on public buses by insurgents. The ANP is seeking to provide safe rides to and from work or training centers in unmarked, curtain-drawn vehicles.182

**ANSF MEDICAL/HEALTH CARE**

This quarter, RSM restricted the release of information SIGAR uses to report on the ANSF medical and health care programs, personnel, and their cost. The questions SIGAR asked about the ANSF medical and health care programs, personnel, and their cost can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

**REMOVING UNEXPLODED ORDNANCE**

More than any other country in the world, Afghanistan is plagued by mines and explosive remnants of war (ERW), putting thousands of lives at risk.183 In its latest evaluation report, the UN Mine Action Service reported that an average of 39 people were killed or disabled by mines and other ERW every month in 2014.184 Most of the mines are from the battles against the forces of the Soviet Union in the 1980s.185

Since FY 2002, the U.S. Department of State (State) has provided more than $294 million for weapons destruction and demining assistance to Afghanistan, according to its Bureau of Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA).186 Through its Conventional Weapons Destruction program, State funds five Afghan nongovernmental organizations (NGOs), five international NGOs, and one U.S. government contractor. These funds enable clearance of areas contaminated by ERW and support removal and destruction of abandoned weapons that insurgents might use to construct IEDs.187

In September 2014, DOD transferred $901,511 to PM/WRA to support an international NGO’s effort to monitor the clearing of ordnance left behind more recently at U.S. firing ranges.188 However, this may be just a small percentage of the funding needed. As noted in an April 2014 Washington Post
article, the U.S. military has reportedly left about 800 square miles of contaminated land that is expected to cost $250 million to clear.189

As of September 30, 2014, State-funded implementing partners have cleared nearly 165 million square meters of land (nearly 64 square miles) and removed or destroyed approximately 7.8 million land mines and other ERW such as unexploded ordnance, abandoned ordnance, stockpiled munitions, and home-made explosives (see Table 3.9). PM/WRA defines a minefield as the area contaminated by land mines, whereas a contaminated area can include both land mines and other ERW.190

A recent UN-commissioned evaluation of the Mine Action Programme of Afghanistan (MAPA), a UN program comprising 52 humanitarian and commercial organizations and employing 8,000 Afghans to clear mines and ERW, noted that the program has been successful while acknowledging that “the indirect and development impacts of the programme are neither properly assessed and quantified nor integrated in a real donor and advocacy strategy.”191 The report also noted that “the absence of clear yearly targets until 2014 make it difficult to assess the achievements of the programme against targets and in turn to communicate clearly on this with donors.”192

The report cautioned that a decrease in donor funding will make it difficult for MAPA to meet its obligation under the Ottawa Mine Ban Treaty to deliver a mine-free country by 2023.193

COUNTERNARCOTICS

As of December 30, 2014, the United States has provided $8 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 ($2.8 billion), the Afghanistan Security Forces Fund (ASFF) ($1.4 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.\textsuperscript{194} USAID’s Alternative Development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production.\textsuperscript{195} In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding through direct appropriations to operate in Afghanistan. (See Appendix B.)

Afghanistan cultivates more than 90% of the world’s poppies\textsuperscript{196} and the Department of State’s Bureau of International Narcotics and Law Enforcement Affairs’ (INL) programs support the U.S. counternarcotics strategy for Afghanistan (approved in December 2012) and the key priorities of Afghanistan’s National Drug Control Strategy, approved in October 2013.\textsuperscript{197} INL advises the U.S. President and U.S. departments and agencies on the development of policies and programs to combat international narcotics and crime. INL programs support two of State’s strategic goals:

• reduce the entry of illegal drugs into the United States
• minimize the impact of international crime on the United States and its citizens\textsuperscript{198}

A recent audit of INLs counternarcotics initiatives in Afghanistan conducted by the Department of State’s Office of Inspector General (State OIG) found that the effectiveness of INLs initiatives could not be determined for lack of fully developed or implemented performance-measurement standards.\textsuperscript{199} State OIG recommended, among other things, that INL implement performance-measurement plans for all its initiatives, analyze its spending patterns and past expenditure rates to adjust its budget requests, and develop sustainment plans for its initiatives.\textsuperscript{200}

INL responded that it had developed the performance-measurement plans for its key Afghan counternarcotics programs during the fall of 2012 and updated them in October 2013 to better align them with the agency’s performance-measurement guidance. INL also maintained that the budget calculations in State OIG’s report contained inaccuracies.\textsuperscript{201} State OIG considered its recommendations unresolved based on INL’s response.\textsuperscript{202}

**Opium Cultivation Rises, Eradication Results Fall**
The latest UN opium survey results, published November 2014, estimate that the total area under cultivation with poppy rose to 224,000 hectares, a 7% increase from the previous year.\textsuperscript{203} Eradication decreased by 63% in 2014 from the previous year, to 2,692 hectares.\textsuperscript{204} A hectare is about 2.5 acres. In a briefing to the UN Security Council, the United Nations Office on Drugs and Crime (UNODC) chief stressed that “the lessons of the past decade strongly
suggest that counternarcotics must be fully integrated in development and security strategies, and delivered as part of unified assistance.\footnote{205}

While cultivation remains concentrated in Afghanistan’s southern and western regions, which accounted for 89% of the national production\footnote{206} (down from 95% in 2012),\footnote{207} a dramatic increase in Nangarhar—declared “poppy free” in 2007—to 18,227 hectares in 2014\footnote{208} shows how vulnerable other parts of the country are to resurgence.

INL also informed SIGAR that while opium cultivation has declined in some areas, it remained unchanged or has risen in areas where security and governance remain a challenge.\footnote{209}

**Governor Led Eradication Program (GLE)**

INL funds Afghanistan’s Governor Led Eradication Program (GLE). UNODC verified in its November 2014 final report that GLE eradicated only 2,692 hectares nationwide in 2014 compared to 7,348 hectares in 2013.\footnote{210} The Afghan government has attributed the decrease in part to coinciding elections and the eradication season in some provinces, limiting the availability of security forces to assist in operations. The interministerial process to organize GLE efforts was also complicated by the elections, and the late-season approval of the plan limited its effectiveness.\footnote{211}

INL funds provided to support the GLE effort are based on eradication figures verified by UNODC.\footnote{212} Following the release of the UNODC report this quarter, INL/Kabul confirmed and transferred the final payment to MCN bringing the total for 2014 payments of $673,000. INL also donated 47 new tractors to MCN, designated for provincial poppy eradication. According to INL, the purchased tractors will enhance the aging fleet. The procurement and delivery of those tractors took place in October 2014, after the eradication season, and they will be used during the 2015 eradication campaign. The new units bring MCN’s total eradication tractor count to 257.\footnote{213}

**Good Performer’s Initiative (GPI)**

INL also supports the MCN’s efforts to achieve and sustain poppy-free provinces through the Good Performer’s Initiative (GPI). Under the terms of the GPI program, a province is eligible for $1 million in GPI development projects for each year that it achieves poppy-free status, as verified by UNODC. In August 2014, INL and 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 for being poppy-free to $500,000.\footnote{214} Following concerns that the initial program was not appropriately targeted, development assistance under GPI II will be tailored to better meet the needs of rural communities by prioritizing alternative-livelihoods projects that support farmers as they transition from poppy cultivation.\footnote{215}
As of November 30, 2014, a total of 221 GPI projects with a value of over $108 million were approved with over $73 million in expenditures: 145 projects were completed, 64 are ongoing, and 12 are nearing completion. Based on third-party audit recommendations, GPI has reverted to its practice of using a flat conversion rate of one U.S. dollar to 50 afghanis (AFN) rather than using the actual conversion rate on project-bid day as provided by Da Afghanistan Bank as was reported by INL last quarter. The total value of GPI projects in prior quarterly reports is therefore not directly comparable to the values in this report.

INL 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. For instance, INL ensures that projects proposed under the GPI program do not conflict with other U.S. government work through an interagency consultation process, drawing on past and present mission experience in each province. Please refer to pages 115–117 of SIGAR’s October 2014 Quarterly Report to the United States Congress for more information on GPI.

**Monitoring, Verification, and Regional Cooperation**

INL participated in the Paris Pact Policy Consultative Group Meeting at the end of September 2014, and anticipates continued participation in 2015.

INL currently has two monitoring and evaluation programs: (1) a grant for “Reducing Reliance on Illicit Crops,” which supports development of an analytical framework to assess the effect of programs designed to encourage Afghan farmers to reduce opium cultivation; and (2) a contract for the “Multi-Agent Modeling of INL Afghanistan Counter Narcotics Program,” which supports development of a simulation model of the Afghan drug industry that enables INL to assess the impact of its counternarcotics programs in Helmand.

During this quarter, the grantee continued work on a report to estimate the likely effects of an array of counternarcotics programs, and the contractor entered the testing phase of the simulation-model prototype and continued work on a report explaining the simulation model use and methodology. Lastly, UNODC published the previously cited Afghanistan Opium Survey 2014: Cultivation and Production in November 2014.

**Ministry of Counter Narcotics Capacity Building**

The Ministry of Counter Narcotics (MCN) coordinates the actions of other ministries and takes the lead in developing counternarcotics policy. The MCN signed a memorandum of understanding 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. INL told SIGAR that the MCN capacity-building advisor, based at the U.S.
Embassy Kabul, coordinates project components including the INL-funded local national advisors, skills-focused workshops/training, and commodities.222 The advisor shares requests for commodity support from MCN with INL, which then reviews the requests and approves those that add to MCN’s capacity and development. For example, INL approved a cabling project to the MCN IT infrastructure that increased their internet communication capacity by 70%. On the other hand, INL rejected a recent MCN request for space heaters.223

When security conditions permit, the capacity-building advisor is embedded at the MCN four to five days each week to monitor program performance and implementation. An INL contractor is currently undertaking a public financial-management risk assessment of the MCN.224 INL plans to incorporate the assessment’s findings into the final MCN Capacity Building Program performance-measurement plan. During the next quarter, INL and MCN expect to finalize an agreement to undertake a series of courses to be taught by a local university with the aim of increasing work-related skills and overall capacity of MCN staff.225

During this quarter, MCN, with INL assistance, hosted two week-long development workshops in Kabul for MCN provincial directors and provincial staff. INL also delivered 34 trucks for MCN provincial offices, which needed reliable transportation.226

Drug Demand Reduction
INL says it worked this quarter with the Ministry of Public Health (MOPH) and MCN to continue administration of the Demand Reduction Program, as well as to prepare for the transition plan to move INL-supported treatment centers to MOPH responsibility. INL supports 76 drug-treatment programs and funds training of clinical staff, treatment services, and outpatient and village-based demand-reduction programs.227 The transition plan will continue with the transfer of additional treatment programs as INL support decreases gradually over the coming years. In the first year of transition, INL will turn over 13 centers. It will also move trained clinical staff to the MOPH government employee roster.228 Please refer to pages 119–120 of SIGAR’s October 2014 Quarterly Report to the United States Congress for more information.

Counter Narcotics Community Engagement (CNCE)
INL also funds the nationwide Counter Narcotics Community Engagement (CNCE) program, which assists the Afghan government in combating the production, trafficking and use of narcotics through communication, outreach campaigns and capacity-building training.229 According to INL, public-opinion polling shows that the majority of Afghan people polled have heard anti-poppy and anti-cultivation messages.230
The current CNCE grant will conclude in April 2015. INL told SIGAR it expects smaller, targeted programming to follow, to solidify the capacity-building training included in the original grant, as MCN takes over its public-information and outreach efforts. The scope and number of MCN campaigns will be determined in part by the Afghan government’s budget allocation. \( ^{231} \) INL will continue with traditional U.S. Embassy and State-led public-outreach efforts, as occur elsewhere around the world. \( ^{232} \)

**Alternative Development/Alternative Livelihood**

USAID’s alternative-development programs support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. \( ^{233} \) INL funding supports programs in several areas including supply reduction and alternative development. \( ^{234} \) 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. \( ^{235} \)

**Strengthening Afghan Governance and Alternative Livelihoods (SAGAL)**

INL also funds alternative-livelihood programs. \( ^{236} \) For example, the non-governmental Aga Khan Foundation (AKF) and its partners implement activities under the $12 million Strengthening Afghan Government and Alternative Livelihoods (SAGAL) grant from INL. \( ^{237} \) As of September 30, 2014, activities focused on project start-up. AKF negotiated subgrants with two project partners. The project partners recruited 98 staff and established four new SAGAL project offices. Activities started in several provinces, including studies around the input supply system and cooperatives, mapping studies to collect data about value chains and existing market demand, and financial and operational training for business-member organizations and community-based savings groups. \( ^{238} \)

According to INL, SAGAL activities will complement past and ongoing investments in licit livelihoods and rural development by the U.S. government. In particular, SAGAL will provide a system of support for GPI II. Where district development planning structures exist, SAGAL will support a more decentralized GPI II project-selection process, improving the recognition of rural community needs in the provincial GPI II project-nomination process. \( ^{239} \)

Wherever GPI II projects and SAGAL are both operating, SAGAL project teams will maintain ongoing linkages and provide needed support such as access to improved techniques, technologies, and agricultural inputs; linkages to markets; and improved capacity of communities to increase the post-production value of licit crops. For example, if a district is implementing a GPI II greenhouse project, SAGAL could support GPI II in linking farmers’ cooperatives with the market, District Agriculture

**Community-based savings groups:** provide sustainable access to credit and savings for the most vulnerable members of rural communities, particularly in areas lacking formal credit mechanisms through financial institutions. Participants are mobilized to form self-led savings groups that voluntarily contribute every month to a loan fund. Group members can access the loan fund to invest in public goods, businesses, or emergency needs. Each year, savings are paid out in full to all members and each individual may choose to reinvest. In the interim, groups can decide to grant small loans to individual members and recoup the credit with interest.

Irrigation and Livestock/Ministry of Agriculture, Irrigation, and Livestock, and other relevant organizations. INL told SIGAR this support will make the implementation of GPI II more efficient and effective. In addition, SAGAL builds upon the work of USAID projects wherever possible and expands alternative livelihood projects to new areas. SAGAL staff consults with USAID to avoid working with the same beneficiaries or offering competing activities, and to develop complementary activities wherever possible. As of December 31, 2014, disbursements total $2.2 million.

Please refer to Table 3.10 for information on several other alternative livelihood programs.

**Kandahar Food Zone (KFZ)**

The Kandahar Food Zone (KFZ) is a two-year, $18.7 million project implemented by USAID under a joint strategy with INL and in close coordination with INL. KFZ is designed to identify and address the drivers of poppy cultivation in targeted districts of Kandahar province. USAID implements the alternative livelihood (AL) component, including support to MCN, and INL implements the eradication, public-information and demand-reduction components.

As of December 2014, KFZ completed three alternative-livelihood projects; 15 other AL and 11 irrigation-canal construction/rehabilitation projects were ongoing. An estimated $5.5 million of infrastructure projects in Zahri, Pajwai, and Maiwand have not begun because USAID is currently vetting the companies being considered for the work. Of the 14 infrastructure projects, one was cancelled and five were approved by USAID.

KFZ also has 33 different AL projects in the pipeline, with five specifically designed for women. These projects include vocational training in mechanical maintenance and masonry, the establishment of greenhouses and small poultry farms, and pre- and post- harvest marketing. However, the USAID implementer raised security concerns, noting that spill-over in
fighting from neighboring Helmand risks destabilizing KFZ in western districts if left unchecked.249

According to USAID, 88 households benefitted from alternative-development or alternative-livelihood activities in U.S. government-assisted areas to date. The current objective is to assist over 7,100 households by July 2015.250 It seems unlikely that KFZ will achieve its goal by the project’s end date of July 2015.251 As of December 31, 2014, USAID spent $7.3 million. Please see Table 3.10 and refer to pages 118–119 of SIGAR’s October 2014 Quarterly Report to the United States Congress for more information on the KFZ program.

Regional Agriculture Development Program (RADP)
The Regional Agriculture Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. Within the overall RADP umbrella, there are currently three projects under implementation in the southern, western and northern regions of Afghanistan. These projects share a common set of objectives focused on strengthening the capacity of farmers in improving the productivity of wheat, high-value crops and livestock. Using a value-chain approach, these projects work with farmers and agribusinesses to overcome obstacles hindering production, processing, sales of commodities, and overall development of agricultural value chains.252

RADP-South, a five-year, $125 million effort, operates in Helmand, Kandahar, Zabul, and Uruzgan provinces. It began in October 2013 and will end in October 2018.253 Likewise, RADP-West, which operates in Herat, Farah, and Badghis Provinces, has a $70 million cost estimate and is scheduled to end in October 2019.

The $78 million RADP-North project operates in Balkh, Jowzjan, Samangan, Baghlan, Kunduz, and Badakshan.254

According to USAID, the RADP activities complement INL’s efforts primarily through RADP-South, which operates in Helmand and Kandahar—the highest producers of opium poppy. RADP-North will work in Badakshan, which has historically been a poppy-growing area, and in other northern provinces like Balkh and Baghlan, which have relatively low levels of poppy cultivation at present. The three provinces covered by RADP-West all produced poppy in 2013. The projects will seek to increase the productivity of wheat, which directly competes with poppy for land as a winter crop.

More importantly, all the RADP projects will work to increase the productivity as well as expand the scale of annual horticulture production and livestock production, as alternative sources of income. According to USAID, increased income from licit sources will facilitate efforts to get farmers to reduce or eliminate poppy production. Without alternative income streams, abandoning poppy will have a severe negative economic impact on poppy-cultivating households.255
USAID told SIGAR that the RADP projects are just getting under way and have not reported any outcomes. As of December 31, 2014, USAID spent $2.2 million on RADP-North, $16.7 million on RADP-South and $1.0 million on RADP-West. Please see Table 3.10 on page 112 for summary information on this alternative livelihood program.

Please refer to pages 119 and 184 of SIGAR’s October 2014 Quarterly Report to the United States Congress for more information.

Incentives Driving Economic Alternatives for the North, East and West (IDEA-NEW)

Launched in March 2009, the mission of USAID’s $160 million Incentives Driving Economic Alternatives for the North, East, and West (IDEA-NEW) program is to expand the licit agricultural economy in the northern, eastern, and western regions of the country. During October 2014, USAID signed grant agreements with five suppliers of agricultural inputs such as seed and fertilizer, and with three food processors such as jams and tomato paste producers. USAID program implementers provided pesticide handling and safety training to dealers from Kabul, Kapisa, Parwan, Nangarhar, and Kunar. The training aimed to improve knowledge of safe pesticide use, environmental risk-mitigation methods, and hazard-free pesticide handling and storage.

Activities continued under other program areas such as grants to assist agriculture input dealers—for example, seed, fertilizer or agro-chemical suppliers—to improve their business image, extend their capabilities and profits (four grants were issued in October 2014) or take new initiatives such as introducing short message service (SMS) or mobile telephone marketing for input wholesalers. During October 2014, the SMS grantees sent 34 individual, targeted messages to farmer groups, amounting to a total of 12,000 messages reaching thousands of individual farmers. As of December 31, 2014, USAID has disbursed $148.2 million. Please refer to Table 3.10 on page 112.

Though alternative-livelihood programs funded by USAID are designed to increase the size of the legal economy, it is not clear whether this will automatically lead to a reduction in the illicit economy. Experience has shown that unless programs adequately factor in the different causes of opium-poppy cultivation and how these differ by local context and socioeconomic group, the risk remains that development inputs will lead to an increase in levels of opium-poppy cultivation and yields.

Commercial Horticulture and Agricultural Marketing Program (CHAMP)

The Commercial Horticulture and Agricultural Marketing Program (CHAMP) is a $45 million USAID program designed to boost agricultural productivity and food security, provide market opportunities, and decrease
the country’s poppy production. CHAMP works 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.267

CHAMP provides training in best agricultural practices, builds storage facilities such as cool rooms and raisin-drying facilities, and helps grape farmers convert from traditional ground-based vineyards to higher-output trellis systems. 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.268 The program began in February 2010 and was originally slated to end in January 2014. In June 2012, however, the program was extended until December 2014 to focus resources and activities on a value chain approach that emphasizes post-harvest handling and marketing activities.269

Under the new approach, CHAMP is carrying out activities throughout five main value chains (grapes, almonds, pomegranates, apricots, and apples). The program focuses on improving horticultural and marketing practices to produce high-quality fruit for high-value markets.270 As of October 2014, CHAMP’s achievements include training 100,000 farmers, including 2,600 women, to improve agricultural techniques, planting nearly three million saplings and root cuttings benefitting 19,500 farmers, and exporting 24,000 tons of produce valued at $26 million to Pakistan, India, United Arab Emirates, Russia, and Canada. CHAMP enabled the construction of storage facilities (cool rooms and drying facilities) and created over 7,000 full-time jobs in agribusiness.271 USAID informed SIGAR that CHAMP will now continue through December 2016.272

According to the implementer, security remained an impediment to certain program activities. Antigovernment elements intimidated staff and beneficiaries in several provinces, affecting project implementation. The deteriorating security conditions that followed the presidential election results also led to the reduction of non-Afghan staff for a week. The program implementer reported that delays in the USAID vetting approval for procuring items such as baskets for post-harvest handling in Ghazni, Wardak, and Zabul Provinces; trellis posts for Parwan, Kapisa, and Kandahar; and protective equipment will likely impact the project’s ability to meet the approved plan requirements.273 As of December 31, 2014, USAID has disbursed $40.3 million.274 Please see Table 3.10 on page 112.

Interdiction Operations
DOD reported that from October 1, 2014, to December 17, 2014, Afghan security and law-enforcement forces conducted 48 drug-interdiction operations resulting in 85 detentions.275 These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention
security

operations. The U.S. military provided general logistics and intelligence support, while DEA provided mentorship and support to specialized Afghan investigative units.276

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 this shift is likely a result of the coalition drawdown as the threat to interdiction forces in the eastern regional commands, primarily Nangarhar Province, and the capital is not as great as the threat in the south and southwest. All U.S. interdiction activities were partnered with Afghan forces as ISAF continued its drawdown during the reporting period. Interagency elements, including the Interagency Operations Coordination Center (IOCC), continued to support combined Afghan and ISAF interdiction efforts. The IOCC provided data from military and law enforcement sources to enable operations against corrupt narcointerinsurgent elements.277

INL provides operations-and-maintenance support to the Counternarcotics Police of Afghanistan (CNPA) Headquarters and the specially vetted units in Kabul. INL does not provide operations-and-maintenance support to the provincial CNPA.278 The U.S. intelligence community provided supplemental targeting and analytical support to Coalition mentors.279

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

- 9,696 kg of opium
- 482 kg of heroin
- 495 kg of morphine
- 13,166 kg of hashish/marijuana
- 1,930 kg of precursor chemicals280

In FY 2014 and throughout the quarter, use of Afghan counternarcotics elements for election security support led to fewer CN missions, as did reduced partnering of ISAF with Afghan forces. These impacts were most pronounced in Kandahar, where the Coalition surge and subsequent withdrawal was focused.281

Interdiction Results

As shown in Table 3.11, 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 CN interdiction operations as critical enablers such as quick-reaction forces, close air support, and dedicated medical evacuation support are no longer available.282

Precursor chemical: substance that may be used in the production, manufacture and/or preparation of narcotic drugs and psychotropic substances.

DOD’s focus will continue to be creating Afghan solutions that the Afghan government can sustain and build upon. DOD told SIGAR that it is important post-2014 to remain engaged in supporting CN efforts to contain and reduce the flow of drugs from Afghanistan, disrupt and dismantle transnational criminal organizations, and reduce the flow of illicit proceeds that finance insurgent and terrorist activities globally.

Meanwhile, the recently signed Bilateral Security Agreement appears to have limited the ability of contractors to carry firearms for self-protection. DOD is still waiting for formal guidance on how to implement this new stipulation.283

Aviation Support

The Department of Defense continues to mentor and develop the Afghan Special Mission Wing (SMW) to provide aviation support to counternarcotics, counterterrorism, and special operations forces. The SMW moved into its new aviation facility at Kandahar Airfield and conducts operations from this location.

From October to December 2014, the SMW took delivery of the last of 30 new Mi-17 helicopters and currently has 13 of 18 authorized PC-12 reconnaissance airplanes. The SMW provides the only helicopter night-operations tactical capability for the ANSF.284

During the same period, Department of State aircraft provided a total of 1,496.8 flight hours, conducted 1,132 sorties, moved 3,729 passengers, and transported 244,797 pounds of cargo in Afghanistan. According to INL, State provided 18.5 flight hours supporting DEA intelligence, surveillance, and reconnaissance missions, 138.6 flight hours supporting DEA interdiction efforts, and 10.8 flight hours supporting Afghan National Interdiction Unit and DEA passenger movements.285

### Table 3.11

**INTERDICTION RESULTS, FY 2008–FY 2015**

<table>
<thead>
<tr>
<th></th>
<th>FY 08</th>
<th>FY 09</th>
<th>FY 10</th>
<th>FY 11</th>
<th>FY 12</th>
<th>FY 13</th>
<th>FY 14</th>
<th>FY 15*</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Operations</td>
<td>136</td>
<td>282</td>
<td>263</td>
<td>624</td>
<td>669</td>
<td>518</td>
<td>333</td>
<td>48</td>
<td>2,873</td>
</tr>
<tr>
<td>Detainees</td>
<td>49</td>
<td>190</td>
<td>484</td>
<td>862</td>
<td>535</td>
<td>386</td>
<td>441</td>
<td>85</td>
<td>3,032</td>
</tr>
<tr>
<td>Hashish seized (kg)</td>
<td>241,353</td>
<td>58,677</td>
<td>25,044</td>
<td>182,213</td>
<td>183,776</td>
<td>37,826</td>
<td>19,088</td>
<td>13,166</td>
<td>761,143</td>
</tr>
<tr>
<td>Heroin seized (kg)</td>
<td>277</td>
<td>576</td>
<td>8,392</td>
<td>10,982</td>
<td>3,441</td>
<td>2,489</td>
<td>3,052</td>
<td>482</td>
<td>29,691</td>
</tr>
<tr>
<td>Morphine seized (kg)</td>
<td>409</td>
<td>5,195</td>
<td>2,279</td>
<td>18,040</td>
<td>10,042</td>
<td>11,067</td>
<td>5,925</td>
<td>495</td>
<td>53,452</td>
</tr>
<tr>
<td>Opium seized (kg)</td>
<td>15,361</td>
<td>79,110</td>
<td>49,750</td>
<td>98,327</td>
<td>70,814</td>
<td>41,350</td>
<td>38,307</td>
<td>9,696</td>
<td>402,715</td>
</tr>
<tr>
<td>Precursor chemicals seized (kg)</td>
<td>4,709</td>
<td>93,031</td>
<td>20,397</td>
<td>122,150</td>
<td>130,846</td>
<td>36,250</td>
<td>53,184</td>
<td>1,930</td>
<td>462,497</td>
</tr>
</tbody>
</table>

Note: *Data is for the first quarter of FY 2015.

Source: DOD, response to SIGAR data call, 12/30/2014.
GOVERNANCE CONTENTS

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GOVERNANCE

As of December 30, 2014, the United States had provided more than $30.6 billion to support governance and economic development in Afghanistan. Most of this funding, more than $17.7 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department and the United States Agency for International Development (USAID). The FY 2014 ESF appropriation of $852 million is down from the high of $3.3 billion appropriated in 2010 (see Appendix B). The FY 2015 ESF appropriation for Afghanistan was still being determined when this report went to press.

KEY EVENTS

On December 4, 2014, Afghanistan’s new national-unity government and representatives of the international community convened the London Conference on Afghanistan. Conference participants renewed commitments made at the 2012 Tokyo conference and agreed to update these commitments in 2015.286 The London Conference was not intended to result in new donor promises of assistance,287 instead the international community reaffirmed its previous commitment of $16 billion in assistance through 2015.288 The conference was also an opportunity for the Afghan government to present its reform agenda, Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership. However, the Afghan government’s proposals lacked specificity.289

Throughout the quarter, there were numerous delays in appointing a new cabinet and other high-ranking Afghan government officials. The failure of President Ghani and Chief Executive Officer Abdullah to introduce, even symbolically, new ministers in time for the London Conference was a disappointment to donor governments that had encouraged the government to offer a tangible sign of progress.290 The seeming paralysis of the new government followed a long period of inactivity under the Karzai administration during the protracted 2014 election process.291 On January 12, 2015, President Ghani’s office finally announced 27 senior-level nominees. The nominations are still subject to parliamentary approval.292

This quarter, the Asia Foundation released the 2014 Survey of the Afghan People based on in-person interviews conducted from June 22 to
July 8, 2014, following the presidential election run-off on June 14, but before the September 21 agreement to form the national-unity government. In 2014, 54.7% of Afghan respondents said the country is moving in the right direction, down from 57.2% in 2013; 40.4% said it is moving in the wrong direction, up from 37.9% in 2013. Despite yearly fluctuations, the long-term trend since 2006 shows an increase in the perception that the country is moving in the right direction.

