

# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

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2017

QUARTERLY REPORT TO THE UNITED STATES CONGRESS





## **The National Defense Authorization Act for FY 2008 (Pub. L. No. 110-181) established the Special Inspector General for Afghanistan Reconstruction (SIGAR).**

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

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

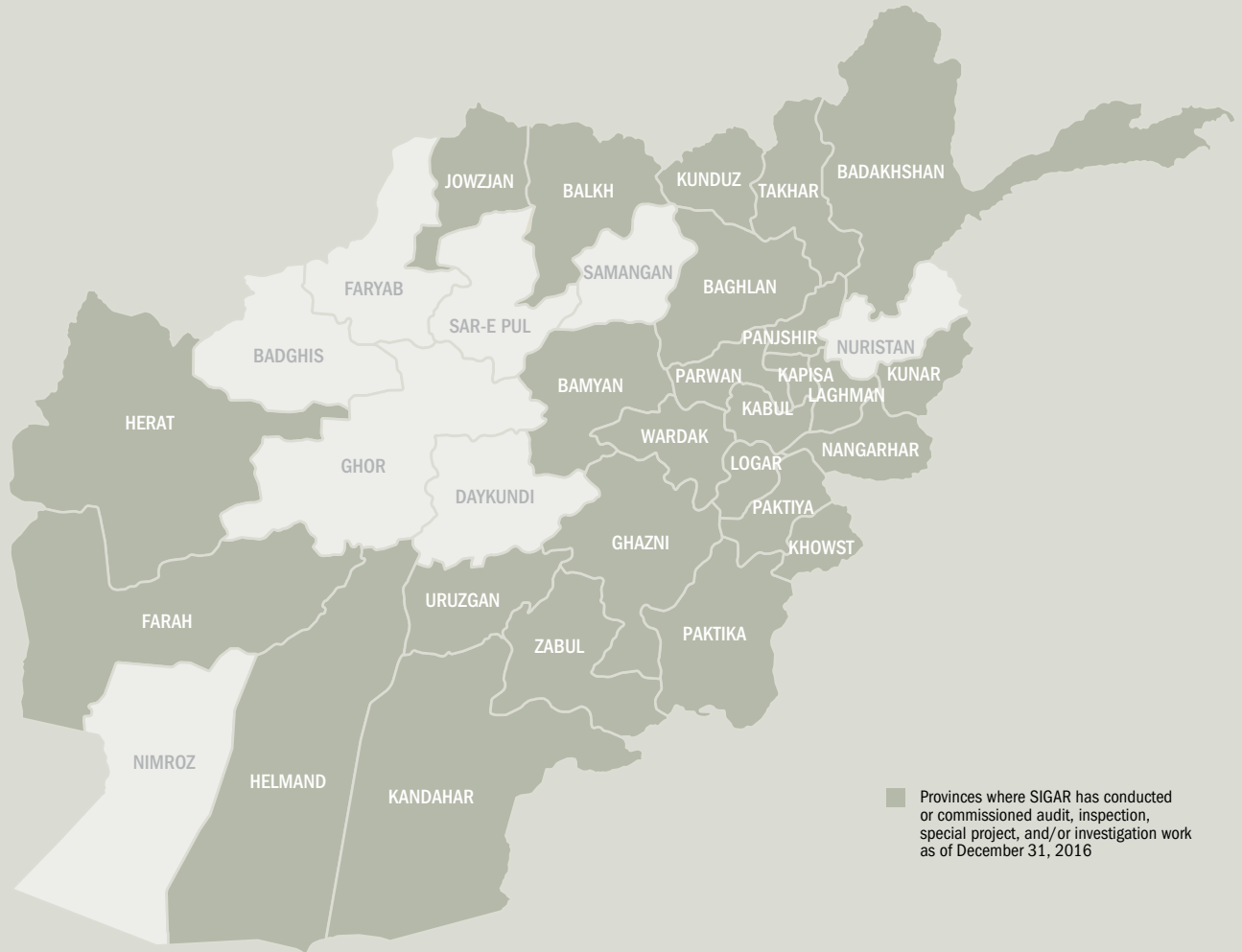
Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Source: Pub. L. No. 110-181, "National Defense Authorization Act for FY 2008," 1/28/2008.

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

### **Cover photo:**

Procurements in Afghanistan include vast amounts of fuel and other supplies. Here, shipping barrels at an outpost in Paktika Province await recycling. (DOD photo by Staff Sgt. Luke Graziani)





SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION

I am pleased to submit to Congress, and the Secretaries of State and Defense, SIGAR's 34th quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

With a new Administration and Congress taking office, this is a prime opportunity to reflect on the U.S. investment in Afghanistan. Since 2002, Congress has appropriated more than \$117 billion for Afghanistan's reconstruction. It is the largest expenditure to rebuild a country in our nation's history. This tremendous amount of taxpayer money has been used to train Afghan security forces, stand up the Afghan government, provide health care and education to the Afghan people, and develop the Afghan economy. U.S. and international donors recently pledged to continue supporting Afghanistan through 2020, with our contribution expected to remain at or near current levels of about \$5 billion per year.

Congress established the Special Inspector General for Afghanistan Reconstruction (SIGAR) in 