Asked about government performance, 75.3% of Afghans said the national government does a somewhat good or very good job. Around two-thirds said provincial government is doing a good job (67.6%), followed by municipal authorities (58.5%) and district government (56.7%). These views in 2014 were quite similar to those in 2013.

The survey also found that 67.4% of Afghans surveyed said they feel very safe or somewhat safe expressing their opinions about the government in public. Afghans living in urban areas (76.2%) are more likely to feel safe speaking out about the government in public than those in rural areas (64.5%).

NEW AFGHAN GOVERNMENT

Initial Appointments

Despite a campaign promise to form his government within 45 days of the inauguration in September and a promise at the December 4 London Conference to have a cabinet in place within a month, President Ghani failed to announce nominations for key government positions until January 12, more than three months after the new government’s inauguration.

No former Karzai-administration government ministers or serving members of parliament were nominated; however, four of the candidate ministers are former deputy or acting ministers. According to the Afghanistan Analysts Network, with the exception of the candidates for the foreign affairs, security, and finance ministries, the candidates were generally young and inexperienced. The candidate ministers included three females to lead the ministries of higher education, women’s affairs, and information and culture. The announcement on January 12 did not include candidates for attorney general, the director of the Independent Directorate of Local Governance (IDLG), or chief justice.

On January 20, Ghani formally introduced the nominees to parliament. There were changes between the initial list of nominees announced on January 12 and the final list presented to parliament. For example, the nominee for the Ministry of Agriculture, Irrigation, and Livestock requested a delay in consideration of his nomination after it emerged that he was on Interpol’s most wanted list for tax evasion in Estonia. The nominees for key positions included:
• Sher Muhammad Karimi, an officer from the pre-communist, communist, and post-Taliban army who is currently chief of the general staff, was nominated to be minister of defense.
• Nur ul-Haq Ulumi, formerly governor general of the Kandahar zone during the communist regime, was nominated to be minister of interior.
• Salahuddin Rabbani, currently chair of the High Peace Council, was nominated to be minister of foreign affairs.
• Eklil Ahmad Hakimi, ambassador to the United States, was nominated to be minister of finance. Ghulam Jailani Popal, formerly deputy minister of finance for revenue and customs and director general at the IDLG, was originally nominated to be minister of finance, but he withdrew his nomination, reportedly due to his dual citizenship.
• Rahmatullah Nabil, currently head of the National Security Directorate (NDS), was nominated to continue as head of NDS.

The delays led to significant frustrations with the national-unity government. In January, Tolo News released a survey that found a drop in previously enthusiastic support for President Ghani. Only 27.5% of respondents were very satisfied with Ghani’s performance, down from 59.9% after the first month of the new administration. Still, 30.4% of respondents in the latest poll reported being moderately satisfied, while 32% were not satisfied at all.

Parliament also expressed increasing frustration with the administration. In late December, the lower house of parliament set a one-week deadline that passed without consequence. Following the deadline, a parliamentary delegation met with the national-unity government, which requested another week to introduce cabinet nominees. After the second deadline expired, seven lower-house parliamentarians signed a document accusing President Ghani of treason for the delays. While the lower house would normally consider the accusation of treason, its speaker said legislators had already fulfilled their duty by meeting with the national-unity government to encourage a speedy resolution.

As of early January, President Ghani also delayed staffing the newly created, 500-person Office of the Chief Executive and a 200-person special agency to promote reform and good governance because he had not yet signed decrees authorizing funds.

While the new administration dithered on appointing key personnel, President Ghani has been aggressive in firing officials. In December, Tolo News reported that President Ghani fired several officials from Herat Province including the acting provincial governor, 15 police chiefs, eight district governors, five border police commanders, and the appellate court prosecutor. In addition, the heads of Da Afghanistan Breshna Sherkat (DABS, the national electric utility), education, and customs were all dismissed from their posts and are to be investigated for malfeasance.
weeks later, however, *Tolo News* reported that dismissed district chiefs of police were still executing their duties. The new acting provincial governor reported that while the civilian positions have been replaced, it was beyond his authority to appoint security officials. In Kunduz and Paktika Provinces, Ghani not only relieved but also replaced the governors. On November 30, President Ghani dismissed most acting ministers left over from the Karzai administration, to be replaced temporarily by their deputies. This action followed calls from parliament to replace the acting ministers with permanent replacements after the constitutionally authorized two-month grace period ended.

**Election Follow-up**

The contentious April and June Afghan presidential elections of 2014 prompted reflection by U.S. and international organizations that supported the process. Although international observers found Afghan elections bodies made marked progress reducing the level of fraud from 2009 and 2010 levels, Afghan voters still perceived widespread fraud. Additionally, several high-profile incidents significantly damaged confidence in the process. According to USAID, the elections were conducted with a robust set of rules and a technical architecture specifically developed for a country with an extremely low literacy rate, limited resources, and a conflict environment. USAID noted that the level of fraud highlighted the limits of technical solutions despite these measures when many stakeholders engaged in the process adhere to the rules in only a limited fashion.

The Independent Election Commission (IEC) conducted a comprehensive audit of the June run-off election. The audit used qualitative measures to detect fraud, a significant departure from the quantitative measures used in audits conducted 2009 and 2010. The qualitative measures included attempting to identify ballot-box stuffing by determining whether an individual ballot box had a significant number of similarly marked ballots. The exact quantities of ballots that were similarly marked, however, were frequently contested between the two camps. IEC auditors would determine whether 10 or more ballots per box were cast for a particular candidate. If this determination was contested further, UN advisors would be called to provide their views. If more than 20 ballots (out of a total 600 per ballot box) were declared similarly marked, a recount would be triggered.

As a result of the audit, the number of invalidated ballots increased from 5.35% of ballots before the audit to 10.69% after the audit. For a comparison, see Figure 3.28 for disqualified votes from the 2004, 2009, 2010, and 2014 elections.

The audit also revealed that the majority of fraud was ballot stuffing, through pre-polling, polling, and post-polling activities, and by polling-center staff malfeasance. District Field Coordinators (DFC)—temporary Afghan government electoral staff—reportedly were the main source
of malfeasance. USAID cited the case of a senior Afghan electoral official who had to resign after audio recordings surfaced of him apparently giving orders to recruit DFCs with political bias. The same official also reportedly replaced many DFCs in the final days before the election without following the standard process. There were also increased reports of Afghan National Security Forces (ANSF) engaging in fraud which, according to USAID, was a relatively new occurrence.319

In December, the European Union Election Assistance Team (EU EAT) released its final report on the 2014 Afghan presidential elections primarily using quantitative indicators to identify potential fraud. The report did not specify how many votes EU EAT believed to be invalid, but identified irregular voting patterns that raise doubts about more than two million votes.320 For example, EU EAT found that approximately 2.06 million run-off votes (26% of all votes cast) came from polling stations that used up 99% or more of their available ballots. This was an increase over the first round, which had approximately 769,000 votes (12% of all votes cast) coming from polling stations with 99% or more ballot utilization.321 Another quantitative criterion used by EU EAT was a high number of ballots cast for a single candidate. In the first round, 4% of votes (approximately 285,000 ballots) came from polling stations in which one candidate won 95% or more of the vote. In the run-off, this amount increased to 30% (approximately 2.38 million votes).322
GOVERNANCE

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. The donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference and again at the December 2014 London Conference.

On-budget assistance is either (1) bilateral, government-to-government assistance or (2) disbursements from trust funds. Off-budget assistance

**TABLE 3.12**

<table>
<thead>
<tr>
<th>Project/Trust Fund Title</th>
<th>Afghan Government On-Budget Partner</th>
<th>Special Bank Account?</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 12/31/2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bilateral Government-to-Government Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Power Transmission Expansion and Connectivity Project (PTEC)</td>
<td>Da Afghanistan Breshna Sherkat (DABS)</td>
<td>Yes</td>
<td>1/1/2013</td>
<td>12/31/2016</td>
<td>$342,000,000</td>
<td>$13,388,993</td>
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<tr>
<td>Partnership Contracts for Health Services (PCH) Program</td>
<td>Ministry of Public Health (MOPH)</td>
<td>Yes</td>
<td>7/20/2008</td>
<td>12/31/2015</td>
<td>259,663,247</td>
<td>194,326,384</td>
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<tr>
<td>Sheberghan Gas Development Project (SGDP)</td>
<td>Ministry of Mines and Petroleum (MOMP)</td>
<td>Yes</td>
<td>5/15/2012</td>
<td>4/30/2015</td>
<td>90,000,000</td>
<td>0</td>
</tr>
<tr>
<td>Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)</td>
<td>DABS</td>
<td>Yes</td>
<td>4/22/2013</td>
<td>12/31/2015</td>
<td>75,000,000</td>
<td>12,520,396</td>
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<tr>
<td>Agriculture Development Fund (ADF)</td>
<td>Ministry of Agriculture, Irrigation and Livestock (MAIL)</td>
<td>Yes</td>
<td>7/18/2010</td>
<td>12/31/2014</td>
<td>74,407,662</td>
<td>54,000,000</td>
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<tr>
<td>Basic Education and Literacy and Vocational Education and Training (BELT) - Community-Based Education</td>
<td>Ministry of Education (MOE)</td>
<td>Yes</td>
<td>10/29/2013</td>
<td>10/28/2017</td>
<td>56,000,000</td>
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<tr>
<td>Civilian Technical Assistance Program (CTAP)</td>
<td>Ministry of Finance (MOF)</td>
<td>Yes</td>
<td>9/30/2009</td>
<td>9/30/2014</td>
<td>36,256,560</td>
<td>28,810,610</td>
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<td>Afghanistan Workforce Development Project (AWDP)</td>
<td>MOE</td>
<td>Yes</td>
<td>9/18/2013</td>
<td>04/03/2016</td>
<td>30,000,000</td>
<td>150,150</td>
</tr>
<tr>
<td>Basic Education and Literacy and Vocational Education and Training (BELT) - Textbooks Printing</td>
<td>MOE</td>
<td>Yes</td>
<td>11/16/2011</td>
<td>12/31/2014</td>
<td>26,996,813</td>
<td>24,436,268</td>
</tr>
<tr>
<td>E-Government Resource Center (EGRC)</td>
<td>Ministry of Communications and Information Technology (MOCIT)</td>
<td>Yes</td>
<td>8/28/2013</td>
<td>6/1/2016</td>
<td>3,900,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Multi-Donor Trust Funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghanistan Reconstruction Trust Fund (ARTF) (current award)*</td>
<td>Multiple</td>
<td>No</td>
<td>3/31/2012</td>
<td>3/31/2017</td>
<td>1,900,000,000</td>
<td>721,057,556</td>
</tr>
<tr>
<td>Afghanistan Infrastructure Trust Fund (AITF)</td>
<td>Multiple</td>
<td>No</td>
<td>3/7/2013</td>
<td>3/6/2018</td>
<td>285,170,184</td>
<td>105,000,000</td>
</tr>
</tbody>
</table>

Note: * USAID had a previous award to the ARTF that concluded in March 2012 and totaled $1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards are currently $2,093,048,751.

Source: USAID, OPPD, response to SIGAR data call, 1/12/2015.
is undertaken by donors or their agents without passing through Afghan ministries or the Afghan national budget. As shown in Table 3.12, USAID expects to spend $994 million dollars on active direct bilateral-assistance programs. It also expects to contribute $1.9 billion to the ARTF, on top of $1.37 billion disbursed under the previous grant agreement between USAID and the World Bank. USAID also plans to contribute more than $105.7 million to the AITF.

At the 2012 Chicago Conference, the international community committed to financially support the Afghan security forces through separate mechanisms for the army and police with an estimated annual budget of $4.1 billion. Last quarter at the Wales Summit, NATO allies and partners renewed their commitment to contribute significantly to financial sustainment of the ANSF through the end of 2017 and to financially sustain the ANSF over the next 10 years. The international community has pledged nearly €1 billion, approximately $1.29 billion, annually to sustain the ANSF for 2015 through the end of 2017. The United States has requested and received $4.1 billion in the FY 2015 budget, which would help sustain the ANSF surge end strength of 352,000 through 2015.

The United States expects that Afghanistan will assume an increasing portion of ANSF sustainment costs, beginning with $500 million in 2015, as agreed to at the Chicago Summit.

However, the already declining international confidence in the Afghan government’s ability to increase its share further eroded during the quarter. The Afghan Ministry of Finance (MOF) reported that Afghan government revenues for 2014 were 8% below the year’s target. In October, the MOF claimed a $537 million budget shortfall that threatened government civil servant salaries. This shortfall came despite the Afghan government’s effort to take austerity measures such as putting on hold discretionary development projects, stopping cost overruns on existing projects and new recruitment, keeping operations and maintenance costs to a bare minimum, reducing overtime and freezing bonuses for civil servants, and disallowing procurement of luxury items. For more information on the budget shortfall and the U.S. response, see pages 148–151 of this report.

**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 multdonor trust funds, the Afghanistan Reconstruction Trust Fund (ARTF) and the Afghanistan Infrastructure Trust Fund (AITF). According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the MOF for each program.

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. 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.

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 that work together to identify, analyze, evaluate, and then address and monitor risk. The World Bank provides technical assistance to the Afghan government to ensure systems are in place and strengthened.

In addition to the Afghan government’s own control systems, the World Bank closely supervises the ARTF funds, according to USAID. The World Bank has added additional controls to its normal supervision system in the form of the ARTF Monitoring Agent (MA) and the ARTF Supervisory Agent. Disbursements to the Afghan government under the Recurrent Cost Window are made for eligible civilian operating expenditures of the government. The Bank has hired an MA to review recurrent-cost expenditures. The purpose of the MA is to ensure all expenditures financed from the Recurrent Cost Window are eligible and to deduct ineligible expenditure. The MA’s monitoring is undertaken in two stages: after a desk review of expenditure, selective site visits follow to confirm that supporting documentation is in place.

In October, USAID’s Office of Inspector General (OIG) issued an audit report covering government-to-government assistance through bilateral agreements. The audit found that USAID improved its implementation of financial-management controls for government-to-government (direct or bilateral) assistance over time, although some controls were not fully utilized. For example, although annual audits are required for governments that receive $300,000 or more per year in USAID assistance, USAID officials fell short in ensuring that they and the Afghan government adhered to those requirements. Initially, the Afghan government was assigned responsibility for contracting its own audits as a capacity-building effort. However, USAID realized that Afghan government entities were not able to achieve audits per the required timelines. USAID’s own contracted audits also faced challenges, including Afghan government reluctance to being audited. The USAID OIG audit also found that USAID did not explain its expectations clearly in project documents, which can result in misunderstandings between the Afghan government and USAID and reduce the effectiveness of risk-mitigation measures.

On-Budget Assistance to the ANSF
A large portion of on-budget assistance is for the Afghan security forces. DOD provides on-budget assistance to the Afghan government.

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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.

through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Ministry of Defense (MOD) and the Ministry of Interior (MOI), and (2) ASFF contributions to the multidonor LOTFA. Administered by the United Nations Development Programme (UNDP), LOTFA primarily funds Afghan National Police (ANP) salaries.344 Direct-contribution funding is provided to the MOF, which allots it incrementally to the MOD and MOI, as required.345

This quarter DOD decided not to release the commitment letters between the Combined Security Transition Command-Afghanistan (CSTC-A), the MOF, and MOI or MOD. The commitment letters specify the terms for U.S. military-managed financial assistance to the ANSF. SIGAR’s questions about U.S. financial support to the ANSF can be found in Appendix E of this report. SIGAR is reporting on this matter in a classified annex.

SIGAR is conducting a criminal investigation into serious allegations that the current MOD fuel contract was corrupted by contractor collusion, price fixing and bribery.

In an audit released this quarter, SIGAR found that the two main electronic systems used for ANP personnel and payroll data—Afghanistan Human Resources Information Management System (AHRIMS) and the Electronic Payroll System (EPS)—are not fully functional, cannot communicate directly with each other, and do not span all personnel and payroll data processes. Both systems contain thousands of personnel records with incorrect or missing identification numbers. As a result, controls—such as automated data transfers, the capability to reconcile personnel between systems, and reduced dependence on handwritten reports—are not in place, and the risks of relying on untimely, inaccurate, or falsified ANP personnel and payroll data persist.346

CSTC-A, UNDP, and the MOI are each supposed to be responsible for verifying ANP personnel and payroll data. The verifications that these organizations performed were ad hoc and uncoordinated, and no one has conducted a comprehensive verification to cover all ANP personnel and payroll processes. CSTC-A could not provide SIGAR with written procedures for how it validates ANP personnel totals and officials confirmed that over the past year they accepted, without question, all personnel totals provided by the MOI.347

As of September, UNDP reported that the AHRIMS contains approximately 50,000 invalid identification cards for the MOI alone.348 AHRIMS is a system to track personnel information for the ANP and Afghan National Army (ANA).349 For comparison, the entire authorized strength of the ANP is 157,000;350 however, AHRIMS presumably includes records for not only the current forces but also those who have left the force.

The New York Times reported in December that President Ghani has demanded that the UNDP end their stewardship of the LOTFA within six months. According to the European Union ambassador in Afghanistan, the
GOVERNANCE

timeline may be unrealistic, but “It’s not like the LOTFA fund has tons of good will with the donor community.”

Because SIGAR has already found that MOI internal-control mechanisms are insufficient to the task, SIGAR believes shifting police payment from LOTFA to direct financial assistance to the Afghan government would invite 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.

NATIONAL GOVERNANCE

The United States provides assistance to Afghan governing institutions to build their capacity to perform critical services and thereby increase their legitimacy in the eyes of the Afghan population. Assistance is provided in two ways: (1) through contracts, grants, and cooperative agreements; and increasingly, (2) through on-budget assistance. With 2014 marking the final year of the security transition, the U.S. government has been particularly focused on increasing the financial and program-management capabilities of Afghan government institutions. It is using a combination of capacity building and on-budget programs to achieve this end.

The Tokyo Mutual Accountability Framework (TMAF) serves as a cornerstone of international engagement and is the agreed instrument for measuring mutual accountability. The international community and Afghan government agreed to the TMAF at the Tokyo Conference of Donors in July 2012. Later the TMAF was augmented with intermediate targets for the Afghan government and the international community called “hard deliverables,” such as passage of a mining law.

Last quarter USAID reported that, as a matter of policy, the U.S. Embassy Kabul is no longer evaluating or updating the original version of hard deliverables. According to USAID, the previous set of hard deliverables is no longer part of the discussion. The London Conference Communiqué said the TMAF will be refreshed at the Senior Officials Meeting in mid-2015. Some incomplete actions from the original list may make it into a future framework.

Although the London Conference did not result in a revised list of hard deliverables, the Afghan government committed to deliver the following reforms ahead of the Senior Officials Meeting:

- Ensure that a credible budget is passed.
- Scrutinize expenditure and implementing measures to increase revenue including measures to broaden the tax base.
- Strengthen financial-sector supervision.
- Improve the conditions for responsible private-sector investment.
- Demonstrate actions to improve human rights, particularly the rights of women.
On November 11, the Afghan government submitted its FY 1394 (Western calendar December 21, 2014–December 20, 2015) budget to parliament. The draft budget included a 3% overall reduction compared to the previous year’s budget, including an 11% reduction of non-security-related costs. The draft budget was criticized in parliament and rejected by the lower house. In January, the MOF submitted an amended budget that included more than 443 projects that were not included in the initial draft. Parliamentarians had criticized the first draft budget because it did not include these projects, many of which were left incomplete in the previous year. The projects’ inclusion, of course, widens the potential fiscal gap between government revenues and expenditures.

**Capacity-Building Programs**

USAID capacity-building programs seek to improve Afghan ministries’ ability to prepare, manage, and account for on-budget assistance. SIGAR’s January 2014 audit of USAID’s assessments of seven Afghan ministries receiving on-budget assistance from the U.S. government found that these assessments and reviews identified no ministry capable of effectively managing and accounting for funds without implementing risk-mitigation measures. As shown in Table 3.13, 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 2010 Kabul International Conference for increased on-budget aid. USAID is also funding the $15 million Ministry of Women’s Affairs Organizational Restructuring and Empowerment (MORE) project, which among other things assists the ministry to improve its financial management, as required for future on-budget assistance.

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, USAID has decided to move assistance from stand-alone programs to the ARTF’s Capacity Building for Results (CBR) program. CBR supports ongoing public-administration reforms

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Afghan Government Partner</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 12/31/2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, Management, and Governance Project</td>
<td>Ministry of Public Health</td>
<td>9/25/2012</td>
<td>10/31/2014</td>
<td>$31,248,400</td>
<td>$26,574,770</td>
</tr>
<tr>
<td>Ministry of Women’s Affairs Organizational Restructuring and Empowerment</td>
<td>Ministry of Women’s Affairs</td>
<td>12/20/2012</td>
<td>12/19/2015</td>
<td>$14,182,944</td>
<td>4,508,558</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/12/2015.
across the government, training for selected civil servants, and limited technical assistance to support ministry reforms.366

The CBR organizes Afghan ministries into three tiers which receive increasing levels of support, including financing to hire civil servants, technical assistance, and training.367 All Afghan government ministries are automatically classified initially as Tier 1 and must compete for the higher levels of support afforded Tiers 2 and 3.

The seven criteria for Tier 2 include progress on pay and grade reforms at the central and subnational levels; a functional human resources department with 30% of pay- and grade-reform civil service staff evaluated through performance evaluations; an approved strategic or business plan with at least one annual progress report; a development-budget execution rate (the portion of budgeted amounts that controlling agencies actually spend) of at least 40%; and the ministry either (1) collects key revenues of at least 5% of the revenues collected by all ministries or (2) the ministry contributes to at least one key governmental service in human-capital development, key economic-infrastructure development, or judicial services. In order to advance to Tier 2 status, a ministry must meet at least five of the seven criteria.368

In addition to the criteria for Tier 2, Tier 3 requires that the ministry recruit 80% of central-level employees per the pay-and-grade reforms and recruit 50% or more of employees at the subnational level, and achieve a development-budget execution rate (the portion of budgeted amounts that controlling agencies actually spend) of at least 50%.369 See Table 3.14 for the current status of ministries.

In August 2014, the World Bank found the CBR was making unsatisfactory progress toward its objective to assist the Afghan government in improving the capacity and performance of select line ministries, carrying out the mandates of its ministries, and delivering services. The World

### Table 3.14

<table>
<thead>
<tr>
<th>Ministry Tier</th>
<th>Ministry</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 3</td>
<td>Ministry of Agriculture, Irrigation, and Livestock (MAIL)</td>
<td>Implementation under way.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Communication and Information Technology (MOCIT)</td>
<td>Implementation under way.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Public Health (MOPH)</td>
<td>Proposal in advanced stages, to be submitted to the CBR Advisory Group.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Education (MOE)</td>
<td>Proposal development initiated but has not progressed.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Rural Rehabilitation and Development (MRRD)</td>
<td>Proposal in early stages of development.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Labor and Social Affairs, Martyrs, and Disabled (MOLSAMD)</td>
<td>Fully approved on July 12, 2014.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Commerce and Industry (MOCI)</td>
<td>Proposal in initial stage of development.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Urban Affairs</td>
<td>Approved to receive support as Tier 2 ministry.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Economy</td>
<td>Approved to receive support as Tier 2 ministry.</td>
</tr>
<tr>
<td></td>
<td>Ministry of Justice (MOJ)</td>
<td>Proposal in initial stage of development.</td>
</tr>
</tbody>
</table>

Bank noted, however, that the ministries themselves are the only data source for the progress indicators, and that the CBR program does not confirm the data.370

USAID reports this quarter that the CBR project is being reorganized. The World Bank has had discussions with President Ghani and his administration, and USAID expects the project to be restructured. USAID has not, however, received a set date for the reorganized project to be presented to donors.371

**National Assembly**

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.372

In late November, parliament approved the Bilateral Security Agreement and the NATO Status of Forces Agreement (SOFA), which define the legal status of U.S. and NATO forces in Afghanistan after 2014.373

On November 1, the *Wolesi Jirga* (the lower house) approved a law criminalizing child recruitment by the ANSF. The practice had previously been forbidden by a presidential decree.374

According to USAID, while achieving quorum has been a challenge for parliament in the past, this quarter both houses of parliament achieved quorum when critical legislation was before them, including the Anti-Money Laundering Act, the Law to Counter the Financing of Terrorism, and the Bilateral Security Agreement.375

Over the past quarter, ALBA supported the following parliamentary commissions to undertake oversight trips in the provinces:

- Bamyan Province–Wolesi Jirga and *Meshrano Jirga* (the upper house) Commission on Women’s Affairs, Civil Society and Human Rights;
- Herat Province–Wolesi Jirga Commission on Legal Affairs;
- Khowst Province–Wolesi Jirga Commission on Nomads, Tribal Affairs, and Refugees;
- Kandahar Province–Wolesi Jirga Commission on Internal Affairs;
- Nimroz Province–Wolesi Jirga Commission on International Affairs
- Nangarhar Province–Wolesi Jirga Commission on Handicapped, Disabled, and Refugees; and
- Paktiya Province–Wolesi Jirga Commission on Internal Affairs.376

Parliament also held hearings and summoned various government officials during the quarter including:

- The Chairmen of the IEC and the Electoral Complaints Commission, who were summoned by the Meshrano Jirga on November 2 regarding the results of the provincial council elections, but who sent deputies in their place.
- The Acting Minister of Mines, who was summoned by the Meshrano Jirga on November 9.
- Acting Minister of Finance Zakhilwal, who introduced the draft national budget to the Meshrano Jirga on November 18.377

In January, the Research Institute for Women Peace and Security (RIWPS), an Afghan non-governmental organization, released a report on parliament’s work in 2014. RIWPS found that 53% of legislators were absent during open sessions. Reportedly 70% of the Wolesi Jirga’s open sessions focused on reviewing and voting on laws, while 25% were focused on monitoring government actions. The report criticized parliament for inconsistent monitoring of government and for dramatic but unproductive summoning of government officials.378

On November 16, 2014, a prominent female member of parliament and women’s-rights activist, Shukria Barakzai, was injured in a suicide car bomb attack. According to the UN, no insurgent group has claimed responsibility for the attack.379

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, particularly in the south and east, where the insurgency has been tenacious.380

This quarter, USAID began the Strong Hubs for Afghan Hope and Resilience (SHAHAR) program, which aims to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a growing urban population.381 SHAHAR has an estimated cost of $74.5 million and is expected to end in November 2017.382

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. These programs include USAID’s four Stability in Key Areas (SIKA) projects, the two Community Cohesion Initiative (CCI) programs, the Afghan Civilian Assistance Program II (ACAP II), and the ARTF’s National Solidarity Program (NSP). The United States has requested that $865 million of its ARTF contributions support the NSP, but has not “preferred” (earmarked) support for NSP since 2012.383 Table 3.15 summarizes total program costs and disbursements to date.

The USAID Measuring Impacts of Stabilization Initiatives (MISTI) project is a third-party monitoring and evaluation program that evaluates the impact of USAID stabilization programs. This quarter, USAID released
a peer review of MISTI’s methodology by RAND Corporation. RAND questioned the MISTI-generated stability index, calling it a "problematic measure." The stability index is a central feature of MISTI designed to trace stability trends over time in districts where USAID programming is being implemented and in order to compare to districts without USAID programming. However, RAND found that “The stability index in particular is poorly defined, combining fairly disparate elements which do not add up to a clear construct for ‘stability’; importantly, it is unlikely that a clear ‘stability’ construct exists or is meaningful for this type of impact evaluation.”

RAND found that there is no centralized database of where USAID programming was targeted and what conditions were in those areas. There is therefore no way to assess how representative MISTI-identified programming is of overall USAID programming.

RAND found that USAID stabilization programming does not seem to have been informed by a well-articulated “theory of change.” The intent of MISTI is to assess the impact of USAID-funded “stabilization programs” on stability and resilience. However, properly assessing these programs requires articulating how this programming may be influencing these intended outcomes—a theory of change. A clearly articulated theory of change supports both the design of an intervention and its evaluation by providing clear guidance on where and why desired outcomes might be achieved.

Stability in Key Areas (SIKA)
The objective of SIKA is to help district- and provincial-level Afghan government officials respond to the local population’s development and governance concerns, thus instilling confidence in the government and bolstering stability. 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 (MRRD).

All four SIKA programs, along with IDLG, MRRD, and USAID, participated in the first formal Transition Working Group on November 8. Each SIKA implementing partner is to develop a handover package; MRRD and IDLG jointly prepared a sustainability paper. According to USAID, the sustainability paper was drafted on time, but is not realistic. The next meeting to discuss SIKA sustainability was scheduled for January 2015. USAID believes Afghan government counterparts will have expectations for additional donor support, including equipment, refurbishments, and finances, that USAID does not plan to accommodate.

Community Cohesion Initiative (CCI)
USAID’s CCI programs, split between one program covering the east, south, and southwest, and another covering the north and west, aim to build what USAID calls “resilience” in areas vulnerable to violence and insurgent exploitation. CCI implements initiatives such as local community-development projects that engage community leaders and government officials in

Girls playing on a SIKA East-provided sport field project in Ghazni Province. (USAID photo)
their identification and oversight. The CCI also supports peace-advocacy campaigns at sporting events.392

Since March 2012, CCI has implemented a total of 1,005 activities worth $39 million in Badghis, Balkh, Faryab, Ghazni, Helmand, Herat, Jowzjan, Kabul, Kandahar, Khowst, Kunar, Samangan, Uruzgan, and Zabul Provinces.393

RECONCILIATION AND REINTEGRATION
The current U.S. Civil-Military Framework states that political reconciliation between the Afghan government and insurgency is “the solution to ending the war in Afghanistan.”394 President Ghani has expressed his commitment to launch an Afghan-owned peace process with the “political opposition, particularly the Taliban.” However, the UN Secretary-General noted that the Taliban have yet to signal readiness to formally engage in a peace process.395 The United Nations Analytical Support and Sanctions Monitoring Team reported that the Taliban leadership remains largely opposed to reconciliation, although some elements argue in favor. Hardliners push for renewed military efforts and argue that a campaign of attrition will wear out government forces and institutions over several years. Meanwhile, the pragmatists argue for a negotiated settlement, which they believe could be to the Taliban’s advantage.396

Reconciliation
In December, Chief Executive Officer for the national unity government Abdullah said that while the new government has not yet entered dialogue with insurgents, it is open to peace negotiations.397

Afghanistan and Pakistan appeared to improve their relationship this quarter following a Pakistani Taliban attack in December on a school that killed 132 children in Pakistan. Pakistan’s military and intelligence chiefs flew to Kabul to ask the Afghan government and U.S.-led military coalition for help to jointly counter terrorism and extremism. According to The Wall Street Journal, Pakistani intelligence traced the handlers of the attackers to the Afghanistan provinces of Nangarhar and Kunar. President Ghani promised to take serious steps to prevent future attacks in Pakistan.398 Afghanistan’s national security advisor, Hanif Atmar, said that Pakistan stepped up its counterterrorism efforts following the December school attack.399

The Wall Street Journal reported that China hosted a delegation of Afghan Taliban officials in December. The delegation reportedly wanted to discuss the possibility of opening talks with the Afghan government.400
Afghanistan Peace and Reintegration Program
The Afghanistan Peace and Reintegration Program (APRP), an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society, is financed by $182.3 million in contributions from 12 donor nations. Seven donor nations, led by Japan and Germany, provide operational funding for the program. The United States provides funding for reintegration-related community-recovery efforts administered by the World Bank. For more information, see the October 2014 Quarterly Report to Congress pages 149–151.

Neither DOD nor State provided updates this quarter on APRP activity. According to the latest figures available to SIGAR, as of September 2014, 8,890 persons had reintegrated.401

RULE OF LAW AND ANTICORRUPTION

Project Summary
The United States has provided assistance to 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 (JTTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.16.

USAID is designing a stand-alone anticorruption program for Afghanistan. According to USAID, the program will strive to increase transparency and accountability within Afghan government institutions, while also increasing civil society and private sector capabilities to monitor, research, and advocate for anticorruption-related matters.402 This program is currently in the presolicitation preparation phase.403

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.404

In October, JSSP facilitated the efforts of the Criminal Procedure Code Working Group (CPCWG) in drafting guidelines for the implementation of the new Criminal Procedure Code (CPC). The CPCWG is a combined effort

Table 3.16

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursements as of 12/15/2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice Training Transition Program (JTTTP)</td>
<td>1/2/2013</td>
<td>9/30/2015</td>
<td>$26,500,000</td>
<td>$26,500,000</td>
</tr>
</tbody>
</table>

Source: State, response to SIGAR data call, 12/29/2014.
of the Supreme Court, Attorney General’s Office (AGO), High Office of Oversight and Anti-Corruption (HOO), and the MOI. The CPCWG adopted guidelines for the controversial Articles 26 and 27 that contained restrictions on testimony of relatives of the accused. Such restrictions could seriously undermine domestic-violence prosecutions, since relatives are often the only witnesses in such cases. Two JSSP proposals were accepted by the CPCWG: (1) the court may require a relative who is a victim, complainant, or informant of the crime to testify, with the exception of rape victim unwilling to testify; and (2) the Afghan government should provide witness protection when a witness or victim is afraid to testify or is in danger.

The State Department’s JTTP provides regional training to justice-sector officials on a wide range of criminal-justice topics. 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.

In November, JTTP issued a mid-term evaluation of the program. The evaluators found that JTTP was broadly successful in achieving the outputs for the first outcome with Afghan partner representatives generally satisfied with the quality of JTTP training. The evaluators did agree with a critique raised in a January 2014 SIGAR audit that some JTTP-associated performance metrics focus only on short-term outputs rather than long-term outcomes of the program.

The evaluation found that JTTP has developed a good monitoring and evaluation methodology; however, it is very difficult to assess JTTP’s overall results on the Afghan justice sector. According to the evaluators, “the only way to really assess the results of [JTTP] training and mentoring, whether the behavior and work related practices of the direct beneficiaries is changing, is to find ways of monitoring the performance of the justice sector.” While JTTP personnel observe some trials, these ad hoc observations do not provide a comprehensive view of how the justice sector is functioning. According to the evaluation, JTTP decided not to observe trials more systematically. The report concluded that monitoring of the justice system is not something JTTP could undertake alone; however, JTTP should begin to consider whether and how a monitoring component could be built into the project during its final phase of implementation.

According to State, there are a few tools that State uses to assess the state of rule of law throughout Afghanistan. State receives biweekly JTTP reports on legal training courses throughout Afghanistan. According to State, these reports frequently contain details about cases that JTTP students are currently working on. State also utilizes the JSSP-developed case-management system, which currently operates in 18 provinces and has data entered in over 104,000 cases.
The Supreme Court and the Formal Justice Sector

In late October, the chief justice of the Afghan Supreme Court, Abdul Salam Azimi, resigned.\textsuperscript{414} There were no notable Supreme Court decisions this quarter\textsuperscript{415} other than the decision to uphold the appellate court’s ruling regarding the Kabul Bank case.\textsuperscript{416} For more information on the Kabul Bank case, please see pages 156–157 in this report.

In addition to JTTP and CMS reports, State uses national-level surveys to assess the state of rule of law throughout Afghanistan. One survey is the Asia Foundation’s \textit{Survey of the Afghan People}.\textsuperscript{417} According to the 2014 survey, 19.1\% of Afghan respondents said they had a dispute or formal case within the past two years that they could not resolve internally and took to a Huquq department or a local shura/jirga for resolution. Among those who took a case forward, most (80.7\%) said they are somewhat or very satisfied with the outcome. According to the survey, informal dispute bodies, local shuras and jirgas, were viewed in a more positive light than the formal justice sector.\textsuperscript{418} Additionally, over half (54.7\%) of Afghan respondents who had contact with the state courts in the 2014 said they had to pay a bribe, exchange a gift, or perform a favor.\textsuperscript{419}

The World Justice Project also conducts in-depth nationwide polling on the justice system for annual reports on the justice system for State.\textsuperscript{420} According to the World Justice Project’s 2014 Rule of Law Index, Afghanistan ranks second to last in the global ranking for rule of law. Afghanistan’s highest scores include constraints on government power and open government, while their lowest scores related to corruption and civil justice.\textsuperscript{421}

Afghan Correctional System

According to State, the inmate population of Afghanistan’s prisons managed by the General Directorate of Prisons and Detention Centers (GDPDPC) has increased by 16.7\% annually over the past five years. As of November 27, 2014, the GDPDPC incarcerated 28,307 individuals. As of October 20, 2014, the Ministry of Justice’s Juvenile Rehabilitation Directorate (JRD) incarcerated 1,079 juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to data for other organizations.\textsuperscript{422}

Overcrowding is a persistent, substantial, and widespread problem within GDPDPC facilities, although state-funded prison construction has added some new prison beds and presidential amnesty decrees have reduced the prison population significantly. As of November 20, 2014, the total male provincial-prison population was at 290\% of capacity, as defined by International Committee of the Red Cross’s (ICRC) minimum of 3.4 square meters per inmate. The total female provincial-prison population

\textbf{Huquqs:} part of the formal justice system, along with state courts, while shuras and jirgas are part of the informal justice system. The Huquq department is responsible for civil cases, such as disputes over divorce or land rights, and is located in every province and in most districts.

\textbf{State courts:} responsible for criminal and other types of cases and are often limited to provincial centers.

\textbf{Shuras:} local consultative councils or assemblies of tribal elders who gather to discuss and make collective decisions about social issues, such as the location of a well or a schoolhouse.

\textbf{Jirgas:} dispute resolution mechanisms where village elders hear specific individual disputes or conflicts between families or within families.

In some cases, Afghans consult more than one of these bodies. For example, if a dispute over land were to involve violence between two parties, the local Huquq and a state court might both be involved. If the land were to contain a public access road or community well, a local shura might also be involved in the dispute-resolution process.

was at 123% of the ICRC-recommended capacity. 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.423

There were three large hunger strikes by prisoners reported in October 2014: 130 detainees at the Counternarcotics Justice Center; approximately 1,000 prisoners in Herat; and 100 prisoners in Bamiyan. Prisoners cited dissatisfaction with recent court decisions, having to surrender their cell phones, and failure to benefit from a presidential decree decreasing sentences as justifications for the hunger strikes.424

Anticorruption
Apart from reopening the stalled court investigation of the $935 million Kabul Bank fraud scandal, Afghan anticorruption efforts showed no significant progress for most of the quarter. On October 1, 2014, President Ghani issued a decree ordering the Supreme Court to pursue the Kabul Bank case and the AGO to assist the courts and prosecute all those criminal associates and individuals who were involved in the Kabul Bank crisis.425 According to the U.S. Department of Justice (DOJ), as of early January 2015, it was too early to tell if the Kabul Bank case represents a genuine change in the Afghan government’s will to hold corrupt actors accountable.426

In October 2014, Ghani vowed to shake up the AGO. “People must trust it,” he wrote in a Twitter message.427 In early December, Attorney General Muhammad Ishaq Aloko hosted a farewell gathering. However, he remained in office when he found out an acting head was not listed to replace him.428

On November 11, an Afghan appellate court upheld convictions of two former senior officials and nine lower-level employees of crimes related to the 2010 Kabul Bank collapse. The two Kabul Bank officials were each sentenced on three counts and ordered to serve concurrent prison terms amounting to 10 years. In addition, one official was fined $513 million and the other was fined $278 million. Nine other Kabul Bank employees received lesser fines and sentences. In addition, according to news reports, the court also ordered assets frozen for 19 individuals and companies implicated in fraudulent borrowing schemes that led to the bank’s collapse, pending loan repayment.429

On December 4, 2014, the Superior Court and the Public Security Court of the Afghan Supreme Court upheld the appellate court’s ruling. The AGO reported that it would implement the Supreme Court’s ruling and as of early December had recovered $12 million since the case was reopened in October.430 For more information on the Kabul Bank case, please see pages 156–157 in this report.

The New York Times reported in December that a leading opium trafficker on the United States’ kingpin list, Haji Lal Jan Ishaqzai, bribed his
way out of jail. Ishaqzai’s 20-year prison sentence had previously been highlighted by U.S. government officials as a sign of progress in fighting corruption and narcotics.\footnote{431}

According to the Asia Foundation, corruption remains a serious problem for Afghans. In 2014, 62.4\% of Afghans said corruption is a major problem in their daily life, an increase from 2013 when 55.7\% found it to be a major problem.\footnote{432} When asked how often they had paid a bribe, given a gift, or performed a favor for a list of different authorities and situations, 57.6\% of Afghans said they encountered corruption in their interaction with at least one authority or in a least one situation in the past year. This overall rate of exposure to corruption has ranged from a low of 50.6\% of Afghans in 2008, to 65.5\% in 2011. Judicial and court officials along with municipal and district officials were the officials most cited for demanding a bribe.\footnote{433}

By all accounts, according to the DOJ, the Afghan central government is riddled with patronage, nepotism, bribery, embezzlement and misappropriation or other diversions of public and private property, influence peddling, abuse of office, illicit enrichment, laundering of criminal proceeds, concealment of crimes constituting corruption, and obstruction of justice. There is virtually no part of the central government, or the governments in the districts and provinces, that is not affected and weakened by public corruption.\footnote{434}

**Afghan Attorney General’s Office**

According to State, there were no significant changes in the technical capacity or effectiveness of the AGO. The AGO declined offers from the U.S. government to train AGO prosecutors in novel investigative methods. As of December 29, State reports that there have been no staffing changes at the AGO since the new Ghani administration.\footnote{435} According to DOJ, the primary challenge to Afghan government anticorruption efforts is the unwillingness of the AGO to pursue complex corruption cases.\footnote{436}

According to State, the Anti-Corruption Unit (ACU) of the AGO is able to prosecute lower-level corruption cases, but faces obstacles prosecuting higher-level corruption due to a lack of political will. The ACU has been unresponsive to State and DOJ engagement and stifles most cases referred by the Major Crimes Task Force (MCTF). The U.S. Embassy Kabul’s Office of the Justice Attaché has refocused their assistance on the Internal Control and Monitoring Unit and Financial Dispute Resolution Committee where there is greater receptivity.\footnote{437}

The MCTF is the investigatory arm for the AGO internal-control and monitoring unit.\footnote{438} According to State, the MCTF continues to be an increasingly capable investigatory force, but is stymied by the ACU’s refusal to pursue corruption cases.\footnote{439} This quarter, Resolute Support Mission (RSM) classified the information SIGAR uses to report on DOD’s view of the MCTF. The questions SIGAR asked about these efforts can
be found in Appendix E of this report. SIGAR is reporting to Congress on DOD’s views on the MCTF in a classified annex.

**Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)**

According to State, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) continues to demonstrate competent administrative and technical capacity. State notes, however, that the MEC lacks the authority to do more than illuminate poor or corrupt practices.\(^{440}\)

During the quarter, the MEC issued reports on land usurpation and issues related to the import of pharmaceuticals.

According to the MEC, over 240,000 hectares of land has been usurped in the past 10 years. Although the roots are historical, widespread corruption, insecurity, the lack of a unified land-administration system, weak law-enforcement, the extensive presence of warlords, the lack of land registration and surveying, and the absence of adequate legal provisions have played important roles in spreading this problem. The MEC also found that only 34% of all land has been surveyed and registered. Survey and registration of lands has a very basic role in preventing usurpation and identifying usurpers.\(^{441}\)

The MEC found that high import volume and low surveillance and monitoring capacity facilitates corruption in the pharmaceutical-importation process. According to the Ministry of Public Health’s Pharmaceutical Affairs Directorate and Importers Union, at least 50% of Afghanistan’s pharmaceutical import market is composed of illegally imported products. According to the MEC, the entire importation process is highly vulnerable to corruption, from registration of foreign pharmaceutical companies to laboratory-based quality control. There are enormous financial incentives to engage in illicit importation of pharmaceuticals. This has led to increased smuggling and to the creation of an entire industry dedicated to producing and importing low-quality pharmaceuticals into Afghanistan.\(^{442}\)

**Security Services**

According to DOD, the MOD and MOI both lack the will to pursue transparency and oversight with the result that accountability is nonexistent within both institutions.\(^{443}\) This quarter RSM classified the information SIGAR uses to report on corruption within the MOD and MOI. The questions SIGAR asked about this issue can be found in Appendix E of this report. SIGAR is reporting on corruption within the MOD and MOI in a classified annex.

**Ministry of Defense**

According to DOD, the MOD made little progress last quarter with respect to effective transparency and accountability policies and processes. While
transparency, accountability, and oversight processes exist, they are not enforced due to the substantial level of corruption within the senior leadership of the MOD.444

The MOD Inspector General (IG) is relatively well resourced, with appropriately trained personnel. However, the MOD IG is primarily focused upon protecting members of his political network and obstructs investigations into allegations of criminal behavior by its senior members.445

The General Staff (GS) IG organization is appropriately staffed, and some improvements to the structure and training of the GS IG are being planned in order to improve future effectiveness. The GS IG is considered to be relatively effective at discovering and reporting corruption issues, but MOD leadership obstructs any meaningful attempt by the GS IG to combat corruption. According to DOD, GS IG has conducted many special corruption investigations in various Kabul-based units and follows an annual inspection plan for inspections of the ANA Corps. But when the investigations discover criminal evidence and are turned over to MOD Legal for prosecution as a criminal case, MOD leadership obstructs the prosecution.446

Although each of the six ANA corps has members assigned to Transparency and Accountability Committees (TACs), all TAC members are members of corps staff (chaired by the deputy corps commander), and never report any information critical of the corps commander. Because of this lack of independence of the TACs, the GS IG assesses the concept of the TACs to be ineffective.447

Ministry of Interior
According to DOD, MOI anticorruption initiatives are insufficient to address corruption within the MOI. The minister of interior has indicated his support for anticorruption work, but it is generally thought that limited progress will be made as long as the current MOI IG remains in place. The crucial stumbling block remains the lack of enforcement and proportional punishment issued to violators, both large and small, a lack of moral will in the senior leadership, and a governmental system rife with cronyism and patronage alliances developed over many years.448

HUMAN RIGHTS

Refugees and Internal Displacement
The UN High Commission for Refugees (UNHCR) estimated as of December 17, 2014, that more than 291,800 people have crossed from Pakistan into Afghanistan’s Khowst and Paktika Provinces due to large-scale Pakistan military operations in neighboring North Waziristan this past June. According to State, registrations and assessments are ongoing to determine the total population and assess needs.449
State reported no other large increases or decreases in refugee movements and no new developments affecting Afghan refugees in Pakistan or Iran during this quarter. UNHCR recorded 2,421 Afghan refugees returning in October and November compared to 4,447 returning in the previous quarter. In the first eleven months of 2014, returns totaled 16,266 individuals, which is 57% lower than the 37,730 returns during the same period in 2013. Following the December school attack by militants of Afghan Pashtun origin in Peshawar, Pakistan, that left 152 students and teachers at an army-run school dead, the provincial government of Khyber Pakhtunkhwa demanded that the Afghan refugees remaining in the region be forced to return to Afghanistan within one month. The Pakistani federal government, however, stated that there was no evidence that registered Afghan refugees were involved in terrorism and that registered refugees would not be repatriated against their will. There are approximately 1.5 million registered Afghan refugees and an estimated 1 million unregistered Afghans living in Pakistan.

As of December 11, UNHCR recorded a total of 782,162 registered conflict-affected Internally Displaced Persons (IDPs) in Afghanistan, compared to 612,148 as of September 30. According to State, the actual number of internally displaced could be much higher and is difficult to verify. UNHCR reported the top 10 provinces of destination for IDPs were Ghazni, Wardak, Ghor, Helmand, Kunduz, Badghis, Kandahar, Farah, Nangarhar, and Logar. The provinces of origin were the same as those of destination. Most of displaced left insecure rural areas and small towns to seek the relative safety and government services in larger towns and cities of the same province.

According to State, implementation of the February 2014 Afghan National IDP Policy has slowed due to the delays in forming the new Afghan government’s cabinet. State does not anticipate any substantive implementation of any initiatives, including the IDP policy, by the Afghan Ministry of Refugees and Repatriation and Afghanistan National Disaster Management Authority until new ministers are in place.

Gender

In December, SIGAR issued a comprehensive audit report on U.S. assistance to Afghan women. Although the DOD, State, and USAID reported gains and improvements in the status of Afghan women in fiscal years 2011 through 2013, SIGAR found that there was no comprehensive assessment available to confirm that these gains were the direct result of specific U.S. efforts. Further, although the agencies monitor and evaluate most of their individual efforts at the program or project-level, none of the agencies has compiled this information into an agency-level assessment of the impact these efforts have had on the lives of Afghan women. Together, DOD, State, and USAID reported spending at least $64.8 million on 652 projects,
Governance

SIGAR also found that agency responsibility for projects and programs to benefit Afghan women was fragmented. For example, multiple DOD commands and State bureaus and offices are responsible for implementing, tracking, and reporting on the departments’ efforts relating to Afghan women. As a result, no single DOD or State office was able to readily identify the full extent of their department’s efforts to support Afghan women. In addition, USAID officials told SIGAR that although gender-equality and female-empowerment policy goals are integrated into all of their programs, it was not possible to track funding by gender issue in the agency’s financial-management system, and its implementing partners did not separate funding by gender issue.

According to USAID, they are “inundated with information on the nature of gendered relations in Afghanistan.” Each year, USAID operating units report on gender issues. USAID also reports that it has completed 47 program-specific gender analyses to inform project design. USAID is also planning to conduct two large-scale surveys: the Demographic and Health Survey and Promote Baseline that will aim to provide valuable household level data across Afghanistan. USAID also conducts video meetings and chats to help better monitor program meetings and trainings.

According to the audit, officials from all three agencies reported that although the number of projects, programs, and initiatives specifically intended to benefit Afghan women will be consolidated after 2014, efforts to support Afghan women will continue and, in some cases, their funding will increase. However, the U.S. government’s increasingly reduced ability to monitor activities, the lack of agency-level assessments, and ongoing challenges to implementing efforts, will make it difficult for agency leaders and the Congress to understand and make decisions on how best to support Afghan women in the future.

In November, the USAID Administrator made a second, well-publicized announcement launching the Promote partnership. This followed a July 2013 announcement introducing the Promote partnership that will aim to assist over 75,000 Afghan women achieve leadership roles in all parts of society, from business to academia and in politics and public policy, over five years. USAID has committed $216 million to Promote and hopes to raise $200 million from other international donors. Thus far, USAID has awarded one contract for one of four Promote components (Women’s Leadership Development) with an estimated cost of $42 million.

In October, the Ministry of Justice-led Criminal Law Reform Working Group (CLRWG) decided to partially incorporate the Law on Elimination of Violence Against Women (EVAW) into the draft penal code. EVAW criminalizes acts of violence against women including physical abuse, sexual assault, child marriage, forced marriage, domestic violence, and the
exchange of women to settle a dispute (known as *baad*). The law imposes long prison terms for many of these crimes.\(^{663}\)

The EVAW was drafted in 2008 and enacted by presidential decree; however, questions remain as to the law’s constitutionality. In May 2013, the law was withdrawn without a parliamentary vote after some conservative members of parliament declared it un-Islamic. According to a UNAMA member of the Criminal Law Reform Working Group, incorporating the criminal portions of the EVAW into the draft penal code could overcome concerns relating to the law’s validity.\(^{664}\)

JSSP identified a potential hazard in incorporating EVAW into the draft penal code. According to JSSP, when the draft penal code is finalized, it will include a provision that identifies all laws that are repealed on the effective date of the new law. In accordance with standard practice, specific articles of EVAW will be identified in this provision as repealed since the new penal code will contain those same articles. There is a possibility parliament would delete the EVAW provisions of the draft penal code before passage. At the same time, the provision that repeals provisions of EVAW may remain, resulting in the dismantling of EVAW.\(^{665}\)

In November, the nongovernmental aid organization Oxfam issued a report that raised concerns regarding the role of women in future peace talks. The report found that despite enormous gains for Afghan women, there is a real risk that these gains may decrease. Oxfam cites parliamentary opposition to EVAW, the continued practice of *baad*, and the lowering of mandatory quotas for women in provincial council positions as signs of a shift towards an increasingly conservative attitude and erosion of support for women’s rights across the country. Additionally, Oxfam finds that negotiations and peace talks with insurgent groups have taken place without Afghan women’s knowledge, input or involvement. The report called for Afghan government and international community support for women’s meaningful participation in all peace-process initiatives including through sustained support for women’s organizations and for women’s capacity building to take part in high-level negotiations.\(^{666}\)
## ECONOMIC CONTENTS

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ECONOMIC AND SOCIAL DEVELOPMENT

As of December 31, 2014, the U.S. government has provided more than $30.6 billion to support governance and economic and social development in Afghanistan. Most of the appropriated funds flowed into four major programs and accounts, as shown in Table 3.17. Of the $23.2 billion appropriated for these funds, approximately $20.3 billion had been obligated and $15.7 billion disbursed. These development funds all decreased for fiscal year (FY) 2014. The largest account—the Economic Support Fund (ESF)—went from a high of about $3.35 billion in fiscal year (FY) 2010 to $852 million in FY 2014.

Table 3.17

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<thead>
<tr>
<th>Fund</th>
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<td>ESF</td>
<td>USAID</td>
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<td>$23.2</td>
</tr>
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Note: ESF = Economic Support Fund; CERP = Commander’s Emergency Response Program; TFBSO = Task Force for Business and Stability Operations; AIF = Afghanistan Infrastructure Fund.

Source: See Appendix B.

KEY EVENTS

The Afghan government reported in December 2014 that the country is in “a fiscal and confidence crisis” with “severe” economic impacts on revenues and growth. Economic growth continued to slow this quarter, largely as a result of the prolonged political transition, persistent insurgency, and the drawdown of U.S. and Coalition forces. This quarter saw several other developments in the Afghan economy:

- Afghanistan’s fiscal gap widened. Domestic revenues in Afghan FY 1393 (December 21, 2013–December 20, 2014) were 26% lower than Ministry of Finance (MOF) budget targets, and 7.6% lower than in the same period in FY 1392. Expenditures continued to far outpace revenues, and donor grants are not enough to close the fiscal gap.
ECONOMIC AND SOCIAL DEVELOPMENT

- Afghan and international donor-country officials met in London on December 4, 2014, to reaffirm their collective Tokyo Mutual Accountability Framework commitments over the next decade (2015–2024). The Afghan government will continue its reform efforts and donor assistance will be better aligned with Afghan priorities, with an increasing amount provided on-budget.  
- Afghanistan began FY 1394 without an approved budget. Acting Minister of Finance Omar Zakhilwal presented an $8 billion, FY 1394 national budget to the Meshrano Jirga (upper house of parliament) in November. The upper house took no action before sending it to the lower house, where it was promptly rejected. 
- The World Bank released its Doing Business 2015 report this quarter, ranking Afghanistan 183rd out of 189 countries for an environment conducive to starting and operating a local business. Afghanistan ranked 164th (of 189) in 2014 and 168th (of 185) in 2013. 
- Afghanistan’s appellate and supreme courts upheld the convictions of 12 people involved in the 2010 Kabul Bank theft, including the two main architects of the fraud. Longer jail sentences were levied, fines were increased, the assets of an additional 19 individuals and companies were ordered frozen, and 16 more people were identified for investigation. No meaningful cash was recovered this quarter. 
- The Defense Department’s Task Force for Business and Stability Operations (TFBSO) and the Commerce Department’s Afghanistan Investment and Reconstruction Task Force authorizations ended and their operations ceased.

Afghanistan is facing an economic crisis with the transition taking a heavier than expected toll on the economy and the pace of reforms. Private sector confidence has slumped and a fiscal crisis is under way, with the government failing to mobilize adequate revenue to meet its financing priorities.”


ECONOMIC PROFILE

Afghanistan’s real growth in gross domestic product (GDP), excluding opium, has slowed significantly over the last year, from an estimated 3–4% for 2013 to a World Bank-projected 1.5% in 2014 due to increasing political and security uncertainties. This has led to a slump in investor and consumer confidence, which is expected to continue through at least the first half of 2015. With foreign direct investment already in decline, continued insecurity, instability, and systemic corruption will further negatively affect private investment and dampen growth. 

All main sectors of the licit economy slowed in 2014, including the services sector, which accounts for about half of GDP; non-poppy agriculture, which typically accounts for about a third of GDP depending on output; and manufacturing and industries, which comprise most of the rest.

Afghanistan’s Fiscal Crisis

Afghanistan has one of the lowest rates of domestic revenue collection in the world, averaging 9% of GDP from 2006 to 2013, according to the
International Monetary Fund (IMF).\textsuperscript{479} This quarter, revenue collection continued to decline against budget projections. In the first 10 months of FY 1393 (2014), total domestic revenues—tax and non-tax revenues, and customs duties—missed MOF targets by $450 million (-26%) so far, and decreased by approximately $112 million from the same period in FY 1392 (-7.6%).\textsuperscript{480}

Afghan government expenditures in the first 10 months of FY 1393 (2014) increased 11%, from the same period in FY 1392.\textsuperscript{481} Expenditures are expected to continue rising—to 30.5\% of GDP in FY 1395 (2016) versus 27.3\% in FY 1393 (2014), according to World Bank projections—largely due to increased spending on security, service delivery, building essential infrastructure, and operations and maintenance (O&M). The World Bank

\begin{figure}
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\includegraphics[width=\textwidth]{AFGHANISTAN'S_DOMESTIC_REVENUES_COMPARED_TO_OPERATING_AND_DEVELOPMENT_BUDGET_EXPENDITURES.png}
\caption{AFGHANISTAN'S DOMESTIC REVENUES COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES ($ MILLIONS).}
\end{figure}

Opium production is not calculated in official GDP figures, although it figures prominently in the economy. Farm-gate value of the opium economy is estimated at 3.3\% of GDP by the World Bank and 4\% by the UN Office on Drugs and Crime ($853 million). Higher-priced opium exports are calculated at 7–8\% of GDP by the World Bank and 15\% by the UN.


Note: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1388 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for fiscal year 1391 reflect a change in the timing of the Afghan fiscal year. Afghan fiscal years now run December 21 through December 20. FY 1393 represents the first ten months only.

estimated an overall budgetary shortfall of around $500 million in FY 1393, and reported that Afghanistan is headed for a fiscal crisis.482

In the medium term, the IMF projected Afghanistan’s financing gap, comprising on- and off-budget needs, to average $7.7 billion (33% of GDP) annually through 2018.483 This will limit Afghanistan’s ability to pay for discretionary services without significant donor support and improved revenue mobilization.484 The fiscal gap is large and growing, as depicted in Figure 3.29 on the previous page. Donor assistance narrows this gap, but does not close it.

Urgent Donor Funds to Fill the FY 1393 (2014) Fiscal Gap
This quarter, the United States provided $100 million—$75 million unconditionally—in previously committed funds to the Afghan government in response to a $537 million request to address Afghanistan’s FY 1393 lingering budget shortfall. Afghanistan said that without it the government might not be able to provide essential services and pay civil-servant salaries.485 A U.S. decision to release an additional $25 million was to be conditioned on the way the first $75 million was spent,486 on passage of a realistic budget, upon formal establishment of an IMF Staff Monitoring Program (see “IMF Assistance Program Ended” in this section for more information), and access for key U.S. Embassy Kabul staff to the Afghanistan Financial Management Information System (AFMIS), the country’s government-wide accounting system.487

State did not respond to SIGAR’s official data-call request for information this quarter, but SIGAR has been informed that the additional $25 million has already been disbursed despite Acting Minister Zakhilwal’s giving only a vague explanation that the $75 million was spent “addressing urgent needs including payment of civil servant salaries and [ensuring] the continued delivery of key public services like education and health;”488 despite the lack of parliamentary approval of the FY 1394 budget; and notwithstanding the absence of an IMF Staff Monitoring Program. However, a State official said the Afghan government had committed in writing to giving embassy staff access to AFMIS, although remote access had yet to be worked out, as of January 12, 2015.489

Last quarter, SIGAR reported it believes that U.S. government agencies should press the MOF for complete access to AFMIS. Without it, the United States lacks a holistic view of what the Afghan government reports to be spending its money on and at what rate, cannot confirm whether and to what degree budgetary shortfalls exist, and has insufficient information on which to base its response.490 For example, when asked what the U.S. government determined Afghanistan’s budget gap to actually be and how that figure was determined, USAID said the decision was based on the World Bank and IMF’s publicly reported figures of $400–600 million.491

“Despite significant improvements in recent years, revenue data is still considered unreliable. ... Afghanistan’s fiscal transparency would be enhanced if the supreme audit institution were to audit the budget, including all line ministries.”

U.S. funds were disbursed through the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF) recurrent-cost window.\textsuperscript{592} The United Kingdom contributed $25 million; Australia, $17.5 million; Canada was preparing $10 million; and Norway was expected to commit an undisclosed sum. These funds were not, as of yet, enough to bridge Afghanistan’s budget shortfall.\textsuperscript{593}

**Status of the FY 1394 Budget**

Afghanistan began FY 1394 (December 21, 2014–December 20, 2015) without an approved budget.\textsuperscript{494} Acting Finance Minister Zakhilwal presented an $8 billion FY 1394 national budget to the Meshrano Jirga (upper house of parliament) in November,\textsuperscript{695} which took no action before sending the budget to the lower house, where it was promptly rejected.\textsuperscript{296} The proposed budget—7% larger than FY 1393—estimates domestic revenues at $2.3 billion (a 25% increase over FY 1393 collections),\textsuperscript{497} receipt of $5.7 billion in donor grants (70% of the total budget), and a budget deficit of approximately $73 million (1% of the total budget).\textsuperscript{498} A second budget draft was sent to parliament on January 7, 2015, that revised revenue estimates slightly downward to approximately $2.2 billion.\textsuperscript{499}

These estimates are unlikely to materialize given Afghanistan’s record of repeatedly missing budget targets. For more information, see pages 148–150 of this section. The World Bank called the proposed budget’s revenue projections “ambitious” and stressed the importance of credible projections, “backed by adequate measures.” Even with expenditure restraints and urgent donor financing, the World Bank expects a residual FY 1393 fiscal gap to leave the government in arrears and with depleted cash reserves for FY 1394, requiring even more fiscal resources.\textsuperscript{500}

**IMF Assistance Program Ended**

The IMF’s three-year, $129 million Extended Credit Facility (ECF) loan agreement ended in November 2014.\textsuperscript{501} Only two disbursements of $18.2 million were made: one at the initial ECF approval, the other after the first board review in June 2012. No other board reviews occurred, due to missed performance targets, inadequate policy responses to economic shocks, and delays in structural reform.\textsuperscript{502}

Treasury said IMF staff believes the Afghan government must reestablish its credibility before beginning a formal new program that would allow Afghanistan to borrow money, given its poor compliance with the expired ECF.\textsuperscript{503} Meanwhile, an IMF team met with government officials this quarter to discuss “macroeconomic policies and a structural reform agenda that could form the basis of a possible nine-month Staff Monitored Program”—an informal agreement for IMF staff to monitor economic program implementation.\textsuperscript{504}

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**Source:** SIGAR, Audit 14-16, Afghanistan’s Banking Sector: The Central Bank’s Capacity to Regulate Commercial Banks Remains Weak, 1/2014.
ECONOMIC AND SOCIAL DEVELOPMENT

Economic Issues Discussed at London Conference
Afghanistan presented its reform agenda at the December 4, 2014, London donor conference, where Afghan and international donor-country officials met to reaffirm their collective Tokyo Mutual Accountability Framework commitments over the next decade (2015–2024). The international community recommitted to providing $16 billion through 2015 and sustaining support, through 2017, at or near the levels of the past decade. The Afghan government promised to continue reforms. Donors promised that their assistance will be better aligned with Afghan priorities, with an increasing amount provided on-budget.505 The conference was not intended to result in new donor pledges of assistance.506 No new pledges were made.

Afghanistan acknowledged that, given its reliance on International Security Assistance Force (ISAF) expenditures, the military drawdown and the extended political transition were the biggest drivers of its economic slowdown. Looking forward, the Afghan government pledged to improve security and political stability (key prerequisites for economic development), address the causes of corruption, restore fiscal sustainability, bolster private investment, and create jobs. The government plans to present its full strategy to stabilize sustained government revenue at the Senior Officials Meeting expected to be held later this year.507

World Bank Ranking of Afghanistan’s Business Regulatory Environment
The World Bank ranks Afghanistan 183rd overall in its annual Doing Business 2015 review of business regulations for domestic companies in 189 economies. While Afghanistan ranks high in starting a business, it is nearly last in dealing with construction permits, getting electricity, registering property, trading across borders, and enforcing contracts. It is considered the worst country in protecting minority investors, partly a reflection on a country’s corporate-governance rules and the weakness of its legal institutions.508

Trade
Trade-related taxes represented 45% of Afghanistan’s total tax revenues from 2006 to 2013.509 Although Afghanistan routinely sustains a large trade deficit, donor aid helps the country maintain a current account balance of 4.1% of GDP.510 Without it, the IMF estimates Afghanistan would have a current account deficit of 41% of its GDP.511

Afghan government agencies do not have accurate trade data. By one estimate, its data could be off by up to $1 billion—about 4.8% of the country’s GDP.512 Customs officials in Nangarhar Province and the Spin Boldak District of Kandahar Province reportedly do not know the exact trade figures in their purview,513 which could be an indication of corruption. USAID is working with Afghanistan’s Customs Department and the Central Statistics Office to
reduce statistical discrepancies by transferring information between the two through an automated data collection and reporting system.\textsuperscript{514}

The fifth Afghanistan-Pakistan Transit Trade Coordination Authority meeting took place January 1–2, 2015, in Islamabad, to discuss enhanced trade and commercial ties, building upon the Afghanistan-Pakistan Transit Trade Agreement (APTTA).\textsuperscript{515} Pakistan presented a draft bilateral preferential-trade agreement, and Afghanistan announced it was establishing two economic zones exclusively for Pakistan.\textsuperscript{516} APTTA is important because Pakistan is Afghanistan’s largest trading partner and provides Afghanistan access to three Pakistani ports, as well as border access to China and India.\textsuperscript{517} APTTA implementation has been contentious since the agreement was signed in 2011. Both countries complain of transit and clearance delays at the border.\textsuperscript{518}

Afterward, Tajikistani officials joined their Afghan and Pakistani counterparts on January 3, 2015, to discuss enhancing regional economic and commercial cooperation through a trilateral transit trade agreement. A draft agreement will be presented at their next meeting, scheduled for March 2015.\textsuperscript{519}

**Exports**

During 2011–2014, Afghanistan exported $3.1–3.3 billion worth of goods and services annually, not including narcotics, according to IMF estimates.\textsuperscript{520} The World Bank said Afghanistan exports only a small number of products and has few trade partners,\textsuperscript{521} making it highly dependent on a few commodities for earnings, and consequently more vulnerable to unstable prices and trade shocks.\textsuperscript{522}

Afghanistan consumes more than it produces and has very few tradable exports, but USAID believes Afghan accession to the World Trade Organization (WTO) may increase Afghanistan’s competitive advantage for its main source of exports—agricultural goods, carpets, and marble. USAID said, however, that production-scale limitations and an inability to certify products for international safety and quality constitute competitive disadvantages for Afghanistan’s emerging value chains.\textsuperscript{523}

**Imports**

The IMF estimates over $8 billion worth of Afghan imports are paid for by official donor grants. Treasury has projected Afghanistan’s real import capacity, without a significant foreign presence driving demand, at less than $2 billion annually, excluding 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.\textsuperscript{524}
Lost Revenue Collection Opportunities
The MOF recorded $316 million in customs duties in the first 10 months of FY 1393 compared to $398 million for the same period in FY 1392. USAID said some Afghan customs activities have been curtailed this past year due to funding constraints. For example, X-ray scanners are not functioning and need repair, efforts to standardize the automated customs data system are incomplete, and the Afghanistan National Customs Academy, which trains customs officers, operates only in the morning.

USAID said the scope of customs revenue lost to corruption is unknown with no reliable estimates. However, some of the likely causes of lost customs revenue are insufficient customs facilities at border crossings, corruption, and failure to value cargo using best practices. USAID also told SIGAR new automated systems are just now in the process of being extended throughout Afghanistan's customs agency. USAID believes high-level government officials can reduce the problem of leakages if they insist on developing, installing, and using the modern automated customs systems as part of a complete reform program.

Afghanistan Trade and Revenue Project

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan Trade and Revenue</td>
<td>11/7/2013</td>
<td>11/6/2017</td>
<td>$77,754,267</td>
<td>$16,078,832</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/12/2015.

USIAID’s top priority for economic growth this quarter is its Afghanistan Trade and Revenue (ATAR) project, a trade-facilitation program designed to (1) improve trade liberalization policies, including support for Afghanistan’s accession to the WTO; (2) improve and streamline the government’s ability to generate revenue through the modernization of Afghanistan’s customs institutions and practices; and (3) facilitate bilateral and multilateral regional trade agreements. This quarter, the UK’s Department for International Development, which already was helping Afghanistan introduce a Value-Added Tax (VAT), took the lead from ATAR in this effort.

World Trade Organization Membership Timeline Revised
Afghanistan’s Ministry of Commerce and Industry (MOCI) revised its schedule for acceding to the WTO until mid-2015. It may be pushed back further, given the delays in approving senior government leadership positions. The MOCI was waiting for the Ghani administration to conclude its review of the current accession process and status before getting new directives. Until then, the MOCI is working on legislation and working with the United States Trade Representative on outstanding issues so that they can be addressed quickly.
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The WTO called Afghanistan’s accession application package “stable,” but was waiting for the government to reengage before final consideration. The package may need revisions since the last working-party meeting was in March 2014. The next meeting, and likely the final one, was postponed indefinitely at the behest of the government. Afghanistan’s accession has been postponed several times. It was initially on track for accession in 2013. When that didn’t happen, it was supposed to achieve membership by the end of 2014 under the Tokyo Mutual Accountability Framework.

BANKING AND FINANCE
The World Bank and IMF reported that Afghanistan’s banking and financial sector has not recovered from the 2010 Kabul Bank scandal. The sector suffers from inadequate regulation and oversight, limited institutional capacity, undercapitalization, and a lack of consumer confidence. Many Afghans distrust banks, preferring to borrow and save with family and friends, and to transfer money through informal, trust- or honor-based hawala networks which provide money or value transfer services. The World Bank reported 2.65 million depositors in the Afghan banking system, but only 100,000 borrowers in a population estimated at 30 million. And though Kabul has roughly 10% of Afghanistan’s population, 80% of all loans are made there.

Few Afghan banks operate in accordance with international standards. Audits of major banks in Afghanistan conducted in the wake of the Kabul Bank scandal have revealed “systemic fragility and vulnerability in all areas of

**Hawala:** Informal system that arranges for the transfer and receipt of funds or equivalent value, and settles accounts through trade and cash over a long period of time.

**Money or Value Transfer Services:** Financial services that accept cash, checks, other monetary instruments or stores of value. Payments are made by a means of communication, message, transfer, or through a participating clearing network. It can involve multiple intermediaries with a final payment to a third party and may include any new payment methods.

Source: FATF, The Role of Hawala and Other Similar Service Providers In Money Laundering and Terrorist Financing, 10/2013, pp. 9, 12.
banking governance and operations.”536 Seven of Afghanistan’s 12 banks are considered weak and cumulatively hold 51% of the banking sector’s assets.537

**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.538 Treasury warned that if Afghanistan fails to aggressively enforce anti-money laundering/antiterrorist financing laws, its banking system will become isolated from the rest of the world and be unable to provide key financial services.539

**Financial Action Task Force**

At its most recent plenary session in October 2014, the intergovernmental Financial Action Task Force (FATF) chose to keep Afghanistan on its Improving Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Global Compliance document, also known as the “gray list.” FATF did not publicly explain its decision.540 Although Treasury helps review and monitor Afghanistan as a participating member of FATF, the department told SIGAR it does not conduct assessments or provide reports to FATF. Nor did it respond to requests for its opinion on whether Afghanistan warranted being downgraded or blacklisted based on its technical merits, and whether Treasury’s previous concerns about Afghanistan’s AML/CFT laws have been resolved. Instead, Treasury said that FATF was satisfied that Afghanistan published its AML/CFT laws and had determined that the CFT regulations largely establish the necessary procedures and legal framework to freeze terrorist assets.541

Afghanistan had faced a blacklist designation for almost a year, having made insufficient progress on its AML/CFT administration, or passing legislation so close to FATF’s June 2014 plenary session that there was no time to properly evaluate progress.542 Afghanistan was downgraded in February 2014 to the “dark-gray” list of jurisdictions making insufficient progress and has maintained a gray designation since. A blacklisting would negatively affect Afghanistan’s relations with the donor community and could lead to further loss of its correspondent banking accounts.543

**Court Rulings in the Kabul Bank Case**

On November 11, 2014, Afghanistan’s appellate court upheld the convictions of ex-chairman Sherkhan Farnood and ex-CEO Khalilullah Ferozi, as well as 10 lower-level employees, of crimes related to the 2010 Kabul Bank crisis.
ECONOMIC AND SOCIAL DEVELOPMENT

Farnood and Ferozi were sentenced to additional prison terms and issued new restitution orders, while the others received lesser fines and punishments, as shown in Table 3.18. Documentation demonstrates that the court also ordered the assets of 19 individuals and companies frozen pending loan repayment and listed an additional 16 individuals for investigation.

The court’s judgment may contain technical deficiencies—it reportedly cites the wrong law—that may render it unenforceable overseas, even though it comports with Afghan law. How aggressively the Attorney General’s Office will pursue the judgment remains to be seen. The Attorney General’s Office has no meaningful capacity to draft mutual legal-assistance letters on its own, but the U.S. Department of Justice (DOJ) said it will help upon formal request. Technical or legal assistance will not change Afghan senior leadership’s lack of political will to actively recover stolen assets from overseas bank accounts, as evidenced by the minimal cash recoveries this quarter.

The cumulative amount reportedly stands at $178 million versus $175.2 million in April 2014. Potential defendants remain free and unindicted, and the Kabul Bank Receiver—who attempts to recover and tender bad loans and assets—was replaced this quarter.

New Kabul Bank Privatization

After years of stalled privatization efforts as well as an order by President Ghani calling for Kabul Bank’s privatization, MOF officials are considering consolidating three state-run banks—New Kabul Bank, Pashtiani Bank, and

Before its near-collapse in 2010, the Kabul Bank had been Afghanistan’s largest private bank, distributing most civil servants’ salaries on behalf of the Afghan government. Over 92% of $935 million that was known at that time to have been stolen from the bank went to 19 individuals and companies associated with the bank. Afghanistan’s central bank, DAB, covered these losses, equivalent to 5–6% of Afghanistan’s GDP at that time.

Milli Bank—into a single entity. The central bank governor warned that $100 million in government funds will be required for the integrated bank to operate effectively. All three banks have operating losses. New Kabul Bank has accumulated losses between $46.8 million and $50 million, and reportedly owes another $60 million, an obligation that would pass to any potential buyer.

**U.S. ECONOMIC-SUPPORT STRATEGIES**

The U.S.-Afghanistan Strategic Partnership Agreement and the Civil-Military Strategic Framework are the most recent guiding documents for U.S. civilian development assistance in Afghanistan. The United States also uses the annual Mission Resource Request and operational plans to provide a basic framework and prioritization for assistance efforts. U.S. Embassy Kabul is developing an integrated country strategy which will help to guide foreign-assistance priorities. The U.S. government’s coordinated plan consists of: the New Silk Road Initiative, USAID’s Almaty Consensus, and the USAID/Afghanistan Country Development Cooperation Strategy.

USAID and other assistance implementers may also choose to develop their own strategies, according to State. For instance, DOD said its Commander’s Emergency Response Program (CERP) and Afghanistan Infrastructure Fund (AIF) projects are largely determined by ground conditions as assessed by commanders in theater. U.S. economic strategies are coordinated at an interagency level through the National Security Council.

U.S. efforts to minimize adverse impacts of the drawdown on Afghanistan’s financial stability, government revenue, and economic growth, as well as a strategic focus on sustainable solutions, have not significantly helped Afghanistan stave off a fiscal crisis or wean its economy off the military presence or donor assistance.

**USAID Development Assistance**

Most assistance from the Economic Support Fund (ESF) goes toward USAID’s development programs. Figure 3.30 shows USAID assistance by sector.
U.S. agencies, although similar U.S. support programs may exist.\textsuperscript{557} TFBSO appropriations totaled $815 million, as of December 31, 2014.

The U.S. Department of Commerce’s Afghanistan Investment and Reconstruction Task Force also ceased operations on December 31, 2014.\textsuperscript{558} It aimed to develop Afghanistan’s private sector by improving market conditions conducive to trade and investment, and it offered technical assistance and training to the government and Afghan companies, using FY 2012 USAID funds. Since 2012, it had hosted business matchmaking conferences, helped develop a carpet-export organization, and established Afghan business hubs.\textsuperscript{559}

**DEVELOPMENT OF NATURAL RESOURCES**

The World Bank believes development of Afghanistan’s natural resources can underpin future economic growth in the face of declining external aid, although mining has so far contributed only a small share of the country’s GDP.\textsuperscript{560} But it is uncertain when sector-generated revenues may be realized because of a lack of infrastructure financing as well as weak Afghan progress on regulatory and legislative frameworks.\textsuperscript{561} Although the Afghan budget projected annual mining revenues of $13.2 million, in the first half of FY 1393 (2014), Afghanistan received just $3.9 million in royalties and fees.\textsuperscript{562}

**Impediments to Investment**

Afghanistan’s lack of security overshadows all other constraints on investment, according to the World Bank.\textsuperscript{563} USAID said mining regions are
remote and often located in insecure areas that may be littered with mines and unexploded ordnance. Corruption, an uneducated workforce, lack of labor safety practices, and crude extraction methods are also inhibiting factors. A detailed discussion of other investment obstacles can be found on pages 175–177 in SIGAR’s October 2014 Quarterly Report to the United States Congress.

One issue was partially addressed this quarter. Both houses of parliament passed legislation amending the part of the new minerals law that restricted the right to transfer licenses from one company to another—a standard practice in the mining community. It was waiting to be signed into law, as of January 12, 2015.

Currently there is no excavation work under way at the Mes Aynak copper mine in Logar Province other than continuing archeological mitigation of damage to cultural relics in the area. This quarter, government officials said 86 security posts have been set up around the mine, which reportedly comes under frequent attack. There is also no reported change in contract negotiations for the Hajigak iron ore concessions (awarded in November 2011) this quarter. The World Bank reported hopes are also fading for Aynak and Hajigak-related energy investments.

**Status of TFBSO-assisted Tenders**

Since 2010, TFBSO provided legal and financial assistance, process expertise, transparency consultancy services, and other support to the MOMP for several hydrocarbon and mineral tenders. This helped the MOMP evaluate and award bids, and negotiate contracts. Most contracts remained unsigned this quarter for reasons outside the ministry’s control, as shown in Table 3.19.

**Mining Investment and Development for Afghan Sustainability**

This quarter, USAID’s Mining Investment and Development for Afghan Sustainability (MIDAS) program brought parliamentarians and ministry officials to the United States to introduce them to modern mining technology, and to environmental-protection and worker-safety standards. MIDAS advisors helped ministry officials propose regulations in line with the new mineral law, review bids, and respond to contract comments.

MIDAS advisors also worked with the Afghan Geological Survey on a multi-month mission to search Salang Valley for tantalum, an element used to make composite material used in electronic capacitors, nuclear reactors, and aircraft and missile parts. The geological survey team produced a topographical map of the area, began predrilling exploration work, and dug trenches to prepare for MIDAS drilling in 2015. Two women—a geologist and an engineer—participated in this field work, the first female participation in over 30 years.
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. 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 imports for fuels. The country imports...
“During this period, it has become increasingly clear that members of the MOMP-APA staff do not have the critical thinking skills, financial discernment, or will to administer complex contracts from either technical or a business/managerial perspective.”


10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran.575

**Sheberghan Programs**

Sheberghan holds the potential for cheap natural gas and could be competitive with imported power from Uzbekistan, according to the World Bank.576 USAID has active programs in the area; TFBSO’s programs ended this quarter.577 TFBSO spent $5 million helping Afghanistan develop a compressed natural gas (CNG) industry by completing and transitioning a CNG station to a private operator, Qashqari Oil and Gas Services, in May 2014. The MOCI issued Qashqari a CNG license in November 2014.578

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.579

This quarter, the drilling contractor, Turkish Petroleum Corporation, informed the MOMP it is behind schedule and would not begin drilling until May 2015—taking almost twice as long as the contract stipulated. No disbursements will be made until drilling begins. SGGA prepared a contract-termination option paper for the Afghanistan Petroleum Authority with a recommendation to terminate, but the Afghan authorities opted to continue with the Turkish contractor.580

**Pipeline Rehabilitation Project**

TFBSO helped the MOMP and Afghan Gas Enterprise rehabilitate the existing 89.1 km (55.4-mile) Sheberghan–Mazar-e-Sharif pipeline to improve its capacity and the quality of gas flowing through it, and constructed gas processing and compression facilities in Sheberghan. TFBSO said the rehabilitation is 95% complete and the remaining section can be completed by Afghan Gas without its support. The compressor facility is complete, increasing gas supplies by 125% with more available upon demand. An amine plant was successfully precommissioned this quarter. The plant will chemically “sweeten” Afghan natural gas, which is high in hydrogen sulfide and carbon dioxide content. The plant can be fully commissioned when demand increases and an O&M company is brought in to assist. TFBSO disbursed $33.7 million for these efforts, as of October 9, 2014.581

**AGRICULTURE**

Agriculture continues to be the main source of employment and subsistence for the Afghan population, accounting for 31% of GDP, according to the
Between FY 2002 and FY 2013, USAID obligated approximately $1.25 billion for improve agricultural production and increase access to markets, and $1.38 billion for alternative development to poppy cultivation. A discussion of USAID’s alternative-development programs is found on pages 111–115 of this quarterly report.

This quarter, USAID reported that it is extending the Agricultural Credit Enhancement (ACE), as well as taking over two U.S. Department of Agriculture efforts—the Afghan Agricultural Extension Program (AAEP) and the Capacity Building and Change Management Program (CBCMP), which aim to build capacity at the Ministry of Agriculture, Irrigation, and Livestock (MAIL). USAID’s active agriculture programs are listed in Table 3.20.

### Table 3.20

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2014</th>
</tr>
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<tbody>
<tr>
<td>Improving Livelihoods and Governance Through Natural Resource Management</td>
<td>4/10/2010</td>
<td>12/31/2014</td>
<td>14,000,000</td>
<td>13,295,807</td>
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<td>Agriculture Credit Enhancement (ACE)</td>
<td>7/15/2010</td>
<td>2/25/2015</td>
<td>75,175,296</td>
<td>70,801,590</td>
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<td>Agriculture Development Fund (ADF)</td>
<td>7/18/2010</td>
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<td>Strengthening Afghanistan Agricultural Faculties (SAAF)</td>
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<td>Regional Agriculture Development Program (RADP)-South</td>
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<td>11/30/2014</td>
<td>11/29/2015</td>
<td>391,000</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/12/2015.

World Bank, and provides employment to about 59% of the labor force. Between FY 2002 and FY 2013, USAID obligated approximately $1.25 billion for improve agricultural production and increase access to markets, and $1.38 billion for alternative development to poppy cultivation. A discussion of USAID’s alternative-development programs is found on pages 111–115 of this quarterly report.

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### Agricultural Credit Enhancement

ACE supports Afghanistan’s Agriculture Development Fund (ADF), which provides credit across the agricultural value chain through banks, farm stores, leasing companies, and food processors. Much of this credit is then extended to farmers. ACE is the technical-assistance component that manages all ADF lending activities and helps build MAIL capacity.

USAID’s most recent ACE quarterly report (July–September 2014) said ADF issued $7.6 million in new loans during that period. Total approved loans are $101 million, with $56 million disbursed, and $31 million repaid. The gap between approvals and disbursements is due to clients requiring multiple smaller disbursements, rather than receiving one lump sum,
bureaucratic delays in registering mortgages, and supply price changes that affect how much money is needed. The overall number of borrowers is substantially below the program’s target. ACE initially assumed ADF would operate through a network of banks, but that did not happen. Additionally, the loan vetting process took an average of 11 months in 2014. ADF’s portfolio risk is 3.58%, an acceptable rate even in Western financial sectors.586

**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.

**Energy**

Afghanistan imports approximately 73% of its total energy supply. 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.587 The country has one of the lowest rates of electrification in the world, with only 25% of Afghans connected to the power grid. Of those who are connected, an estimated 75% live in urban areas,588 but urban dwellers comprise an estimated 37% of the Afghan population.589

From 2002 through 2014, USAID alone obligated approximately $2.8 billion to build generators, substations, and transmission lines, and provide technical assistance in the sector.590 In addition, DOD has provided approximately $292 million for electricity projects through CERP and roughly $1.1 billion through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.591

Afghanistan’s two primary power systems are the *Northeast Power System* (NEPS) and the *Southeast Power System* (SEPS). As shown in Table 3.21, USAID has three projects to connect and increase the electricity supply in both systems—Sheberghan; the Kandahar-Helmand Power Project, which includes Kajaki Dam hydropower; and the Power Transmission Expansion and Connectivity Program, which has capacity-building components to help Afghanistan sustain these investments.592

**Kandahar-Helmand Power Project**

The Kandahar-Helmand Power Project (KHPP) is intended to increase power supply and reliability in Kandahar and Helmand provinces.593 All components of this project are being closed out, except for a USAID technical support services contract with Black and Veatch to assist Da Afghanistan Breshna Sherkat (DABS), Afghanistan’s national utility, with its

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**NEPS:** imports electricity from the Central Asian Republics to provide power to Kabul and the communities north of Kabul.

**SEPS:** draws most of its power from the Kajaki Dam and from diesel generators in Kandahar City to provide power in the Helmand and Kandahar areas.


Installation and commissioning of Kajaki’s third turbine was descoped from KHPP in 2013 and transferred on-budget for DABS to execute. Kajaki Phase 2 began on December 25, 2014, when DABS signed a turbine installation contract with 77 Construction USA Corp.

Source: USAID, response to SIGAR data call, 1/12/2015.
efforts to increase long-term sustainable hydropower from Kajaki Dam.594 Turbine parts have been sitting uninstalled at Kajaki since 2008 due to security threats.595 The deputy governor of Helmand Province reportedly said the government has no control over the district of Kajaki.596

**Power Transmission Expansion and Connectivity Program**

The U.S.-funded Power Transmission Expansion and Connectivity (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.597 PTEC’s commercialization and capacity-building components aim to reduce technical and commercial losses.598 Construction has not yet started on PTEC projects with the exception of preliminary work (contractor mobilization, survey and design, and materials and equipment procurement) on the Arghandi–Ghazni transmission line and substations—the first segment of the NEPS-SEPS connector—which began this quarter.599

**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 (FY 2015 AIF funds were not requested, nor appropriated), as shown in Table 3.22 on the following page.600 Both the Ministry of Energy and Water, and Afghanistan’s national utility, DABS, will be responsible for sustaining these projects, including operations and maintenance 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.601 However, SIGAR has raised questions about DABS’s

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**TABLE 3.21**

**ACTIVE USAID ENERGY INFRASTRUCTURE PROJECTS, AS OF DECEMBER 31, 2014**

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kandahar Helmand Power Project (off budget)</td>
<td>12/9/2010</td>
<td>11/30/2015</td>
<td>$226,600,000</td>
<td>$222,800,000</td>
</tr>
<tr>
<td>Sheberghan Gas Generation Activity (off budget)</td>
<td>12/21/2011</td>
<td>3/31/2015</td>
<td>30,440,958</td>
<td>16,697,785</td>
</tr>
<tr>
<td>Sheberghan Gas Development Project (on budget)</td>
<td>5/15/2012</td>
<td>4/30/2015</td>
<td>90,000,000</td>
<td>30,000,000</td>
</tr>
<tr>
<td>Power Transmission Expansion Connectivity (on budget)</td>
<td>1/1/2013</td>
<td>12/31/2016</td>
<td>340,000,000</td>
<td>11,400,000</td>
</tr>
<tr>
<td>Power Transmission Expansion Connectivity (Funds transfer to Afghanistan Infrastructure Trust Fund)</td>
<td>3/7/2013</td>
<td>3/6/2018</td>
<td>105,670,184</td>
<td>N/A</td>
</tr>
<tr>
<td>Kandahar Helmand Power Project (on budget)</td>
<td>12/9/2013</td>
<td>2/28/2016</td>
<td>36,000,000</td>
<td>12,500,000</td>
</tr>
<tr>
<td>Power Transmission Expansion Connectivity (off budget)</td>
<td>2/1/2014</td>
<td>1/31/2015</td>
<td>1,700,000</td>
<td>443,845</td>
</tr>
</tbody>
</table>

TABLE 3.22

ACTIVE AFGHANISTAN INFRASTRUCTURE FUND PROJECTS, AS OF DECEMBER 31, 2014

<table>
<thead>
<tr>
<th>AIF Fiscal Year</th>
<th>AIF Project</th>
<th>Description</th>
<th>Notified Amount ($ MILLIONS)</th>
<th>Obligated ($ MILLIONS)</th>
<th>Disbursed ($ MILLIONS)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>P11</td>
<td>NEPS - SEPS Connector, Aghanidi to Ghazi</td>
<td>Supply, install, test and commission transmission line</td>
<td>$56.7</td>
<td>$56.7</td>
<td>$0.0</td>
<td>Transferred to USAID; On schedule</td>
</tr>
<tr>
<td></td>
<td>NEPS - SEPS Connector, Aghanidi to Ghazi</td>
<td>Supply, install, test and commission substation</td>
<td>48.0</td>
<td>48.0</td>
<td>0.0</td>
<td>Transferred to USAID; On schedule</td>
</tr>
<tr>
<td></td>
<td>NEPS - Aghanidi to Gardez Phase 1</td>
<td>Install transmission lines and construct power substations</td>
<td>93.7</td>
<td>51.9</td>
<td>7.6</td>
<td>In Design; Ahead of Schedule (Actual 5% vs. Scheduled 1%)</td>
</tr>
<tr>
<td>FY12</td>
<td>SEPS - Kandahar City to Durai Junction Phase 2</td>
<td>Install or repair transmission lines and to repair or construct substations</td>
<td>40.0</td>
<td>29.6</td>
<td>2.5</td>
<td>Design/Mobilization/ Demining; On schedule</td>
</tr>
<tr>
<td></td>
<td>NEPS - Aghanidi to Gardez Phase 2</td>
<td>Install transmission lines and construct power substations</td>
<td>69.2</td>
<td>67.2</td>
<td>9.5</td>
<td>In Design; On schedule (14% complete)</td>
</tr>
<tr>
<td></td>
<td>NEPS - Charikar to Panjshir Phase 1</td>
<td>Install transmission lines and construct power substations</td>
<td>38.0</td>
<td>37.8</td>
<td>4.3</td>
<td>In Design; On schedule (14% complete)</td>
</tr>
<tr>
<td>FY13</td>
<td>NEPS - Charikar to Panjshir Phase 2</td>
<td>Install transmission lines and construct power substations</td>
<td>33.0</td>
<td>25.3</td>
<td>2.9</td>
<td>In Design; On schedule (14% complete)</td>
</tr>
<tr>
<td></td>
<td>SEPS Completion - Phase 1</td>
<td>Construction of substations and rehabilitations of transmission lines in Helmand Province</td>
<td>75.0</td>
<td>70.6</td>
<td>3.3</td>
<td>Design/Mobilization/ Demining; On schedule</td>
</tr>
<tr>
<td></td>
<td>NEPS - SEPS Connector, Ghazi to Kandahar</td>
<td>Design and installation of transmission lines and towers; construction of substations. Final Phase of NEPS-SEPS connector.</td>
<td>179.5</td>
<td>0.0</td>
<td>0.0</td>
<td>Transferred to USAID; Request for Proposal preparation</td>
</tr>
<tr>
<td>FY14</td>
<td>Kandahar Bridging Solution</td>
<td>Provides fuel for diesel generators in Kandahar City</td>
<td>20.0</td>
<td>8.0</td>
<td>0.0</td>
<td>In Progress</td>
</tr>
<tr>
<td></td>
<td>SEPS Completion - Phase 2</td>
<td>Rehabilitation and construction of transmission lines and substations in Helmand and Kandahar Provinces.</td>
<td>49.0</td>
<td>0.0</td>
<td>0.0</td>
<td>Transferring to USAID; Design; Request for Proposal preparation</td>
</tr>
<tr>
<td></td>
<td>NEPS - Gardez to Khowst</td>
<td>Design and install transmission and distribution lines; construction of substations. DOD’s final contribution to NEPS.</td>
<td>130.0</td>
<td>0.0</td>
<td>0.0</td>
<td>Pre-Award</td>
</tr>
</tbody>
</table>

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. Obligations and disbursements are as of 11/30/2014. All other information is as of 12/31/2014.

Source: DOD, response to SIGAR data call 9/30/2013, 10/7/2014 and 1/2/2015; USAID, response to SIGAR data call, 1/20/2015.

capacity and said Afghanistan lacks the resources necessary to pay for O&M. The World Bank said DABS’s technical and commercial losses remain significant.

TRANSPORTATION

Afghanistan’s lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said developing the transportation sector is imperative for economic development. Afghanistan’s transportation infrastructure shortcomings
ECONOMIC AND SOCIAL DEVELOPMENT

constrain the service and agriculture sectors, currently the leading contributors to GDP. They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining aid. This quarter, the United States continued its efforts to assist Afghanistan in developing ministry capacity, and sustaining operations and maintenance.

Roads
While the United States has provided $2.36 billion cumulatively for road construction and O&M, and will spend about $5 million this year for O&M efforts, the World Bank said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles. Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways; where it did have funds, activities have been implemented, albeit inefficiently, according to USAID. Moreover, the lack of a functioning roads authority has significantly affected road infrastructure across Afghanistan. USAID’s active road construction and O&M programs are listed in Table 3.23.

USAID, through its Road Sector Sustainability Project (RSSP), continues to help the Ministry of Public Works strengthen its technical capacity to establish a Road Fund, Road Authority, and Transportation Institute so the ministry can better fund and maintain their roadway infrastructure. RSSP’s emergency operations and maintenance activity awarded a contract to four Afghan firms this quarter, with the initial meeting taking place in December 2014. For a description of all four RSSP activities, see pages 192–193 in SIGAR’s October 2014 Quarterly Report to the United States Congress.

TABLE 3.23

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Sector Sustainability Project</td>
<td>8/1/2014</td>
<td>8/1/2019</td>
<td>$103,000,000</td>
<td>$700,000</td>
</tr>
<tr>
<td>Gardez to Khowst Road, Phase IV</td>
<td>6/26/2014</td>
<td>12/25/2015</td>
<td>31,963,736</td>
<td>6,561,385</td>
</tr>
<tr>
<td>Salang Corridor Maintenance</td>
<td>3/24/2013</td>
<td>3/30/2016</td>
<td>1,780,100</td>
<td>645,804</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 12/28/2014; USAID, response to SIGAR vetting, 1/12/2015.

EDUCATION
The United States aims to improve Afghan access to quality education by promoting capacity building, responding to urgent needs for learning materials, schools, and teacher development, and increasing opportunities in
According to the most complete data available from the MOE’s EMIS, Afghanistan had a total of 13,858 general education (government) schools in 1392 (2013), with 7.98 million students enrolled. Of the enrolled students, 6.26 million were categorized as present, while 1.36 million students were considered absent. EMIS neither tracks open and closed schools at any given time, nor teachers and student attendance. Figures are not independently verified.


adult literacy, employment skills, and youth development. A full list of USAID’s active education programs can be found in Table 3.24.

USAID’s priority education programs funded through the ESF this quarter include:

- Basic Education, Learning and Training (BELT)
- BELT Community Based Education (CBE)
- American University of Afghanistan (AUAF)
- Afghanistan University Support and Workforce Development Program (USWDP)
- Education Quality Improvement Project (EQUIP)

USAID said monitoring systems are in place to measure performance, including a Performance Monitoring Plan with indicators and targets for each project. For example, BELT-CBE metrics, and monitoring and evaluation plans are being developed before the program’s implementation. AUAF

### Table 3.24

<table>
<thead>
<tr>
<th><strong>Project Title</strong></th>
<th><strong>Start Date</strong></th>
<th><strong>End Date</strong></th>
<th><strong>Total Estimated Cost ($)</strong></th>
<th><strong>Cumulative Disbursement, as of 12/31/2014 ($)</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan Tuition Scholarship Program</td>
<td>8/21/2011</td>
<td>7/31/2017</td>
<td>$7,384,665</td>
<td>$6,235,469</td>
</tr>
<tr>
<td>Global Partnership for Education</td>
<td>10/11/2012</td>
<td>3/31/2015</td>
<td>2,500,000</td>
<td>909,973</td>
</tr>
<tr>
<td>Afghanistan Technical Vocational Institute</td>
<td>6/15/2013</td>
<td>6/14/2015</td>
<td>1,000,000</td>
<td>700,000</td>
</tr>
<tr>
<td>American University of Afghanistan, Professional Development Institute</td>
<td>8/1/2013</td>
<td>7/31/2018</td>
<td>40,000,000</td>
<td>10,717,446</td>
</tr>
<tr>
<td>BELT-Community Based Education (CBE)</td>
<td>10/29/2013</td>
<td>10/28/2017</td>
<td>56,000,000</td>
<td>0</td>
</tr>
<tr>
<td>Afghanistan University Support and Workforce Development Program</td>
<td>1/1/2014</td>
<td>12/31/2018</td>
<td>91,927,769</td>
<td>8,295,625</td>
</tr>
<tr>
<td>Assessment of Learning Outcomes and Social Effects in Community-Based Education</td>
<td>1/1/2014</td>
<td>12/31/2017</td>
<td>2,799,228</td>
<td>414,494</td>
</tr>
<tr>
<td>Strengthening Education in Afghanistan (SEA II)</td>
<td>5/19/2014</td>
<td>5/18/2019</td>
<td>29,835,920</td>
<td>1,442,857</td>
</tr>
<tr>
<td>Increasing Access to Basic Education and Gender Equality</td>
<td>9/17/2014</td>
<td>9/16/2019</td>
<td>54,027,000</td>
<td>54,027,000</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/12/2015.
tracks underserved-community outreach; for example, the spring 2014 student body was 31% female.\textsuperscript{614}

USAID reported that 34 million grade 1–6 textbooks have been printed with U.S. government assistance, benefitting 5.6 million primary school students through its ongoing BELT textbook distribution, which began in November 2011. Additionally, 84,331 teachers were trained through EQUIP, which USAID estimates benefitted 2.6 million primary students based on an approximation of 35 students per class.\textsuperscript{615}

University Support and Workforce Development Program

The University Support and Workforce Development Program (USWDP) aims to improve the Ministry of Higher Education’s (MOHE) management capacity as well as that of 10 universities. It is helping MOHE ensure quality education and employment opportunities for students. The program’s performance report released this quarter (covering July–September 2014) said that a employment-sector assessment was conducted that will provide direction for bachelor degree programs while connecting them to the job market.\textsuperscript{616}

The quarterly report also listed several acute challenges for the program: election-related security issues that heightened movement restrictions; dysfunctional MOHE management and operations; and ministerial infighting and bureaucratic obstruction.\textsuperscript{617}

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.\textsuperscript{618} 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.\textsuperscript{619}

USAID Funding

From FY 2002 through FY 2013, U.S. on- and off-budget assistance to Afghanistan’s health sector totaled $1.2 billion. From FY 2014 through FY 2018, USAID assistance will total $383 million.\textsuperscript{620} On-budget assistance to the MOPH includes salary payments to workers in U.S.-funded facilities, supplies and equipment, in-service training, minor renovations of facilities, and monitoring and supervision. Off-budget assistance includes activities to strengthen health systems, engage the private sector, and procure pharmaceuticals and contraceptives.\textsuperscript{621}

There are 641 health facilities in 13 provinces\textsuperscript{622} supported by USAID funding, as of December 31, 2014, as shown in Table 3.25.\textsuperscript{623}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
Health Facility Type & Number of Active Health Facilities \\
\hline
Basic Health Center & 278 \\
Comprehensive Health Center & 177 \\
District Hospital & 27 \\
Provincial Hospital & 5 \\
Sub Health Center & 144 \\
Prison Health Center & 10 \\
\hline
\end{tabular}
\caption{USAID-Funded Health Facilities, As of December 31, 2014}
\end{table}

Source: USAID response to SIGAR vetting, 1/12/2015.
USAID Health Programs
USAID’s active health programs have a total estimated cost of $383.6 million, and are listed in Table 3.26.

<table>
<thead>
<tr>
<th>Project Title</th>
<th>Start Date</th>
<th>End Date</th>
<th>Total Estimated Cost ($)</th>
<th>Cumulative Disbursement, as of 12/31/2014 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polio-Eradication Activities</td>
<td>9/30/1996</td>
<td>9/30/2022</td>
<td>$10,830,615</td>
<td>$9,265,102</td>
</tr>
<tr>
<td>[Name Not Supplied]</td>
<td>9/29/2006</td>
<td>9/29/2015</td>
<td>35,000,000</td>
<td>3,750,000</td>
</tr>
<tr>
<td>Partnership Contracts for Health (PCH)</td>
<td>7/20/2008</td>
<td>12/31/2015</td>
<td>259,663,247</td>
<td>194,326,384</td>
</tr>
<tr>
<td>Tuberculosis Field Support</td>
<td>9/29/2010</td>
<td>9/28/2015</td>
<td>5,600,000</td>
<td>4,600,000</td>
</tr>
<tr>
<td>Deliver</td>
<td>9/30/2010</td>
<td>9/29/2015</td>
<td>13,535,571</td>
<td>11,491,940</td>
</tr>
<tr>
<td>Health Policy Project (HPP)</td>
<td>9/25/2011</td>
<td>1/31/2015</td>
<td>28,000,000</td>
<td>22,597,226</td>
</tr>
<tr>
<td>Improving Nutrition Through Multi-Sectoral Approaches</td>
<td>11/7/2014</td>
<td>12/31/2017</td>
<td>5,610,012</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: USAID, response to SIGAR data call, 1/12/2015; USAID, response to SIGAR vetting, 1/20/2015.

Partnership Contracts for Health Services
The Partnership Contracts for Health (PCH) Services was extended to December 31, 2015. The host-country contract PCH program supports the MOH’s efforts to provide the Basic Package of Health Services (BPHS) in 13 provinces and the Essential Package of Hospital Services (EPHS) in five provinces. PCH supports health care at over 6,000 health posts and more than 600 facilities, including hospitals and health centers. It also supports tertiary health-care services at five provincial hospitals and one national hospital. In addition, PCH supports the Community Midwifery Education program, which aims to reduce maternal and child mortality.

USAID said security remained an obstacle for health-service delivery this quarter. Several health facilities were closed. All PCH provinces have insecure districts that are hard to reach, so PCH monitors its programs in these areas by phone, report reviews, and engaging community leaders to supervise health facilities. In addition, third-party monitoring activities were completed in six provinces, and the MOH, under PCH, completed an eight-month no-cost extension of all current host-country contracts with NGO implementing partners, covering 18 contracts. This portion of PCH will expire in June 2015.
Leadership, Management, and Governance Project

The LMG project works with the MOPH and the MOE at the central and provincial levels to build governance capacity, improve accountability, and help manage on-budget assistance within Afghanistan’s health and education systems.627

This quarter, USAID said LMG revised the national community-based health strategy, evaluated contract proposals, conducted multiple training workshops for health staff, and held its third national health-research coordination meeting, at which terms of reference were developed, research priorities were discussed, and a research monitoring system was being established.628

LMG is facing funding uncertainties with a slow and complex transition to on-budget assistance, causing frustration and concern within the MOPH and its partners about the sustainability of LMG projects. Additionally, USAID is reporting decreased accountability within the MOPH due to the continuing delay in political leadership appointments.629
4 OTHER AGENCY OVERSIGHT
OTHER AGENCY OVERSIGHT CONTENTS

Completed Oversight Activities 176
Ongoing Oversight Activities 183

Photo on previous page
Afghan Local Police and Afghan National Security Forces members ascend a mountain pass in Paktika Province to conduct a presence patrol and hold a village security meeting. (DOD photo by Sgt. Jared Gehmann, U.S. Army)
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, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies perform oversight activities in Afghanistan and provide results to SIGAR:

- Department of Defense Office of Inspector General (DOD OIG)
- Department of State Office of Inspector General (State OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
OTHER AGENCY OVERSIGHT

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the eight oversight projects related to reconstruction that participating agencies reported as completed this quarter.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOD OIG</td>
<td>DODIG-2015-047</td>
<td>12/19/2014</td>
<td>Assessment of U.S. Government and Coalition Efforts to Develop Logistics Sustainment Capability of the Afghan National Army</td>
</tr>
<tr>
<td>State OIG</td>
<td>AUD-MER0-15-02</td>
<td>11/30/2014</td>
<td>Audit of Bureau of Narcotics and Law Enforcement Affairs Counter-Narcotics Assistance to Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>GAO-15-102</td>
<td>11/18/2014</td>
<td>Human Trafficking: Oversight of Contractors’ Use of Foreign Workers in High-Risk Environments Needs to Be Strengthened</td>
</tr>
</tbody>
</table>


U.S. Department of Defense Office of Inspector General

During this quarter, DOD OIG issued one report related to Afghanistan reconstruction.

Assessment of U.S. Government and Coalition Efforts to Develop the Logistics Sustainment Capability of the Afghan National Army


DOD OIG found that while Afghan National Security Forces (ANSF) demonstrated the capability to conduct combat operations, the development of Afghan National Army (ANA) combat-support services lagged. The development of the ANA logistics system, especially by organizations above the corps level, remained a work in progress. DOD OIG observations identified issues requiring attention in four general areas:

- ANA development of a sustainable logistics planning capability. Specific issues were outdated and incomplete logistics policy and guidance; underdeveloped capability to forecast and generate logistic requirements; retention of trained mechanics; nascent contracting expertise; partial decentralization of logistics training; and inefficient use of information management systems.
- ANA equipment-disposal processes. Specific issues were implementation of turn-in and disposal of irreparable equipment; turn-in of useable excess equipment, parts, and other supplies; and planning for vehicle-fleet management.
• Coalition forces’ advisor support to ANA logistic-system development. Specific issues were unity of effort among Coalition subordinate staffs; obtaining the required number of logistics advisors with the right experience and expertise; and planning for post-2014 continued contractor support.
• Coalition forces’ initial issue of sufficient spare parts to generate authorized stockage and prescribed load lists for major pieces of ANA equipment at the ANA Central Supply Depot and Regional Logistic Support Centers.

U.S. Department of State Office of Inspector General-Middle East Regional Operations
During this quarter, State OIG issued three reports related to Afghanistan reconstruction.

Audit of Bureau of Narcotics and Law Enforcement Affairs Counter-Narcotics Assistance to Afghanistan
A full description of this audit report can be found at http://oig.state.gov/reports/audit

(Report No. AUD-MERO-15-03, Issued November 30, 2014)
A full description of this audit report can be found at http://oig.state.gov/reports/audit

Audit of the Contract Closeout Process for Contracts Supporting the U.S. Mission in Afghanistan
(Report No. AUD-MERO-15-14, Issued November 30, 2014)
A full description of this audit report can be found at http://oig.state.gov/reports/audit

Government Accountability Office
During this quarter, GAO issued three reports related to Afghanistan reconstruction.
Defense Logistics: Greater Awareness of Recommendations and Improvements in Data Quality Needed to Resolve Container-Management Challenges

Since the early years of operations in Afghanistan and Iraq, DOD efforts to improve container management in the U.S. Central Command (CENTCOM) area of responsibility have included either updating existing or developing new container-management policy and guidance. However, the department cannot provide reasonable assurance that all recommendations addressing container management in the CENTCOM area of responsibility have been incorporated in DOD’s policy or guidance, as appropriate.

DOD officials incorporated some recommendations made by DOD audit agencies and other organizations aimed at improving container management into policy and guidance. For example, in August 2012 the commanders of CENTCOM and U.S. Transportation Command issued a joint memorandum outlining leadership’s responsibility for container management in the CENTCOM area of responsibility that was a direct result of a 2012 Joint Logistics Board report that recommended corrective actions to enhance senior leaders’ understanding of container management. However, DOD does not have a comprehensive list of the corrective actions that have been recommended over time. Without such a list, DOD cannot reasonably ensure that all of the recommendations have been incorporated into policy and guidance as appropriate. For example, of the 95 corrective actions that GAO identified from reports by DOD audit agencies and other organizations issued from 2003 through 2013, DOD officials could not provide information on steps taken to address 40 of the corrective actions.

Since 2012, DOD has taken steps to manage and reduce shipping-container detention fees incurred due to the untimely return of commercial carrier-owned shipping containers in Afghanistan, but its ability to manage and reduce these fees is limited by inaccurate and incomplete data. In August 2012, DOD established the requirement that within 15 days of a shipping container’s arrival: (1) receipt of the container was to be recorded by the unit in-theater, (2) the container was to be unloaded, and (3) the responsible carrier was to be notified that its container was available for pickup. DOD also developed a set of tracking metrics to monitor progress in meeting this requirement. However, incomplete and inaccurate data about the location and number of containers accruing detention fees hindered DOD’s ability to manage and reduce detention fees for containers in Afghanistan. For example, GAO analysis of DOD’s container-management system data and carrier delivery data for each month in 2013 showed that DOD had not recorded in the container-management system about 16% of the carrier-owned containers delivered and received in Afghanistan.

DOD has identified factors, or procedural weaknesses, that may contribute to incomplete and inaccurate data; however, it has not assessed the
extent to which these weaknesses have contributed to data inaccuracies, determined the root causes of these weaknesses, or developed a corrective-action plan for correcting them. Without an assessment of the root causes and a corrective-action plan, it will be difficult for DOD to have complete and accurate data, which could limit its ability to manage and reduce detention fees for containers in Afghanistan and in future contingency operations.

DOD uses DOD or commercial-carrier shipping containers to transport supplies worldwide. Container management has been a long-standing challenge. DOD has paid detention fees of about $823 million from 2003 through 2012 for retaining containers longer than allowed, primarily due to operations within CENTCOM, including Afghanistan, where fees continue to accrue. GAO was asked to review DOD’s efforts to address container-management challenges and the accumulation of detention fees.

This report assesses the extent to which (1) DOD policy and guidance incorporate recommendations addressing container-management challenges in CENTCOM’s area of responsibility, and (2) DOD has managed and reduced detention fees for containers in Afghanistan since 2012. GAO reviewed prior audit reports to identify container-management recommendations; analyzed data such as container type and ownership from 2010 through 2013; and interviewed DOD officials.

GAO recommends that DOD (1) develop a list of recommendations and incorporate them into policy and guidance and (2) identify root causes for procedural weaknesses that contribute to inaccurate, incomplete container data and develop and implement a corrective plan. DOD concurred with the first recommendation and partially concurred with the second because it partially disagreed to whom GAO directed the recommendation. GAO concurred and modified the recommendation.

Human Trafficking: Oversight of Contractors’ Use of Foreign Workers in High-Risk Environments Needs to Be Strengthened

Current policies and guidance governing the payment of recruitment fees by foreign workers on certain U.S. government contracts do not provide clear instructions to agencies or contractors regarding the components or amounts of permissible fees related to recruitment. GAO found that some foreign workers—individuals who are not citizens of the United States or the host country—had reported paying for their jobs. Such recruitment fees can lead to various abuses related to TIP, such as debt bondage. For example, on the contract employing the largest number of foreign workers in its sample, GAO found that more than 1,900 foreign workers reported paying fees for their jobs, including to recruitment agencies used by a subcontractor.

According to the subcontractor, these fees were likely paid to a recruiter who assisted foreign workers with transportation to and housing in Dubai.
before they were hired to work on the contract in Afghanistan. Some DOD contracting officials GAO interviewed said that such fees may be reasonable. DOD, State, and USAID have developed policy and guidance for certain contracts addressing recruitment fees in different ways. However, these agencies do not specify what components or amounts of recruitment fees are considered permissible, limiting the ability of contracting officers and contractors to implement agency policy and guidance.

GAO found that agency monitoring, called for by federal acquisition regulations and agency guidance, did not always include processes to specifically monitor contractor efforts to combat TIP. For seven of the 11 contracts in GAO’s sample, DOD and State had specific monitoring processes to combat TIP. On the four remaining contracts, agencies did not specifically monitor for TIP, but rather focused on contractor-provided goods and services, such as building construction. In addition, some DOD and State contracting officials said they were unaware of relevant acquisitions policy and guidance for combating TIP and did not clearly understand their monitoring responsibilities.

Both DOD and State have developed additional training to help make contracting officials more aware of their monitoring responsibilities to combat TIP. Without specific efforts to monitor for TIP, agencies’ ability to implement the zero-tolerance policy and detect concerns about TIP is limited.

Since the 1990s, there have been allegations of abuse of foreign workers on U.S. government contracts overseas, including allegations of TIP. In 2002, the United States adopted a zero-tolerance policy on TIP regarding U.S. government employees and contractors abroad and in 2007 began requiring the inclusion of this policy in all contracts. Such policy is important because the government relies on contractors that employ foreign workers in countries where, according to State, they may be vulnerable to abuse.

GAO was mandated to report on the use of foreign workers. This report examines (1) policies and guidance governing the recruitment of foreign workers and the fees these workers may pay to secure work on U.S. government contracts overseas and (2) agencies’ monitoring of contractor efforts to combat TIP. GAO reviewed a nongeneralizable sample of 11 contracts awarded by DOD, State, and USAID, comprising nearly one-third of all reported foreign workers on contracts awarded by these agencies at the end of fiscal year (FY) 2013. GAO interviewed agency officials and contractors about labor practices and oversight activities on these contracts.

GAO recommends that agencies (1) develop a more precise definition of recruitment fees and (2) ensure that contract monitoring specifically includes TIP. DOD concurred with the first recommendation, while State and USAID noted that forthcoming regulations would prohibit all recruitment fees. Agencies concurred with the second recommendation.
Overseas Military Construction: Observations on U.S. Contractor Preference
(Report No. GAO-15-45, Issued November 18, 2014)

GAO found that DOD did not apply the U.S. contractor preference in accordance with the current statute from October 2010 through May 2014. The FY 2014 Consolidated Appropriations Act directs that military construction contracts valued over $1 million and located in countries bordering the Arabian Sea, U.S. territories in the Pacific, and the Kwajalein Atoll, be awarded to a U.S. contractor unless their price is 20% higher than the price from a competing non-U.S. contractor with an equally responsive and responsible bid. However, DOD incorrectly applied the preference to countries bordering the Arabian Gulf, which is geographically distinct from the Arabian Sea.

DOD officials were unaware the statute changed the preference from “Arabian Gulf” to “Arabian Sea” in 2002 and therefore had not updated DOD’s acquisition guidance. DOD’s application, however, included the geographic area in which the majority of military construction in the Arabian Sea and Arabian Gulf locations took place from October 2010 through May 2014. GAO also found that due to other factors that are also considered, such as a contractor’s experience, the preference potentially affected only two of the 35 award decisions for military construction contracts since FY 2011. DOD updated its guidance during GAO’s review, but it could become outdated again if a congressional bill becomes effective, as the bill would change the locations subject to the preference in FY 2015.

GAO also found that DOD and State Department officials identified potential benefits and problems with expanding the statute to include all of the countries within the CENTCOM area of responsibility. For example, according to the officials, one potential benefit of contracting with U.S. firms would be greater familiarity with U.S. contracting and construction procedures. However, these officials also told GAO the 20 countries in the CENTCOM area vary widely in their local capacities, economies, and strategic concerns. Therefore, an expansion may run counter to specific U.S. policy goals in certain locations.

Since the 1980s, Congress has mandated a preference for U.S. contractors for military construction contracts in certain overseas countries. In the Joint Explanatory Statement of the Consolidated Appropriations Act for FY 2014, Congress mandated that GAO examine the potential benefits and problems of expanding this preference to the countries that make up the CENTCOM area of responsibility.

This report (1) examines the extent to which DOD has awarded military construction projects in accordance with the U.S. contractor preference and (2) describes DOD and State Department officials’ views on the potential benefits and problems with expanding the U.S. contractor preference to include all countries within CENTCOM.
To examine the extent to which DOD awarded contracts in accordance with the U.S. contractor preference, GAO analyzed information concerning the contracts awarded from October 2010 to May 2014 subject to the preference to determine whether DOD applied the preference and whether the preference affected the contract award. To identify the potential benefits and problems with expanding the preference, GAO interviewed officials with knowledge of this issue.

GAO is not making recommendations in this report. DOD and State Department reviewed the draft of the report but did not provide any comments.

**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 one audit related to reconstruction activities.

**Review of USAID/Afghanistan’s Financial Management Controls for Government-to-Government Assistance**

*Review Objective:*
Are financial management controls associated with USAID/Afghanistan’s government to government assistance designed and operating effectively?

OIG concluded that USAID/Afghanistan had improved its implementation of financial management controls over time; however, some weaknesses in design and effectiveness persisted. These issues related to financial audits that were not performed, an ineffective control that was intended to mitigate risks in the Afghan procurement system, poorly defined expectations of the Afghan Government, some accounting transactions were recorded late, and mission staff who were unclear of their responsibilities.

The report included nine recommendations to address these issues.
OTHER AGENCY OVERSIGHT

ONGOING OVERSIGHT ACTIVITIES
As of December 31, 2014, the participating agencies reported 19 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**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
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<tr>
<td>DOD OIG</td>
<td>D2015-D000FL-0026.000</td>
<td>10/24/2014</td>
<td>Examination of DOD Execution of Afghanistan National Army Trust Fund Donations to the Afghanistan Security Forces Fund</td>
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<tr>
<td>DOD OIG</td>
<td>D2014-D000JB-0213.000</td>
<td>8/14/2014</td>
<td>Audit of the Government of Islamic Republic of Afghanistan’s Controls Over Contracting</td>
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<tr>
<td>DOD OIG</td>
<td>D2014-D000RE-0141.000</td>
<td>4/7/2014</td>
<td>Summary Report on Military Construction Projects in Afghanistan and Iraq</td>
</tr>
<tr>
<td>DOD OIG</td>
<td>D2014-D005PO-0129.000</td>
<td>3/6/2014</td>
<td>Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment of the Afghan National Police</td>
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<td>DOD OIG</td>
<td>D2013-D005PO-0181.000</td>
<td>6/13/2013</td>
<td>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</td>
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<td>DOS OIG</td>
<td>14AUD034</td>
<td>2/11/2014</td>
<td>Audit of Department of State Selection, Positioning, Training, and Oversight Responsibilities of Grants Officer Representatives</td>
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<td>GAO</td>
<td>351991</td>
<td>11/21/2014</td>
<td>Military Construction in a Contingency Environment</td>
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<tr>
<td>GAO</td>
<td>121248</td>
<td>9/17/2014</td>
<td>Items Privately Developed for Use by the Department of Defense</td>
</tr>
<tr>
<td>GAO</td>
<td>321034</td>
<td>7/23/2014</td>
<td>Construction Efforts at the U.S. Embassy in Kabul Part II</td>
</tr>
<tr>
<td>GAO</td>
<td>351951</td>
<td>7/16/2014</td>
<td>Army and Marine’s Extended Equipment Reset Liability Costs and Requirements</td>
</tr>
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<td>GAO</td>
<td>351952</td>
<td>7/16/2014</td>
<td>Efforts to Protect Sites, Bases, and Convoys in Afghanistan and Any Effects on Mission</td>
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<td>GAO</td>
<td>321031</td>
<td>7/9/2014</td>
<td>Securing Diplomatic Residences and Other Soft Targets Overseas</td>
</tr>
<tr>
<td>GAO</td>
<td>121228</td>
<td>6/25/2014</td>
<td>Justification of Pass Through Contracts</td>
</tr>
<tr>
<td>GAO</td>
<td>351917</td>
<td>4/11/2014</td>
<td>Systems Used to Track Contractors in Contingency Operations</td>
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<td>GAO</td>
<td>100003</td>
<td>2/13/2014</td>
<td>Mitigating Threats to Locally Employed Staff</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>FF101014</td>
<td>8/26/2014</td>
<td>Audit of USAID/Afghanistan’s Strategy for Monitoring and Evaluating Its Programs Throughout Afghanistan</td>
</tr>
</tbody>
</table>


U.S. Department of Defense Office of Inspector General

The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). DOD OIG has identified priorities based on those challenges and high-risks. For FY 2015, DOD OIG oversight focuses on the areas of monitoring and oversight of acquisition and contracting processes that support training, equipping, and sustaining Afghanistan Security Forces. DOD OIG will also continue to review and assess the Department’s efforts to train and equip the ANSF.
DOD OIG led the Southwest Asia Joint Planning Group, which assists in coordinating and deconflicting federal and DOD OCO related oversight activities. DOD OIG, working with the SIGAR as well as fellow Inspectors General and Defense oversight-community members, have finalized the FY 2015 strategic oversight plan for the oversight community working in Afghanistan and issued the FY 2015 Comprehensive Oversight Plan for Southwest Asia in October 2014. A key theme in the FY 2015 plan development is the force restructuring/drawdown of operations in Afghanistan.

DOD OIG’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.

Contingency Contracting: A Framework for Reform-2015 Update
(Project No. D2015-D000AU-0099.000, Initiated December 9, 2014)
DOD OIG is providing DOD field commanders and contract managers with information on contracting issues related to contingency operations that the DOD Inspector General identified and reported on from April 1, 2012, through December 31, 2014. DOD OIG will issue a summary report for information and use.

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 OIG is to determine whether the Deputy Comptroller fairly presented the receipts and expenditures from the NATO ANA Trust Fund contributions. In addition, DOD OIG will review internal controls over financial reporting and compliance with laws and regulations as it relates to DOD OIG’s engagement objective. DOD OIG’s responsibility is to express an opinion based on its examination.

Audit of Government of Islamic Republic of Afghanistan’s Internal Controls for Asset Accountability
(Project No. D2014-D000JB-0219.000, Initiated September 4, 2014)
The DOD OIG is conducting this audit in response to a statutory requirement. DOD OIG is determining whether the Combined Security Transition Command-Afghanistan (CSTC-A) and the GIROA Ministries of Defense and
Interior have controls in place to effectively manage asset accountability for vehicles and buildings. Specifically, DOD OIG will evaluate the adequacy of the policies and procedures for verifying the existence of the donated assets, forecasting of maintenance and replacement operations requirements, and identifying requirements for asset replenishment.

**Audit of the Government of Islamic Republic of Afghanistan’s Controls Over Contracting**
The DOD OIG is conducting this audit in response to a statutory requirement. DOD OIG is determining whether CSTC-A and the GIROA Ministries of Defense and Interior have established effective controls over contract-management processes.

(Project No. D2014-D00SPO-0129.001, Initiated July 2, 2014).
For this Command requested follow-on review, the DOD OIG is assessing the sufficiency of Afghan National Security Forces policies and procedures for the management and accountability of fuel (Class III Bulk) and conventional military ammunition and explosives (Class V). Specifically DOD OIG will review:
- the ISAF Security Assistance Office relationship with the Ministries of Defense and Interior regarding regulations and procedures for the procurement, receipt, accountability, and consumption of ammunition and fuel
- ANSF compliance with published accountability procedures and internal controls for ammunition, explosives, and fuel at national and regional commands
- ANSF ammunition, explosives, and fuel distribution and accountability systems for significant gaps and vulnerabilities
- ANSF storage facilities for ammunition, explosives, and fuel for security gaps and vulnerabilities

**Summary Report on Military Construction Projects in Afghanistan and Iraq**
(Project No. D000RE-041.000, Initiated April 7, 2014)
DOD OIG is summarizing systematic problems specific to military construction projects in Afghanistan and Iraq identified in audit reports issued by the DOD Office of Inspector General, Army Audit Agency, and Air Force Audit Agency.
Assessment of U.S. and Coalition Efforts to Develop the Logistics and Maintenance Sustainment of the Afghan National Police
(Project No. D2014-D00SPO-0129.000, Initiated March 6, 2014)
DOD OIG is assessing the planning and execution of ANP logistics, supply, and maintenance systems developed and implemented by U.S. and Coalition forces in Afghanistan. Specifically, DOD OIG plans to evaluate:
- whether U.S. and Coalition goals, objectives, plans, guidance, and resources are sufficient to effectively develop, manage, and transition logistics, supply, and maintenance systems to the ANP in 2014
- U.S. and Coalition plans to transition ANP logistics and maintenance processes to Afghan lead and to mitigate the impact of delays in supply transition
- whether U.S. and Coalition plans and resources will effectively support ANP logistics, supply, and maintenance systems sustainment and continued development beyond 2014

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-D00SPO-0181.000, Initiated June 13, 2013)
DOD OIG 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 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 nine ongoing projects this quarter related to Afghanistan reconstruction.

**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 the military construction in a contingency environment that may come to light during the course of the audit.

**Items Privately Developed for Use by the Department of Defense**
(Project No. 121248, Initiated September 17, 2014)
The FY 2011 National Defense Authorization Act authorized a pilot program under which DOD could acquire items developed by nontraditional defense contractors using streamlined acquisition processes. DOD was to implement the program and annually submit a report to the Congress with information on each contract awarded under the pilot program. Key questions: (1) How has the pilot program been implemented by DOD? (2) To what extent has the pilot program enabled DOD to acquire items that would not otherwise be available to the department? (3) To what extent has the pilot program assisted DOD in meeting urgent operational needs? (4) How has DOD ensured that items acquired under the pilot program have fair and reasonable prices?
Construction Efforts at the U.S. Embassy in Kabul Part II
((Project No. 321034, initiated July 23, 2014)
Since 2009 the State Department has awarded two contracts totaling about $700 million to construct additional housing and office facilities at the U.S. embassy in Kabul, Afghanistan. State has since terminated the first contract and expanded the scope, value, and timing of the second. Key questions: (1) What progress has State made in constructing new U.S. embassy facilities in Kabul since 2009, and what factors have contributed to any scope, cost, or schedule changes? (2) To what extent does the present expansion match projected needs?

Army and Marine’s Extended Equipment Reset Liability Costs and Requirements
(Project No. 351951, Initiated July 23, 2014)
As equipment is returned from Afghanistan, the Army and Marine Corps are facing a multiyear and multibillion dollar effort to return this equipment to combat-ready condition, known as reset. Congressional defense committees are concerned about how much this will cost—the reset liability—and asked GAO to investigate and report. Objectives: (1) The extent to which the Army and Marine Corps are using a consistent definition of reset in estimating their reset liabilities. (2) The types and costs included in the Army and Marine Corps reset liability estimates. (3) An analysis of any assumptions used in developing the Army and Marine Corps estimates, to include the planned sources of funding. (4) Any other issues GAO determines appropriate.

Efforts to Protect Sites, Bases, and Convoys in Afghanistan and Any Effects on Mission
(Project No. 351952, Initiated July 16, 2014)
In Afghanistan, convoy security for DOD logistics contractors, perimeter security at certain DOD bases, and site security for USAID implementing partners was provided by the Afghan Public Protection Force (APPF), a state-owned enterprise of the Afghan government. In February 2014, the Afghan government decided that the APPF would be disbanded. Key questions: To what extent, if any: (1) is the decision to disband the APPF affecting DOD drawdown? (2) is DOD utilizing the APPF for the protection of personnel?

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?

**Justification of Pass Through Contracts**  
(Project No. 121228, initiated June 25, 2014)  
The Federal Acquisition Regulation requires prime contractors to notify the government if they intend to subcontract more than 70% of the total cost of work in their proposals and explain the added value they provide in its proposed contracting arrangement. Section 802 of the National Defense Authorization Act for FY 2013 directed DOD, State, and USAID to issue policies requiring contracting officers to consider alternative contracting arrangements when notified of such levels of subcontracting and document the basis for their decision. Question: To what extent have these agencies implemented required policy changes?

**Systems Used to Track Contractors in Contingency Environments**  
(Project No. 351917, Initiated April 11, 2014)  
In FY 2013, Congress mandated DOD, State Department, and USAID to issue guidance about data collection on contract support for future contingencies involving combat operations outside of the U.S. Key questions: (1) What systems, if any, do the agencies use to manage contractors and the resources needed to sustain each system? (2) To what extent are systems interoperable, use compatible data standards, and meet legislative requirements? (3) To what extent do the systems provide personnel in contingency areas the necessary data to manage contractors? (4) What steps, if any, are the agencies taking to ensure that these systems maximize their ability to manage contractors?

**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 one ongoing audit related to reconstruction initiatives.

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?
APPENDICES AND ENDNOTES CONTENTS

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The Official Seal of SIGAR:
The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal’s center is in Dari and means “SIGAR.” The phrase along the bottom side of the seal’s center is in Pashtu and has the same meaning.
APPENDICES AND ENDNOTES
## 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. 110-181, § 1229 (Table A.1).

**Table A.1**

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
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<tr>
<td><strong>Purpose</strong></td>
<td></td>
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<tr>
<td>Section 1229(a)(3)</td>
<td>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.</td>
<td>Ongoing; quarterly report</td>
<td>Full report</td>
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<td><strong>Supervision</strong></td>
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<tr>
<td>Section 1229(e)(1)</td>
<td>The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense</td>
<td>Report to the Secretary of State and the Secretary of Defense</td>
<td>Full report</td>
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<td><strong>Duties</strong></td>
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<tr>
<td>Section 1229(f)(1)</td>
<td>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.</td>
<td>Review appropriated/available funds</td>
<td>Full report</td>
</tr>
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</tr>
<tr>
<td>Section 1229(f)(1)(A)</td>
<td>The oversight and accounting of the obligation and expenditure of such funds</td>
<td>Review obligations and expenditures of appropriated/available funds</td>
<td>SIGAR Oversight Funding</td>
</tr>
<tr>
<td>Section 1229(f)(1)(B)</td>
<td>The monitoring and review of reconstruction activities funded by such funds</td>
<td>Review reconstruction activities funded by appropriations and donations</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td>Section 1229(f)(1)(C)</td>
<td>The monitoring and review of contracts funded by such funds</td>
<td>Review contracts using appropriated and available funds</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(f)(1)(D)</td>
<td>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</td>
<td>Review internal and external transfers of appropriated/available funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(f)(1)(E)</td>
<td>The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund(s)</td>
<td>Maintain audit records</td>
<td>SIGAR Oversight Appendix C Appendix D</td>
</tr>
</tbody>
</table>

*Continue on next page*
### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(f)(1)(F)</td>
<td>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</td>
<td>Monitoring and review as described</td>
<td>Audits</td>
</tr>
<tr>
<td>Section 1229(f)(1)(G)</td>
<td>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.</td>
<td>Conduct and reporting of investigations as described</td>
<td>Investigations</td>
</tr>
<tr>
<td>Section 1229(f)(2)</td>
<td>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)</td>
<td>Establish, maintain, and oversee systems, procedures, and controls</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>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</td>
<td>Duties as specified in Inspector General Act</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>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</td>
<td>Coordination with the inspectors general of DOD, DOS, and USAID</td>
<td>Other Agency Oversight</td>
</tr>
</tbody>
</table>

**Federal Support and Other Resources**

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(h)(5)(A)</td>
<td>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</td>
<td>Expect support as requested</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(h)(5)(B)</td>
<td>REPORTING OF REFUSED ASSISTANCE – Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonable 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.</td>
<td>None reported</td>
<td>N/A</td>
</tr>
</tbody>
</table>

**Reports**

*Continue on next page*
### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(i)(1)</td>
<td>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 such 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 —</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>Full report Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(B)</td>
<td>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</td>
<td>Project-by-project and program-by-program accounting of costs; List unexpended funds for each project or program</td>
<td>Funding Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(1)(C)</td>
<td>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</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(D)</td>
<td>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</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Funding Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(F)</td>
<td>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</td>
<td>Describe contract details</td>
<td>Note 1</td>
</tr>
</tbody>
</table>

*Note: Continues on next page*
### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
</thead>
</table>
| 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(i)(1) | Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense. | Submit quarterly report | Full report |

Note 1: Although this data is normally made available on SIGAR’s website (www.sigar.mil), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for all future SIGAR purposes.

* Covered “contracts, grants, agreements, and funding mechanisms” are defined in paragraph (2) of Section 1229(i) of Pub. L. 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 December 31, 2014. Table B.2 lists fund appropriated for counternarcotics initiatives since 2002.

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 appropriated 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. ASF, ESF, and INCLE figures show the cumulative amounts appropriated for counternarcotics initiatives from those funds.

Table B.2 Source: SIGAR analysis of counternarcotics funding. State, INL, response to SIGAR data call, 1/15/2015; DOD, response to SIGAR data calls, 1/12/2015 and 10/15/2014; USAID, response to SIGAR data call, 1/12/2015; DOJ, response to SIGAR data call, 1/8/2015.

Table B.1 Note: Numbers have been rounded. DOD reprogrammed $1 billion from FY 2011 ASFF. DOD reprogrammed $1 billion from FY 2012 ASF, DOD reprogrammed $178 million from FY 2013 ASF. Pub. L. 113:6 rescinded $1 billion from FY 2011 ASFF. DOD reprogrammed $1 billion from FY 2012 ASFF. Government Accountability Office (GAO) report, 1/17/2015; Pub. L. Nos. 113:6, 10/9/2014; DOJ, response to SIGAR data calls, 1/8/2015.


U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION ($ MILLIONS)

<table>
<thead>
<tr>
<th>TABLE B.2</th>
<th>COUNTERNARCOTICS, CUMULATIVE AMOUNT APPROPRIATED, SINCE 2002 ($ MILLIONS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
<td>1,364.61</td>
</tr>
<tr>
<td>DOD CN</td>
<td>2,834.53</td>
</tr>
<tr>
<td>ESF</td>
<td>1,493.04</td>
</tr>
<tr>
<td>INCLE</td>
<td>2,092.35</td>
</tr>
<tr>
<td>DEA</td>
<td>221.69</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8,006.23</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TABLE B.1</th>
<th>U.S. FUNDS SOURCES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Security</strong></td>
<td></td>
</tr>
<tr>
<td>Afghanistan Security Forces Fund (ASFF)</td>
<td>DOD</td>
</tr>
<tr>
<td>Train &amp; Equip (DoD)</td>
<td>DOD</td>
</tr>
<tr>
<td>Foreign Military Financing (FMF)</td>
<td>State</td>
</tr>
<tr>
<td>International Military Education and Training (IMET)</td>
<td>State</td>
</tr>
<tr>
<td>Drug Interdiction &amp; Counter-Drug Activities (DoD CN)</td>
<td>DOD</td>
</tr>
<tr>
<td><strong>Total - Security</strong></td>
<td><strong>65,018.89</strong></td>
</tr>
</tbody>
</table>

| **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 | 814.92 | 0.00 |
| Economic Support Fund (ESF) | USAID | 17,712.12 | 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 | 554.55 | 57.20 |
| Commodity Credit Corp (CCC) | USAID | 31.65 | 8.80 |
| USAID (other) | USAID | 51.22 | 0.50 |
| Non-Proliferation, Antiterrorism, Demining & Related (NADR) | State | 649.49 | 78.70 |
| Provincial Reconstruction Team Advisors | USAID | 5.70 | 0.00 |
| Treasury Technical Assistance | Treasury | 4.45 | 1.90 |
| International Narcotics Control & Law Enforcement (INCLE) | State | 4,441.68 | 60.00 |
| Drug Enforcement Administration (DEA) | DOJ | 221.69 | 3.45 |
| **Total - Governance & Development** | **30,645.52** | **912.91** |

| **Humanitarian** |
| PL. 480 Title I | USAID | 5.00 | 5.00 |
| PL. 480 Title II | USAID | 949.89 | 159.50 |
| Disaster Assistance (IDA) | USAID | 544.26 | 282.61 |
| Transition Initiatives (TI) | USAID | 33.44 | 19.76 |
| Migration & Refugee Assistance (MRA) | State | 952.66 | 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 | USAID | 22.40 | 0.00 |
| **Total - Humanitarian** | **2,857.33** | **797.50** |

| **International Affairs Operations** |
| Oversight | 350.95 | 0.00 |
| Other | 8,611.79 | 190.90 |
| **Total - International Affairs Operations** | **8,962.74** | **190.90** |

| **Total Funding** | **107,484.48** | **2,150.14** |
APPENDICES

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>0.00</td>
<td>1,908.13</td>
<td>7,406.40</td>
<td>2,750.00</td>
<td>5,606.94</td>
<td>9,166.77</td>
<td>10,619.28</td>
<td>9,200.00</td>
<td>4,946.20</td>
<td>3,962.34</td>
<td>4,109.33</td>
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<tr>
<td>150.00</td>
<td>290.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
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<td>414.08</td>
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<td>0.00</td>
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<td>1.66</td>
<td>1.40</td>
<td>1.76</td>
<td>1.56</td>
<td>1.18</td>
<td>1.42</td>
<td>1.50</td>
<td>0.00</td>
</tr>
<tr>
<td>71.80</td>
<td>224.54</td>
<td>108.05</td>
<td>290.97</td>
<td>192.81</td>
<td>230.06</td>
<td>392.27</td>
<td>379.83</td>
<td>472.99</td>
<td>255.81</td>
<td>105.31</td>
<td>110.10</td>
</tr>
</tbody>
</table>

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  4,069.15  4,219.43

| Oversight | 350.95 | 0.00  |        |        |        |        |        |        |        |        |        |
| U.S. FUNDING SOURCES AGENCY TOTAL FY 2002–03 |
| Afghanistan Security Forces Fund (aSFF) DoD | 60,670.40 | 0.00  |
| Other | 8,611.79 | 190.90 |
| Emerson Trust USDA | 22.40 | 0.00  |
| Food for education USDA | 50.49 | 9.27  |
| Emergency Refugee & Migration assistance (eRMa) State | 25.20 | 25.00 |
| Disaster assistance (IDA) USAID | 544.26 | 282.61 |
| International Narcotics Control & Law enforcement (INCLe) State | 4,441.68 | 60.00 |
| USAID (Other) USAID | 51.22 | 0.50  |
| Child Survival & Health (CSH + GHAI) USAID | 554.55 | 57.20 |
| Development assistance (DA) USAID | 885.55 | 60.84 |
| Task Force for Business and Stability Operations (TFBSO) DoD | 814.92 | 0.00  |
| Drug Interdiction & Counter-drug activities (DoD Cn) DoD | 2,834.53 | 0.00  |
| International Military Education and Training (iMET) State | 14.82 | 0.56  |

*Final FY 2015 appropriation amounts for State and USAID accounts were still being determined when this report went to press.*
**APPENDICIES**

**APPENDIX C**

**SIGAR WRITTEN PRODUCTS**

**SIGAR AUDITS**

**Audit Alert Letter**

SIGAR issued one audit alert letter this reporting period.

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Audit Alert Letter 15-15-AL</td>
<td>TFBS0 Pipeline Assessment</td>
<td>12/2014</td>
</tr>
</tbody>
</table>

**Completed Performance Audits**

SIGAR completed three performance audits during this reporting period.

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Audit 15-29-AR</td>
<td>Department of Defense: More than 75% of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented</td>
<td>1/2015</td>
</tr>
<tr>
<td>SIGAR Audit 15-24-AR</td>
<td>Afghan Women: Comprehensive Assessments Needed to Determine and Measure DOD, State, and USAID Progress</td>
<td>12/2014</td>
</tr>
</tbody>
</table>

**New Performance Audits**

SIGAR initiated four performance audits during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 104A</td>
<td>U.S. Efforts to Assist and Improve Afghanistan’s Primary and Secondary Education Systems</td>
<td>12/2014</td>
</tr>
<tr>
<td>SIGAR 103A</td>
<td>USAID Measuring Impacts of Stabilization Initiatives Program</td>
<td>11/2014</td>
</tr>
<tr>
<td>SIGAR 102A</td>
<td>Afghanistan Infrastructure Fund Follow-Up</td>
<td>11/2014</td>
</tr>
<tr>
<td>SIGAR 101A</td>
<td>Afghanistan Technical Equipment Maintenance Program (A-TEMP) for ANA Vehicle Maintenance and Capacity Building</td>
<td>10/2014</td>
</tr>
</tbody>
</table>
Ongoing Performance Audits
SIGAR had nine audits in progress during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 100A</td>
<td>DOD Oversight of Infrastructure Projects Transferred to the Afghan Government</td>
<td>8/2014</td>
</tr>
<tr>
<td>SIGAR 099A</td>
<td>U.S. Efforts to Develop Afghanistan’s Civil Aviation Capabilities</td>
<td>7/2014</td>
</tr>
<tr>
<td>SIGAR 098A</td>
<td>DOD’s Afghan Local Police Program</td>
<td>7/2014</td>
</tr>
<tr>
<td>SIGAR 097A</td>
<td>U.S. Efforts to Develop Afghanistan’s Extractives Industry</td>
<td>2/2014</td>
</tr>
<tr>
<td>SIGAR 096A</td>
<td>U.S. Efforts to Assist Afghan Refugees and Internally Displaced Persons</td>
<td>2/2014</td>
</tr>
<tr>
<td>SIGAR 095A</td>
<td>U.S. Efforts to Develop Afghanistan’s Rule of Law</td>
<td>2/2014</td>
</tr>
<tr>
<td>SIGAR 090A</td>
<td>Audit of ANA National Engineer Brigade’s Engineering Equipment</td>
<td>11/2013</td>
</tr>
<tr>
<td>SIGAR 088A</td>
<td>U.S. Government Efforts to Assist in Reconstruction and Commercialization of Afghanistan’s Information and Communication Technology Sector</td>
<td>11/2013</td>
</tr>
<tr>
<td>SIGAR 079B</td>
<td>Reliability of Afghan National Security Forces Data</td>
<td>2/2013</td>
</tr>
</tbody>
</table>

Completed Financial Audits
SIGAR completed six financial audits during this reporting period.

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR Financial Audit 15-22-FA</td>
<td>Department of State’s Afghanistan Justice Sector Support Program: Audit of Costs Incurred by Pacific Architects and Engineers, Inc.</td>
<td>12/2014</td>
</tr>
<tr>
<td>SIGAR Financial Audit 15-19-FA</td>
<td>Department of State’s Afghan TV Content Production Manager Project and Nationwide Adult Literacy and Education Program: Audit of Costs Incurred by Cetena Group</td>
<td>11/2014</td>
</tr>
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</table>

New Financial Audits
SIGAR initiated two financial audits during this reporting period.

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-066</td>
<td>DOD TFBSO Contract with Zantech IT Services, Inc for Energy Support Services</td>
<td>11/2014</td>
</tr>
</tbody>
</table>
# Ongoing Financial Audits

SIGAR had 28 financial audits in progress during this reporting period.

## Ongoing SIGAR Financial Audits as of January 30, 2015

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>F-065</td>
<td>USDA Cooperative Agreement with the American Soybean Association for the Provision of Agricultural Commodities for Afghanistan through the Food for Progress Act</td>
<td>8/2014</td>
</tr>
<tr>
<td>F-064</td>
<td>DOD Contract with Raytheon Technical Services Company LLC for ANA depot support</td>
<td>4/2014</td>
</tr>
<tr>
<td>F-063</td>
<td>DOD Contract with DRS Technical Services, Inc. for ANA Communications equipment service mentoring, systems engineering, technical assistance, training, and maintenance</td>
<td>4/2014</td>
</tr>
<tr>
<td>F-062</td>
<td>DOD Contract with Engility Corporation (L-3 MPR) for support services to the MOI and ANP</td>
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<tr>
<td>F-061</td>
<td>DOD Contract with Dyncorp International LLC for mentoring and training services in support of the ANSF</td>
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<tr>
<td>F-060</td>
<td>State contract with PAE Government Services Incorporated for technical support to the Justice Sector Support Program (JSSP)</td>
<td>3/2014</td>
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<td>F-059</td>
<td>State Grants with Global Rights for increasing access to justice for family law clients and strengthening the capacity of civil society/young lawyers to protect human rights in Afghanistan</td>
<td>3/2014</td>
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<tr>
<td>F-058</td>
<td>State Grants with Women for Afghan Women for technical support for the promotion and protection of Afghan women’s rights</td>
<td>3/2014</td>
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<td>F-057</td>
<td>State Grants with Clear Path International (CPI) for technical support to the Integrated Victim Assistance and Capacity Building Program</td>
<td>3/2014</td>
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<td>F-056</td>
<td>State Grants with Organization for Mine Clearance and Afghan Rehabilitation (OMAR) for mine and unexploded ordnance clearance</td>
<td>3/2014</td>
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<td>F-055</td>
<td>USAID Task Order with Management Systems International, Inc (MSI) for technical support to the Measuring Impact of Stabilization Initiative (MISTI)</td>
<td>3/2014</td>
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<tr>
<td>F-054</td>
<td>USAID Cooperative Agreement with University of Massachusetts for technical support to the Higher Education Project (HEP) in Afghanistan</td>
<td>3/2014</td>
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<tr>
<td>F-053</td>
<td>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</td>
<td>3/2014</td>
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<tr>
<td>F-052</td>
<td>USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIRA)-West</td>
<td>3/2014</td>
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<tr>
<td>F-051</td>
<td>USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIRA)-East</td>
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<tr>
<td>F-050</td>
<td>USAID Contract with Tetra Tech for technical support to the Rule of Law Stabilization–Formal Component</td>
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<tr>
<td>F-049</td>
<td>USAID Contract with International Relief and Development, Inc. (IRD) for Engineering, Quality Assurance and Logistical Support (EQUALS)</td>
<td>3/2014</td>
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</table>

*Continued on the next page*
Appendices

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

USAID Cooperative Agreement with Democracy International for technical support for Electoral Reform and Civic Advocacy (AERCA) 3/2014

USAID Contract with AECOM International Development Inc. for technical support to Stabilization in Key Areas (SIKA)-South 3/2014

USAID Cooperative Agreement with Consortium For Elections and Political Process (CEPPS) to support increased electoral participation in Afghanistan 3/2014

USAID Cooperative Agreement with Internews Network for support to the Afghan Media Development and Empowerment Project (AMDEP) 3/2014

USAID Contract with Tetra Tech to support Land Reform in Afghanistan 3/2014

USAID Cooperative Agreement with International Relief and Development, Inc. for technical support to the Afghanistan Civilian Assistance Program (ACAP II) 3/2014

USAID Cooperative Agreement with International Relief and Development, Inc. for technical support to the Southern Regional Agriculture Development Program (SRADF) 3/2014

DOD Contract with A-T Solutions for support to Freedom of Maneuver program 12/2013

DOD Contract with Jorge Scientific Corp for support to Legacy East program 12/2013

DOD Contract with CACI Technologies, Inc. for technical engineering, logistical engineering and fielding efforts 12/2013

Completed Inspections
SIGAR completed two inspections during this reporting period.

Completed SIGAR Inspections as of January 30, 2015

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<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
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<tr>
<td>SIGAR Inspection 15-27-IP</td>
<td>Afghan Special Police Training Center’s Dry Fire Range: Poor Contractor Performance and Poor Government Oversight Led to Project Failure</td>
<td>1/2015</td>
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<tr>
<td>SIGAR Inspection 15-25-IP</td>
<td>ANA Camp Commando Phase II: Power Plant and Fuel Point Not Fully Operational Nearly Two Years after Project Completion</td>
<td>1/2015</td>
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SIGAR SPECIAL PROJECTS

Completed Special Projects
SIGAR completed four Special Project products this reporting period.

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<th>Report Title</th>
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<tr>
<td>Special Project 15-23-SP</td>
<td>Task Force for Business and Stability Operations</td>
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<td>Special Project 15-21-SP</td>
<td>State Public Affairs Section Grants</td>
<td>11/2014</td>
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<td>Special Project 15-18-SP</td>
<td>Light Air Support Aircraft Program; Pilot Recruitment and Retention</td>
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<tr>
<td>Special Project 15-17-SP</td>
<td>Reply to USAID’s Response to SIGAR’s Questioned Costs Inquiry Letter</td>
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SIGAR LESSONS LEARNED PROJECTS

New Lessons Learned Projects
SIGAR initiated two Lessons Learned projects this reporting period.

<table>
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<th>Project Identifier</th>
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<td>SIGAR-LL-02</td>
<td>U.S. Coordination with External Partners in Administering Aid</td>
<td>12/2014</td>
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<tr>
<td>SIGAR-LL-01</td>
<td>Interagency Coordination on Strategy and Planning</td>
<td>12/2014</td>
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</table>
APPENDIX D

SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations
This quarter, SIGAR opened 38 new investigations and closed 34, bringing the total number of open investigations to 328. Of the new investigations, most involved procurement and contract fraud and money laundering, as shown in Figure D.1. Of the closed investigations, most were closed due to unfounded allegations, as shown in Figure D.2.

FIGURE D.2

SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2014

Source: SIGAR Investigations Directorate, 1/12/2015.

FIGURE D.1

NEW SIGAR INVESTIGATIONS, OCTOBER 1–DECEMBER 31, 2014

Source: SIGAR Investigations Directorate, 1/13/2015.
SIGAR Hotline

Of the 118 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 October 1, 2014. This quarter, the directorate processed 161 complaints, most of which were closed, as shown in Figure D.4.

Suspensions and Debarments From SIGAR Referrals

SIGAR’s referrals for suspension and debarment as of December 31, 2014, are shown in chronological order in Table D.1.
TABLE D.1 (CONTINUED)

<table>
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<th>SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2014 (CONTINUED)</th>
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<td>United States California Logistics Company</td>
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<td>Rahimi, Mohammad Edris</td>
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<td>Wooten, Philip Steven</td>
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<td>Domineck, Lavette Kaye</td>
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<td>All Points International Distributors, Inc.</td>
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<td>Hercules Global Logistics</td>
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<td>Schroeder, Robert</td>
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<td>AISC LLC</td>
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<td>American International Security Corporation</td>
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<td>David A Young Construction &amp; Renovation Inc.</td>
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<td>Force Direct Solutions LLC</td>
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<td>Harris, Christopher</td>
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<tr>
<td>Hernando County Holdings LLC</td>
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<tr>
<td>Hide-A-Wreck LLC</td>
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<td>Panthers LLC</td>
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<tr>
<td>Paper Mill Village Inc</td>
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<td>Shnoud Line LLC</td>
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<td>Spada, Carol</td>
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<tr>
<td>Taylor, Michael</td>
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<tr>
<td>Welventure LLC</td>
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<td>World Wide Trainers LLC</td>
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<td>Young, David</td>
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<td>Long, Tonya</td>
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<td>Brophy, Kenneth Michael</td>
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<td>Rivera-Medina, Franklin Delano</td>
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<td>Elham, Yaser, a.k.a. “Najibullah Saadullah”</td>
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<td>Everest Faiz Logistics Services</td>
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<td>Faizy Elham Brothers Ltd.</td>
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<td>Faizy, Rohullah</td>
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<tr>
<td>Hekmat Shadman General Trading LLC</td>
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<td>Hekmat Shadman, Ltd., d.b.a. “Hikmat Shadman Ltd.”</td>
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<td>Shams Group International, d.b.a. “Shams Group International FZE”</td>
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<td>Shams London Academy</td>
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<td>Mariano, April Anne Perez</td>
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<td>Mahmodi, Padres</td>
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<td>Saber, Mohammed</td>
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**TABLE D.1 (CONTINUED)**

**SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2014 (CONTINUED)**

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<td>Sarfarez, a.k.a.“Mr. Sarfarez”</td>
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### APPENDICES

**TABLE D.1 (CONTINUED)**

**SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2014 (CONTINUED)**

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<th>Debarments (continued)</th>
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<td>Super Solutions L.L.C.</td>
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<td>Kelly, Albert, III</td>
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<td>Mullahkhiel, Wadid Abdullahmatin</td>
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<td>Brown, Charles Phillip</td>
<td>Shroud Line LLC</td>
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<td>Sheren, Fasela, a.k.a. “Sheren Fasela”</td>
<td>Spada, Carol</td>
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<tr>
<td>Anderson, Jesse Montel</td>
<td>Welventure LLC</td>
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<tr>
<td>Charboneau, Stephanie, a.k.a. “Stephanie Shankel”</td>
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<td>Hightower, Jonathan</td>
<td>Young, David Andrew</td>
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<td>Woodruff and Company</td>
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<td>CLC Consulting L.L.C.</td>
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<td>Complete Manpower Solutions</td>
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<td>Lakeshore Engineering Services, Inc.</td>
<td>Lakeshore Engineering Services/Toltest JV LLC</td>
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### SUSPENSIONS AND DEBARMENTS AS OF DECEMBER 31, 2014 (CONTINUED)

**Debarments (continued)**

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<td>LakeshoreToltest METAG JV LLC</td>
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<td>Veterans Construction/Lakeshore JV LLC</td>
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<td>American Barriers</td>
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<td>LTCCORP Commercial LLC</td>
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<td>LTCCORP E&amp;C Inc.</td>
<td>Enayatullah, son of Hafizullah</td>
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<td>LTCCORP Government Services - OH Inc.</td>
<td>Farhas, Ahmad</td>
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<td>LTCCORP Government Services Inc.</td>
<td>Inland Holdings Inc.</td>
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<td>LTCCORP Government Services-MI Inc.</td>
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<td>Sandman Security Services</td>
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<td>LTCCORP/Kaya Dijbouti LLC</td>
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<td>LTCCORP/Kaya East Africa LLC</td>
<td>Specialty Bunkering</td>
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<td>LTCCORP/Kaya Romania LLC</td>
<td>Spidle, Chris Calvin</td>
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<td>LTCCORP/Kaya Rwanda LLC</td>
<td>Vulcan Amps Inc.</td>
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<td>LTCCORP Technology LLC</td>
<td>Worldwide Cargomasters</td>
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APPENDICE E

SIGAR DATA CALL QUESTIONS THAT RECEIVED CLASSIFIED OR OTHERWISE RESTRICTED RESPONSES

Every quarter, SIGAR sends U.S. implementing agencies in Afghanistan a list of questions about their programs. This quarter, Resolute Support Mission, the new NATO-led mission to train, advise and assist the Afghan National Security Forces, classified 31 of its responses to SIGAR’s data call. The questions SIGAR asked whose answers are now no longer releasable to the public are listed below. As authorized by its enabling statute, SIGAR will publish a classified annex containing the classified data.

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<th>SECURITY</th>
<th>Question ID</th>
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<tr>
<td>Jan-Sec-01</td>
<td>Please provide the following information on Afghan National Army (ANA) strength as of December 29, 2014:</td>
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<tr>
<td></td>
<td>a. the most recent three ANA Personnel Status (PERSTAT) reports</td>
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<td></td>
<td>b. total number of ANA personnel authorized, assigned, fielded, and present for duty (not including civilians); include figures for personnel assigned to tashkil positions, assigned to non-tashkil positions, in training, on leave, absent without leave (AWOL), sick, on temporary duty (TDY) or otherwise not available for service</td>
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<tr>
<td></td>
<td>c. numbers of ANA personnel authorized, assigned, in training, on leave, AWOL, sick, temporary duty (TDY), and present for duty within each ANA Corps, the 111th Capital Division, the Special Operations Forces (SOF), the Afghan Air Force (AAF), and Echelon Above Corps</td>
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<td></td>
<td>d. total number of officers, NCOs, and enlisted personnel within the ANA</td>
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<td></td>
<td>e. monthly attrition rates for the last 24 months for the entire ANA and by Corps, Division, and Brigade levels, sorting data by general categories such as killed in action (KIA), wounded, ill or disabled, left service, deserted, unaccounted for, etc.</td>
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<td></td>
<td>f. please provide a broad definition of the terms “unavailable” and “present for duty.” For example, please explain which of those categories include those personnel in training, AWOL, sick, or on leave.</td>
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<td></td>
<td>g. please provide a breakdown of ANA personnel in each subcategory of “unavailable.”</td>
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<td>Jan-Sec-02</td>
<td>Please provide the following information on ANA personnel sustainment:</td>
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<td>a. total amount of funding that the United States has expended on ANA personnel sustainment from ASFF by for the current year, including:</td>
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<td>b. total amount of funding that the United States has expended on ANA salaries from ASFF for the current year</td>
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<td>c. total amount of funding that the United States has expended on ANA incentives from ASFF for the current year</td>
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<td>d. total amount of funding that the United States has expended on ANA food from ASFF for the current year</td>
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<td>e. amount provided for salaries, incentives, and food between September 1 and December 29, 2014</td>
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<td>f. estimated annual ANA salary, food, and incentive costs going forward after the ANA reaches its authorized strength.</td>
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<td>Jan-Sec-03</td>
<td>Please provide information on U.S.-funded ANA training programs, including:</td>
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<td>a. the number of training programs currently ongoing (excluding literacy training) by type (e.g. basic training, officer training, NCO training, technical training, other types of training, etc.)</td>
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<td>c. total amount of U.S. funding obligated and expended for ANA training as of December 29, 2014.</td>
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<td>d. the three largest ANA training programs (excluding literacy training) by cost, including the type of training provided by each contract, the name of the contractor, and the duration, value, and terms of the contract (e.g. base year and any options).</td>
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## APPENDICES

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| Jan-Sec-06  | Please provide details on DOD-funded ANA infrastructure projects, including:  
  a. the cumulative number of projects completed to date and their total cost.  
  b. the number of projects awarded, active (ongoing), completed, de-scoped, transferred (please define), and terminated during the period of July 1 and December 29, 2014, and their cost.  
  c. details on the projects de-scoped or terminated whether terminated for convenience (TFCD) or terminated for default (TFD).  
  d. the three highest-cost awarded, ongoing, and completed contracts including costs and names of contractors during the period of July 1 and December 29, 2014.  
  e. the total number of projects that are planned (and their total cost) that remain to meet current ANA requirements and U.S. strategic goals for the ANA;  
  f. your estimate of the number of skilled Afghan staff needed to maintain and sustain ANA infrastructure.  
  g. estimated annual sustainment costs for all ANA infrastructure and of that total the estimated amount to be funded by the United States  
  h. the plan to transition facility sustainment and maintenance to the ANSF; total facilities, how many have been transferred, how many and the date of facilities to be transferred, and how many will not be transferred. |
| Jan-Sec-07  | Please provide details on U.S. efforts to equip the ANA using U.S. funds as of December 29, 2014, including:  
  a. total number and cost of weapons and weapons-related equipment procured and fielded to date  
  b. estimated number and cost of weapons and weapons-related equipment remaining to be procured and fielded to meet ANA requirements  
  c. total number and cost of vehicles and vehicle-related equipment procured and fielded to date  
  d. estimated number and cost of vehicles and vehicle-related equipment remaining to be procured and fielded to meet ANA requirements  
  e. total number and cost of pieces of communications and technical equipment procured and fielded to date  
  f. estimated number and cost of pieces of communications and technical equipment remaining to be procured and fielded to meet ANA requirements  
  g. total cost of ammunition procured and fielded to date; estimated cost of ammunition remaining to be procured and fielded to meet ANA requirements.  
  h. total number and cost of aircraft procured and fielded to date; estimated number and cost of aircraft remaining to be procured and fielded to meet ANA/AAF requirements  
  i. total cost of transportation services procured to date; estimated cost of transportation services to be procured to ship ANA/AAF requirements  
  j. total cost of all other DOD-funded equipment (e.g., clothing, personal gear, electronics, etc.) procured and fielded to date; estimated cost of all other equipment remaining to be procured and fielded to meet ANA needs. How is the costs for “all other” equipment determined?  
  k. the quantity and value of weapons, vehicles, communications, ammunition, aircraft, and other equipment purchased but not transferred to the ANA.  
  l. the quantity, value, and equipment type notified to Congress under the NDAA FY 2014 provision to treat ASFF-purchased equipment as DOD stocks. If any weapons, vehicles, communications, ammunition, aircraft, or other equipment was notified to Congress, the disposition of such items.  
  If any equipment cost categories significantly change; please explain the reason for the increase/decrease. |
| Jan-Sec-08  | Please provide the following information on women in the ANA:  
  a. total number of women assigned to ANA and ANSF  
  b. total number of female ANA/ASF personnel on leave, AWOL, sick, TDY, or otherwise not available for service  
  c. the number of female ANA/ASF personnel, including those on leave, AWOL, sick, TDY, present for duty within each ANP component:  
    - Afghan National Police (ANP)  
    - Afghanistan Border Police (ABP)  
    - Afghan National Civil Order Police (ANCOP)  
    - Counternarcotics Police of Afghanistan (CNPA)  
  d. total number of female officers, NCOs, and enlisted personnel within the ANP  
  e. monthly attrition rates for the last 24 months for the entire ANP and by ANP component  
  If any equipment cost categories significantly change; please explain the reason for the increase/decrease. |
| Jan-Sec-09  | Please provide the following information on ANP strength as of December 29, 2014:  
  a. the most recent three ANP PERSTAT reports  
  b. total number of ANP personnel authorized, assigned, fielded, and present for duty; include figures for personnel assigned to tashkhl positions, assigned to non-tashkhl positions, in training, on leave, AWOL, sick, TDY or otherwise not available for service  
  c. numbers of ANP personnel authorized, assigned, in training, on leave, AWOL, sick, TDY, and present for duty within each ANP component:  
    - Afghan Uniformed Police (AUP)  
    - Afghan Border Police (ABP)  
    - Afghan National Civil Order Police (ANCOP)  
    - Counternarcotics Police of Afghanistan (CNPA)  
  d. total number of officers, NCOs, and enlisted personnel within the ANP  
  e. monthly attrition rates for the last 24 months for the entire ANP and by ANP component  
  If any equipment cost categories significantly change; please explain the reason for the increase/decrease. |
| Jan-Sec-10  | Please provide the following information on U.S. support of ANP personnel sustainment and LOTFA contributions:  
  a. total amount of funding that the United States has expended on ANP personnel sustainment from ASFF for the current year, including:  
  b. total amount of funding that the United States has expended on ANP salaries from ASFF for the current year  
  c. total amount of funding that the United States has expended on ANP incentives from ASFF for the current year  
  d. total amount of funding that the United States has expended on ANP food from ASFF for the current year  
  e. amount of funding provided between August 1 and December 29, 2014  
  f. total amount of funding the United States has contributed to the LOTFA as of December 29, 2014  
  g. total amount of funding provided by the United States outside of the LOTFA for salaries and incentives. Last quarter funding for subject matter expert (SME) salaries was reported; who/what are the SMEs?  
  h. estimated annual ANP salary, food, and incentive costs going forward after the ANP reaches its authorized strength  
  i. please provide the most recent Personnel and Pay Report from Mol-Finance  
  If any equipment cost categories significantly change; please explain the reason for the increase/decrease. |

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APPENDICES

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<th>Question ID</th>
<th>Question</th>
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<tr>
<td>Jan-Sec-11</td>
<td>Please provide information on U.S.-funded ANP training programs, including: a. the cumulative number of projects completed to date and their total cost. b. the estimated number and cost of weapons and weapons-related equipment remaining to be procured and fielded to meet ANP requirements. c. the total number of projects completed to date and their total cost. d. the three largest ANP training programs (by cost), including the type of training provided by each contract, the name of the contractor, and the duration, value, and terms of the contract (e.g., base year and any options).</td>
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<td>Jan-Sec-12</td>
<td>What were the results of the AAF transition to Resolute Support (RSM), including ASFF-purchased equipment as of September 29, 2014?</td>
</tr>
<tr>
<td>Jan-Sec-14</td>
<td>Please provide details on U.S.-funded ANP infrastructure projects, including: a. the cumulative number of projects completed to date and their total cost. b. the number of projects awarded, active (ongoing), completed, de-scoped, transferred (please define), and terminated during the period of July 1 through December 29, 2014, and their cost. c. details on the projects de-scoped or terminated whether TFC or TF. d. the highest-cost awarded, ongoing, and completed contracts including costs and names of contractors during the period of July 1 through December 29, 2014. e. the total number of projects that are planned (and their total cost) that remain to meet current ANP requirements and U.S. strategic goals for the ANP. f. estimate of the number of skilled Afghan staff needed to maintain and sustain ANP infrastructure. g. estimated annual sustainment costs for all ANP infrastructure and of that total the estimated amount to be funded by the United States. h. the plan to transition facility sustainment and maintenance to the ANSF; total facilities, how many have been transferred, how many and the date of facilities to be transferred, and how many will not be transferred.</td>
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<tr>
<td>Jan-Sec-15</td>
<td>Please provide details on U.S. efforts to equip the ANP using U.S. funds, as of December 29, 2014, including: a. the total number and cost of weapons and weapons-related equipment procured and fielded to date. b. the number of projects awarded, active (ongoing), completed, de-scoped, transferred (please define), and terminated during the period of July 1 through December 29, 2014, and their cost. c. total amount of U.S. funding obligated and expended for ANP training as of September 29, 2014. d. estimated annual sustainment costs for all ANP infrastructure and of that total the estimated amount to be funded by the United States. e. the plan to transition facility sustainment and maintenance to the ANSF; total facilities, how many have been transferred, how many and the date of facilities to be transferred, and how many will not be transferred.</td>
</tr>
<tr>
<td>Jan-Sec-19</td>
<td>Please provide details of DOD/NATO-funded contracts to provide literacy training to the ANSF, including: a. the cost of the contract(s) and estimated cost(s) to complete.</td>
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<tr>
<td>Jan-Sec-21</td>
<td>Please provide an update on the Convoy Transportation Guard Brigade (CTGB), Afghan Public Protection Force (APPF), private security companies (PSCs), and risk management companies (RMC), including: a. the total number and cost of vehicles and vehicle-related equipment procured and fielded to date. b. the cumulative cost of ammunition procured and fielded to date; estimated cost of ammunition remaining to be procured and fielded to meet ANP requirements. c. estimated cost of all other equipment remaining to be procured and fielded to meet ANP needs. d. the plan for MOD mentoring after December 2014? What changes are planned as ISAF transitions to Resolute Support Mission (RSM)? Please provide any lessons-learned already documented that will benefit future nation-building reconstruction programs.</td>
</tr>
<tr>
<td>Jan-Sec-23</td>
<td>Please provide the following information on the U.S. ministerial development program to assist the MOD: a. the cumulative number of projects completed to date and their total cost. b. the estimated number and cost of weapons and weapons-related equipment remaining to be procured and fielded to meet ANP requirements. c. the number of projects awarded, active (ongoing), completed, de-scoped, transferred (please define), and terminated during the period of July 1 through December 29, 2014, and their cost. d. the highest-cost awarded, ongoing, and completed contracts including costs and names of contractors during the period of July 1 through December 29, 2014. e. the number of projects de-scoped or terminated whether TFC or TF. f. the total number of projects that are planned (and their total cost) that remain to meet current ANP requirements and U.S. strategic goals for the ANP. g. the estimated number of skilled Afghan staff needed to maintain and sustain ANP infrastructure. h. the total number of projects completed to date and their total cost. i. the cost of the contract(s) and estimated cost(s) to complete.</td>
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<tr>
<td>Jan-Sec-24</td>
<td>Please provide an update on the Convoy Transportation Guard Brigade (CTGB), Afghan Public Protection Force (APPF), private security companies (PSCs), and risk management companies (RMC), including: a. the total number and cost of vehicles and vehicle-related equipment procured and fielded to date. b. the cumulative cost of ammunition procured and fielded to date; estimated cost of ammunition remaining to be procured and fielded to meet ANP requirements. c. estimated cost of all other equipment remaining to be procured and fielded to meet ANP needs. d. the plan for MOD mentoring after December 2014? What changes are planned as ISAF transitions to Resolute Support Mission (RSM)? Please provide any lessons-learned already documented that will benefit future nation-building reconstruction programs.</td>
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<tr>
<td>Jan-Sec-26</td>
<td>Please provide information on the activities, outcomes, and goals of the MOI Ministerial Mentoring and Training Program from July 1 to December 29, 2014. Please include contract details such as name of contractor, contract cost, terms of contract, recent contractor performance reports. Please clarify the three distinct mission areas of the DynCorp contract. What is the plan for MOI mentoring after December 2014? What changes are planned as ISAF transitions to RSM? Please provide any lessons-learned already documented that will benefit future nation-building reconstruction programs.</td>
</tr>
<tr>
<td>Jan-Sec-27</td>
<td>Please provide the status of the ANSF’s medical/health care system as of December 29, 2014, including: a. the number and cost of DOD-funded ANSF medical facilities, hospitals, and clinics that have been completed. The number and estimated cost of DOD-funded ANSF medical facilities, hospitals, and clinics planned or in progress. b. the number of physicians? The number still needed? What’s the impact of the physician shortage? Are the physicians primarily ANSF military or civilian employees, Afghan or international citizens, or contractors? c. the number of medical personnel (nurses, medics, etc.)? The number still needed? What’s the impact of the medical personnel shortage? Are the medical personnel primarily ANSF military or civilian employees, Afghan or international citizens, or contractors? d. total cost of DOD-funded contracts to provide the ANSF with medical training to date e. total cost of ANSF medical equipment procured and fielded to date f. a brief update on DOD efforts to support the ANSF’s medical/health care system g. a brief update on DOD efforts to enhance ANSF capability to provide emergency MEDEVAC; what is the status of the ANSF emergency medical care. h. a brief update on the capabilities of ANSF physicians and medical personnel to successfully provide the ANSF with medical services. What’s the impact to ANSF medical facilities, hospitals, and clinics as the coalition facilities close? i. please define the Level of Care rankings; i.e., level 1, level 2, etc.</td>
</tr>
<tr>
<td>Jan-Sec-28</td>
<td>What is the progress implementing the changes recommended by the AT&amp;L/SAF-IA/NATC-A team reviewing contractor logistics support functions within the AAF?</td>
</tr>
<tr>
<td>Jan-Sec-29</td>
<td>Please provide details of the retrograde process: a. how many MILCON-funded DOD facilities have been turned over to the ANSF? How many bases does DOD currently plan to turn over to the Afghan government? b. what is the estimated annual cost to sustain these facilities? c. what processes are in place to ensure that defense and non-defense equipment being demilitarized, recycled, transferred to the Defense Logistics Agency (DLA), or sold are not ANSF requirements that CSTC-A will be purchasing with Afghanistan Security Forces Funds or other U.S. appropriated funding?</td>
</tr>
<tr>
<td>Jan-Sec-32</td>
<td>Regarding USG support to Afghan Air Force (AAF): a. Please identify each type of aircraft in the AAF inventory, the number of each; and of that number, the number not usable. Are there any aircraft purchased but not yet fielded? b. How much U.S. funding has been obligated for the AAF? c. How many fully trained pilots are in the AAF? How many AAF pilots are rated for each type of aircraft (e.g. how many rated for the Mi-17, Mi-35, C-130, C-208, C182, MD-530, PC-12, and the A-29 Super Tucano)? d. What's your assessment of the AAF ability to provide adequate air and CASEVAC support as the coalition forces withdrawal occurs?</td>
</tr>
<tr>
<td>Jan-Sec-33</td>
<td>Regarding USG support to the Special Mission Wing (SMW): a. Please identify each type of aircraft in the SMW inventory and the number of each. Are there any aircraft purchased but not yet fielded? b. How much U.S. funding has been obligated for the SMW? Are these funds already included in the AAF funding? c. What is the size of the SMW? How many fully trained pilots are in the SMW? Of these, how many are qualified to fly with night vision goggles? Are these numbers sufficient? How many of the SMW pilots are rated for each type of aircraft (e.g. how many rated for Mi-17, Mi-35, C-130, C-208, C182, MD-530, PC-12, and the A-29 Super Tucano) d. What is the current mission capability of the SMW? What percentage of SMW missions are counterterrorism-related? What percentage are counter-narcotics-related? How many counterdrug missions has the SMW flown to date? How many of the Special Missions Wing’s Mi-17 helicopters have been used on counterdrug missions to date?</td>
</tr>
<tr>
<td>Jan-Sec-38</td>
<td>Ministry of Defense Advisors (MODA) Program - Please provide an assessment on the program -- a. What is the MODA role in the capability development of the ministries? b. Where are the MODAs advising? How is MODA assignment determined? c. Do the MODAs write assessments? If so, please provide copies. d. Is the pre-deployment training adequate for MODAs to immediately begin ministerial advising? e. Please provide any lessons-learned already documented that would benefit future nation-building reconstruction efforts.</td>
</tr>
<tr>
<td>Jan-Sec-39</td>
<td>Please provide details on the Afghanistan Security Forces Fund (ASFF)-funded grants that were awarded to the MOD or MOI since April 30, 2014, the date signed, for what purpose, and the related FMS case that resulted from the grants.</td>
</tr>
<tr>
<td>Jan-Sec-41</td>
<td>Please provide original unedited, high-resolution, publishable photos (.jpg, .png, .tif formats) related to security development initiatives taken during the quarter. Please provide a caption that includes at a minimum the program, the location (district and province), attribution, and the month/year the photo was taken.</td>
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GOVERNANCE

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</table>
| Jan-AC-05   | Please offer an assessment of the anticorruption initiatives of Ministry of Defense (MOD) and Ministry of Interior (MOI), including:  
1. The MOD Transparency and Accountability Working Group (TAWG) and MOI Transparency and Accountability Committee (TAC)  
a. Please assess the administrative and technical capacity of the TAWG  
b. Please assess the political will and effectiveness of the TAWG  
c. Please assess the administrative and technical capacity of the TAC  
d. Please assess the political will and effectiveness of the TAC  
2. Please assess the impact of the new administration on anti-corruption efforts within the MOD and MOI. |

| Jan-AC-06   | 1. Please confirm that the Combined Joint Interagency Task Force-Afghanistan (CJITF-A) is dissolved. Please describe what organizations have assumed all, or part, of CJITF-A’s work.  
2. Please offer an assessment of the anticorruption initiatives of the Major Crimes Task Force (MCTF). Please also address whether MCTF cases continue to be stifled at the Attorney General’s Office (AGO) and if an inventory of MCTF cases sent to the AGO was conducted.  
a. Please assess the administrative and technical capacity of the MCTF  
b. Please assess the political will and effectiveness of the MCTF  
c. Please provide examples of CJITF-A Criminal Investigations Division (CID) mentors-generated reports that discuss the MCTF capacity |

| Jan-Gov-11 | Please provide an Afghan Financial Management Information System (AFMIS) report for the most recent quarter that shows both the operating and development budgets.  
a. For the operating budget, please provide data disaggregated to the following Chart of Accounts (1391) codes:  
1. Province (Location)  
2. Ministry/PortFolio (Organization)  
3. Object Expenditure (Object Code (5))  
b. For the development budget, please provide data disaggregated to the following Chart of Accounts (1391) codes:  
1. Province (Location)  
2. Ministry/PortFolio (Organization)  
3. Program (Activity)  

In the response, please note if the Combined Security Transition Command-Afghanistan (CSTC-A) is only able to access AFMIS data for the Ministry of Defense and Ministry of Interior or if CSTC-A can see all Afghan government budget units. |

| Jan-Gov-13 | Please provide a detailed description on the following:  
1. An assessment of the financial levers strategy meant to change behaviors in MOI and MOD.  
a. Please provide an update of all cases that are progressing through the financial lever approach including:  
i. The phase of the case  
ii. A description of the evidence that prompted the utilization of the financial lever  
iii. Any reactions on the part of either MOD or MOI  
b. Please describe the active (such as audits) and passive (such regular review of AFMIS data) mechanisms used by CSTC-A to justify use of the lever approach  
i. Please describe how AFMIS is used to monitor the use of on budget funds delivered either through multi-donor trust funds such as the Law and Order Trust Fund for Afghanistan (LOTFA) or direct bilateral aid. How are expenses determined to be abnormal and worthy of further investigation?  
ii. Please describe the progress in adapting the U.S. Agency for International Development (USAID) approaches to on-budget assistance to DOD direct contributions. Is the USAID approach more appropriate for some types of funds better than others? If yes, please describe which funds would benefit from this approach.  
iii. Please describe the role of advisers (such as MODA) in the identification of issues that require further scrutiny. Please provide examples, including MODA reports, that uncovered irregularities that prompted further action by CSTC-A.  
2. Please provide any reports or evaluations on the utility of mobile money payments that resulted from the UNDP/LOTFA mobile money pilot. Were there any benefits of mobile money that outweighed the higher per transaction costs?  
3. Please provide copies of all the CSTC-A CJITF Financial Management Oversight (FMO) Division monthly reports generated during the quarter. If similar reports exist for the MOD, please provide copies those reports generated during the quarter as well.  
4. One of the findings in a recent DOD IG audit, DODIG-2014-102, was that the Ministry of Finance (MOF) would change the AFMIS fund code assigned to ASFF contributions from 10004 or 10005 to 10000 (pp. 8–9).  
i. Please explain why the MOF would change the funding code even though AFMIS has the capability to show such information and what impact it has on tracking ASFF contributions.  
ii. Please explain whether this change in fund code affected the Afghan government revenue reports in AFMIS. For example, would recoding ASFF contributions allow MOF to make it appear that there was an increase in Afghan government domestic revenues?  
iii. Please indicate whether you are aware of other organizations (such as UNDP/LOTFA) facing a similar situation and, if so, how did these organizations respond? |

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**GOVERNANCE**

<table>
<thead>
<tr>
<th>Question ID</th>
<th>Question</th>
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<tbody>
<tr>
<td>Jan-Gov-14</td>
<td>Please complete the attached on-budget tracker table (Table - On-Budget.xlsx).</td>
</tr>
</tbody>
</table>

***Provide the cumulative amounts of direct contributions to the Ministry of Interior and Ministry of Defense as well as copies of all commitment letters issued to date that document the terms and purpose of these direct contributions.***

Please see the attached table for examples.

Also, provide copies of the following documents:

1. Current governing award documents that outline the terms for on-budget assistance including commitment letters, memorandums of understanding (MOU), grant agreements, implementation letters, bilateral agreements, etc.
2. Deliverables including monthly, quarterly, annual, final, and evaluation reports generated during the quarter for each of the programs and/or assistance mechanisms
3. Please provide a definition of direct contributions. Does direct contributions include all funds whether via a multi-donor trust fund (such as LOTFA) as well as funds governed by a commitment letter or only funds in which there is a direct agreement between the donor (in this case CSTC-A) and the Afghan government (Ministry of Finance and MOD or MOI).
MEMO FROM RESOLUTE SUPPORT COMMANDER REGARDING CLASSIFICATION OF DATA

HEADQUARTERS
United States Forces-Afghanistan
Kabul, Afghanistan
APCO AE 09356

USFOR-A — CDR

18 January 2015

MEMORANDUM FOR Mr. John F. Sopko, Special Inspector General for Afghanistan Reconstruction

Subject: Request for Classification Review of Requested Information

1. This memorandum follows-up on our conversation of 18 January 2015, in which you requested that my staff review the classification of information sought by your staff. Specifically, you questioned why it appeared that information that in the past had been considered unclassified, was now being treated as classified.

2. To answer your question, as you are aware, Afghan National Security Forces are now responsible for the defense of Afghanistan and largely responsible for the defense of NATO and U.S. forces throughout the country. While I cannot comment upon the precise reason why certain information was considered unclassified in the past, I can advise that given the risks that continue to exist to our forces and those of Afghanistan, I have directed that sensitive operational information or related materials, that could be used by those who threaten the force, or Afghan forces, be classified at an appropriate level. With lives literally on the line, I am sure that you can join me in recognizing that we must be careful to avoid providing sensitive information to those that threaten our forces and Afghan forces, particularly information that can be used by such opposing forces to sharpen their attacks.

3. With this in mind, I directed my staff to review the information that your staff had sought, with the intent of identifying what could be released without undermining the security of our forces or the Afghan National Security Forces. I am advised that the review process was completed on 18 January 2015, and your staff has been appropriately notified, via the inspector general chain of command. In conducting its review, my staff relied upon EO 13526, DODR 8200.1-R, and Allied Command Operations (ACO) Directive (AD) 70-1, which authorizes me as the Resolute Support Commander, to approve the release of NATO unclassified information to the public.

4. As we discussed, I am committed to maximum transparency in our operations and fully support the role and function of the Special Inspector General for Afghanistan Reconstruction. However, I am compelled to also protect the lives of those individuals who could be put at risk by the release of sensitive information. Should you or your staff believe that information marked classified is mis-marked, please do not hesitate to provide the specific information that you would like us to review, and we will do so quickly.
Note: SIGAR has redacted the contact information in the general’s memo.
### Appendix E

#### Abbreviations and Acronyms

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<thead>
<tr>
<th>Acronym or Abbreviation</th>
<th>Definition</th>
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<tbody>
<tr>
<td>A-TEMP</td>
<td>ANA Technical Equipment Maintenance Program</td>
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<td>AAE</td>
<td>Afghan Agricultural Extension Program</td>
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<td>AAF</td>
<td>Afghan Air Force</td>
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<td>ABP</td>
<td>Afghan Border Police</td>
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<td>ACAP</td>
<td>Afghan Civilian Assistance Program</td>
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<td>ACC</td>
<td>Army Contracting Command</td>
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<td>ACE</td>
<td>Agricultural Credit Enhancement</td>
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<td>ACEP</td>
<td>Afghan Civic Engagement Program</td>
</tr>
<tr>
<td>ACEP</td>
<td>Afghan Clean Energy Program</td>
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<tr>
<td>ACU</td>
<td>Anticorruption Unit</td>
</tr>
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<td>AD</td>
<td>Alternative Development</td>
</tr>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>ADF</td>
<td>Agricultural Development Fund</td>
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<tr>
<td>AFMIS</td>
<td>Afghan Financial Management Information System</td>
</tr>
<tr>
<td>AFN</td>
<td>Afghanis (currency—Afghan nationals are Afghans)</td>
</tr>
<tr>
<td>AFOSI</td>
<td>Air Force Office of Special Investigations (U.S.)</td>
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<td>AGE</td>
<td>Afghan Gas Enterprise</td>
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<td>AGO</td>
<td>Attorney General's Office</td>
</tr>
<tr>
<td>AGS</td>
<td>Afghan Geological Survey</td>
</tr>
<tr>
<td>AIF</td>
<td>Afghanistan Infrastructure Fund</td>
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<td>AIISS</td>
<td>Afghan Integrated Support Services JV</td>
</tr>
<tr>
<td>AIFTF</td>
<td>Afghanistan Infrastructure Trust Fund</td>
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<td>AKF</td>
<td>Aga Khan Foundation</td>
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<tr>
<td>ALBA</td>
<td>Assistance to Legislative Bodies of Afghanistan</td>
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<tr>
<td>ALP</td>
<td>Afghan Local Police</td>
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<tr>
<td>AML/CFT</td>
<td>Anti-Money Laundering and Combating the Financing of Terrorism</td>
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<tr>
<td>ANA</td>
<td>Afghan National Army</td>
</tr>
<tr>
<td>ANCOP</td>
<td>Afghan National Civil Order of Police</td>
</tr>
<tr>
<td>ANDS</td>
<td>Afghanistan National Development Strategy</td>
</tr>
<tr>
<td>ANP</td>
<td>Afghan National Police</td>
</tr>
<tr>
<td>ANSF</td>
<td>Afghan National Security Forces</td>
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<td>APA</td>
<td>Afghanistan Petroleum Authority</td>
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<tr>
<td>APL</td>
<td>American President Lines</td>
</tr>
<tr>
<td>APPF</td>
<td>Afghan Public Protection Force</td>
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<td>APRP</td>
<td>Afghan Peace and Reintegration Plan</td>
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<td>APTTA</td>
<td>Afghanistan-Pakistan Transit Trade Agreement</td>
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<td>ARTF</td>
<td>Afghanistan Reconstruction Trust Fund</td>
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<td>ASCC</td>
<td>Atlas Sahil Construction Company</td>
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<td>ASFF</td>
<td>Afghanistan Security Forces Fund</td>
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<tr>
<td>AT&amp;L</td>
<td>DOD Acquisition Technology and Logistics</td>
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</table>

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### APPENDICES

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<th>ACRONYM OR ABBREVIATION</th>
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<tbody>
<tr>
<td>ATAR</td>
<td>Afghanistan Trade and Revenue Project</td>
</tr>
<tr>
<td>AUAF</td>
<td>American University of Afghanistan</td>
</tr>
<tr>
<td>AUP</td>
<td>Afghan Uniform Police</td>
</tr>
<tr>
<td>AWOL</td>
<td>absent without leave</td>
</tr>
<tr>
<td>BAF</td>
<td>Bagram Air Field</td>
</tr>
<tr>
<td>BELT</td>
<td>Basic Education, Literacy, and Technical-Vocational Education and Training</td>
</tr>
<tr>
<td>BOA</td>
<td>Basic Ordering Agreement</td>
</tr>
<tr>
<td>BPHS</td>
<td>Basic Package of Health Services</td>
</tr>
<tr>
<td>C-JSTCC</td>
<td>Joint Theater Support Contracting Command</td>
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<tr>
<td>CASEVAC</td>
<td>capability to perform casualty evacuation</td>
</tr>
<tr>
<td>CBCMP</td>
<td>Capacity Building and Change Management Program</td>
</tr>
<tr>
<td>CBE</td>
<td>Community Based Education</td>
</tr>
<tr>
<td>CBP</td>
<td>Customs and Border Protection (U.S.)</td>
</tr>
<tr>
<td>CBR</td>
<td>Capacity Building for Results</td>
</tr>
<tr>
<td>CCC</td>
<td>Crystal Construction Company</td>
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<tr>
<td>CCI</td>
<td>Community Cohesion Initiative</td>
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<td>CENTCOM</td>
<td>U.S. Central Command</td>
</tr>
<tr>
<td>CERP</td>
<td>Commander’s Emergency Response Program</td>
</tr>
<tr>
<td>CHAMP</td>
<td>Commercial Horticulture and Agricultural Marketing Program</td>
</tr>
<tr>
<td>CID</td>
<td>Army Criminal Investigative Command (U.S.)</td>
</tr>
<tr>
<td>CIGIE</td>
<td>Council of the Inspectors General on Integrity and Efficiency</td>
</tr>
<tr>
<td>CJTF-N</td>
<td>Combined Joint Interagency Task Force-Nexus</td>
</tr>
<tr>
<td>CJSTOTF-A</td>
<td>Combined Joint Special Operations Task Force-Afghanistan</td>
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<tr>
<td>CL</td>
<td>Camp Leatherneck</td>
</tr>
<tr>
<td>CLRWG</td>
<td>Criminal Law Reform Working Group</td>
</tr>
<tr>
<td>CM</td>
<td>capability milestone</td>
</tr>
<tr>
<td>CMS</td>
<td>case-management system</td>
</tr>
<tr>
<td>CNCE</td>
<td>Counter Narcotics Community Engagement</td>
</tr>
<tr>
<td>CNPA</td>
<td>Counternarcotics Police of Afghanistan</td>
</tr>
<tr>
<td>COR</td>
<td>contracting officer’s representative</td>
</tr>
<tr>
<td>Crowe Horwath LLP</td>
<td>Crowe Horwath LLP</td>
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<tr>
<td>CRS</td>
<td>Congressional Research Service</td>
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<td>CSSP</td>
<td>Corrections System Support Program</td>
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<td>CSTC-A</td>
<td>Combined Security Transition Command-Afghanistan</td>
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<td>CTGB</td>
<td>Convoy Transportation Guard Brigade</td>
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<td>DAB</td>
<td>Da Afghanistan Bank</td>
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<tr>
<td>DABS</td>
<td>Da Afghanistan Breshna Sherkat</td>
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<td>DCAA</td>
<td>Defense Contract Audit Agency (U.S.)</td>
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<td>DCIS</td>
<td>Defense Criminal Investigative Service (U.S.)</td>
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<td>DEA</td>
<td>Drug Enforcement Administration (U.S.)</td>
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<tr>
<td>DFC</td>
<td>District Field Coordinator</td>
</tr>
<tr>
<td>DFR</td>
<td>dry-fire range</td>
</tr>
<tr>
<td>DLA</td>
<td>Defense Logistics Agency (U.S.)</td>
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<tr>
<td>DOD</td>
<td>Department of Defense (U.S.)</td>
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<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<tr>
<td>DOD CN</td>
<td>Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)</td>
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<td>DOD OIG</td>
<td>Department of Defense Office of Inspector General</td>
</tr>
<tr>
<td>DOJ</td>
<td>Department of Justice (U.S.)</td>
</tr>
<tr>
<td>ECF</td>
<td>Extended Credit Facility</td>
</tr>
<tr>
<td>EF</td>
<td>essential function</td>
</tr>
<tr>
<td>EFT</td>
<td>electronic funds transfer</td>
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<td>EMIS</td>
<td>Ministry of Education’s Information Management System (Afghan)</td>
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<tr>
<td>EPHS</td>
<td>Essential Package of Hospital Services</td>
</tr>
<tr>
<td>EPS</td>
<td>Electronic Payroll System</td>
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<tr>
<td>EPSC</td>
<td>exploration and production sharing contract</td>
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<td>ERW</td>
<td>Explosive Remnants of War</td>
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<td>ESF</td>
<td>Economic Support Fund</td>
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<td>EU EAT</td>
<td>European Union Election Assessment Team Afghanistan</td>
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<td>EVAW</td>
<td>Elimination of Violence Against Women</td>
</tr>
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<td>FATF</td>
<td>Financial Action Task Force</td>
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<td>FBI</td>
<td>Federal Bureau of Investigation (U.S.)</td>
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<td>FOB</td>
<td>forward operating base</td>
</tr>
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<td>FRIC</td>
<td>Force Reintegration Cell (ISAF)</td>
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<tr>
<td>FTE</td>
<td>full-time equivalent employees</td>
</tr>
<tr>
<td>FY</td>
<td>fiscal year</td>
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<td>GAGAS</td>
<td>Generally Accepted Government Auditing Standards</td>
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<td>GAO</td>
<td>Government Accountability Office (U.S.)</td>
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<td>GDP</td>
<td>gross domestic product</td>
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<td>GDPDC</td>
<td>General Directorate of Prisons and Detention Centers</td>
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<td>GIROA</td>
<td>Government of the Islamic Republic of Afghanistan</td>
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<td>GLE</td>
<td>Governor-Led Eradication</td>
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<td>Good Performer’s Initiative</td>
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<td>Hapag-Lloyd</td>
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<td>Health Management Information System</td>
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<td>HOO</td>
<td>High Office of Oversight for Anti-Corruption (Afghan)</td>
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<td>High Peace Council</td>
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<td>Health Policy Project</td>
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<td>IDEA-NEW</td>
<td>Incentives Driving Economic Alternatives-North, East, and West</td>
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<td>IDLG</td>
<td>Independent Directorate of Local Governance</td>
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<td>internally displaced person</td>
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<td>Independent Election Commission (Afghan)</td>
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<td>IED</td>
<td>improvised explosive device</td>
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<td>IJC</td>
<td>International Security Assistance Force Joint Command</td>
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<td>inter-ministerial commission</td>
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<td>International Monetary Fund</td>
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<td>INCLE</td>
<td>International Narcotics Control and Law Enforcement (U.S.)</td>
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<td>Bureau of International Narcotics and Law Enforcement Affairs (U.S.)</td>
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<td>IOCC</td>
<td>Interagency Operations Coordination Center</td>
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<td>ACRONYM OR ABBREVIATION</td>
<td>DEFINITION</td>
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<tr>
<td>IPA</td>
<td>Independent Public Accountant</td>
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<td>IRD</td>
<td>International Relief and Development (an NGO)</td>
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<td>International Resource Group</td>
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<td>International Security Assistance Force</td>
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<td>Joint Command and Control Coordination Center</td>
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<td>Juvenile Rehabilitation Directorate</td>
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<td>Justice Sector Support Program (State)</td>
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<td>killed in action</td>
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<td>Light Air Support Program (U.S.)</td>
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<td>Lakeshore Engineering Services Inc.</td>
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<td>Local Governance and Community Development</td>
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<td>Lessons Learned Program (SIGAR)</td>
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<td>Leadership, Management, Governance Project</td>
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<td>Logistics Civil Augmentation Program</td>
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<td>Logistics Civil Augmentation Program (U.S.)</td>
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<td>Law and Order Trust Fund for Afghanistan</td>
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<td>MA</td>
<td>ARTF Monitoring Agent</td>
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<td>MAAR</td>
<td>Monthly ANSF Assessment Report</td>
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<td>MACCA</td>
<td>Mine Action Coordination Centre of Afghanistan</td>
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<td>MAIL</td>
<td>Ministry of Agriculture, Irrigation, and Livestock (Afghan)</td>
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<td>Ministry of Counternarcotics (Afghan)</td>
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<td>Major Crimes Task Force</td>
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<td>Monitoring and Evaluation Committee (Afghan)</td>
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<td>MFM</td>
<td>Mayer Hoffman McCann P.C.</td>
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<tr>
<td>MIDAS</td>
<td>Mining Investment and Development for Afghan Sustainability</td>
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<td>MISTI</td>
<td>Measuring Impacts of Stabilization Initiatives</td>
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<td>Maersk Line Limited</td>
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<tr>
<td>MOI</td>
<td>Ministry of Interior (Afghan)</td>
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<td>MOMP</td>
<td>Ministry of Mines and Petroleum (Afghan)</td>
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<tr>
<td>MOPH</td>
<td>Ministry of Public Health (Afghan)</td>
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<tr>
<td>MOPW</td>
<td>Ministry of Public Works (Afghan)</td>
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<tr>
<td>MORE</td>
<td>Ministry of Women’s Affairs Organizational Restructuring and Empowerment Project (Afghan)</td>
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<td>MOU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MPF-EU</td>
<td>Army CID Major Procurement Fraud Unit (U.S.)</td>
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<tr>
<td>MRRD</td>
<td>Ministry of Rural Rehabilitation and Development</td>
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<tr>
<td>MRV</td>
<td>MRAP Recovery Vehicle</td>
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<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>NAT</td>
<td>National Afghan Trucking</td>
</tr>
<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<tr>
<td>NCO</td>
<td>noncommissioned officer</td>
</tr>
<tr>
<td>NDAA</td>
<td>National Defense Authorization Act</td>
</tr>
<tr>
<td>NDS</td>
<td>National Directorate of Security (Afghan)</td>
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<tr>
<td>NEPS</td>
<td>Northeast Power System</td>
</tr>
<tr>
<td>NGO</td>
<td>nongovernmental organization</td>
</tr>
<tr>
<td>NIU</td>
<td>National Interdiction Unit</td>
</tr>
<tr>
<td>NPTC</td>
<td>National Police Training Center</td>
</tr>
<tr>
<td>NSC</td>
<td>National Security Council</td>
</tr>
<tr>
<td>NSOCC-A</td>
<td>NATO Special Operations Component Command-Afghanistan</td>
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<tr>
<td>NSP</td>
<td>National Solidarity Program</td>
</tr>
<tr>
<td>NTM-A</td>
<td>NATO Training Mission-Afghanistan</td>
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<tr>
<td>O&amp;M</td>
<td>operations and maintenance</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Cooperation and Development</td>
</tr>
<tr>
<td>OIG</td>
<td>Office of the Inspector General</td>
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<tr>
<td>OMB</td>
<td>Office of Management and Budget</td>
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<tr>
<td>OPPD</td>
<td>Office of Program and Project Development (USAID)</td>
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<td>PACT</td>
<td>Private Agencies Collaborating Together Inc.</td>
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<td>PE</td>
<td>Pacific Architects and Engineers Inc.</td>
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<td>PCH</td>
<td>Partnership Contracts for Health Services</td>
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<td>PM/WRA</td>
<td>Bureau of Political-Military Affairs-Office of Weapons Removal and Abatement (U.S.)</td>
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<tr>
<td>PoAM</td>
<td>Plan of Actions and Milestones</td>
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<tr>
<td>POD</td>
<td>proof of delivery</td>
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<tr>
<td>PRITF</td>
<td>Peace and Reintegration Trust Fund</td>
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<tr>
<td>PSC</td>
<td>private security contractor</td>
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<tr>
<td>PTEC</td>
<td>Power Transmission Expansion and Connectivity</td>
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<td>QDDR</td>
<td>Quadrennial Diplomacy and Development Review</td>
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<td>QNCC</td>
<td>Qesmatullah Nasrat Construction Company</td>
</tr>
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<td>RADP</td>
<td>Regional Agriculture Development Program</td>
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<tr>
<td>RASR</td>
<td>Regional Command ANSF Assessment Report</td>
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<tr>
<td>RC</td>
<td>recurrent cost</td>
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<tr>
<td>RCC</td>
<td>Regional Contracting Center</td>
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<tr>
<td>RIWPS</td>
<td>Research Institute for Women Peace and Security</td>
</tr>
<tr>
<td>RSM</td>
<td>Resolute Support Mission</td>
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<tr>
<td>RSSP</td>
<td>Road Sector Sustainability Project</td>
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<tr>
<td>SAGAL</td>
<td>Strengthening Afghan Governance and Alternative Livelihoods</td>
</tr>
<tr>
<td>SEPS</td>
<td>Southeast Power System</td>
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<tr>
<td>SFC</td>
<td>Sergeant First Class</td>
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<tr>
<td>SGDP</td>
<td>Sheberghan Gas Development Program</td>
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<td>SGHA</td>
<td>Sheberghan Gas Generation Activity</td>
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<tr>
<td>SHAHAR</td>
<td>Strong Hubs for Afghan Hope and Resilience</td>
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<tr>
<td>SIGAR</td>
<td>Special Inspector General for Afghanistan Reconstruction</td>
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<tr>
<td>SIKA</td>
<td>Stability in Key Areas</td>
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<tr>
<td>SMAD</td>
<td>Sayed Majidi Architecture and Design</td>
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<tr>
<th><strong>ACRONYM OR ABBREVIATION</strong></th>
<th><strong>DEFINITION</strong></th>
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<tbody>
<tr>
<td>SMW</td>
<td>Special Mission Wing (Afghan)</td>
</tr>
<tr>
<td>SOF</td>
<td>Special Operations Forces</td>
</tr>
<tr>
<td>SOFA</td>
<td>Status of Forces Agreement</td>
</tr>
<tr>
<td>SRAD</td>
<td>Southern Regional Agriculture Development</td>
</tr>
<tr>
<td>State OIG</td>
<td>Department of State Office of the Inspector General</td>
</tr>
<tr>
<td>TAC</td>
<td>Transparency Accountability Committee</td>
</tr>
<tr>
<td>TCN</td>
<td>third-country nationals</td>
</tr>
<tr>
<td>TFBO</td>
<td>Task Force for Business and Stability Operations in Afghanistan</td>
</tr>
<tr>
<td>TMAF</td>
<td>Tokyo Mutual Accountability Framework</td>
</tr>
<tr>
<td>TMR</td>
<td>transportation movement request</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNAMA</td>
<td>United Nations Assistance Mission in Afghanistan</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNHCR</td>
<td>UN High Commission for Refugees</td>
</tr>
<tr>
<td>Unity</td>
<td>Unity Logistics and Supply Services</td>
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<tr>
<td>UNODC</td>
<td>UN Office on Drugs and Crime</td>
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<tr>
<td>USAAA</td>
<td>U.S. Army Audit Agency</td>
</tr>
<tr>
<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
</tr>
<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>USAID Office of the Inspector General</td>
</tr>
<tr>
<td>USDA</td>
<td>U.S. Department of Agriculture</td>
</tr>
<tr>
<td>USFOR-A</td>
<td>U.S. Forces-Afghanistan</td>
</tr>
<tr>
<td>USIP</td>
<td>U.S. Institute for Peace</td>
</tr>
<tr>
<td>USTRANSCOM</td>
<td>U.S. Transportation Command</td>
</tr>
<tr>
<td>USWDP</td>
<td>Afghanistan University Support and Workforce Development Program</td>
</tr>
<tr>
<td>UXO</td>
<td>unexploded ordnance</td>
</tr>
<tr>
<td>VAT</td>
<td>value-added tax</td>
</tr>
<tr>
<td>VSO</td>
<td>Village Stability Operations</td>
</tr>
<tr>
<td>WIA</td>
<td>wounded in action</td>
</tr>
<tr>
<td>WPS</td>
<td>Worldwide Protection Services</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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USAID, response to SIGAR data call, 12/28/2014; USAID, response to SIGAR vetting, 1/12/2015.


USAID, response to SIGAR data call, 12/28/2014.

USAID, response to SIGAR data call, 12/28/2014.

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.

(For a list of the congressionally mandated contents of this report, see Section 3.)
FRAUD, WASTE, OR ABUSE MAY BE REPORTED TO SIGAR'S HOTLINE

By phone: Afghanistan
Call: 0700107300
DSN: 318-237-3912 ext. 7303
All voicemail is in Dari, Pashto, and English.

By phone: United States
Toll-free: 866-329-8893
DSN: 312-664-0378
All voicemail is in English and answered during business hours.

By fax: 703-601-4065
By e-mail: sigar.hotline@mail.mil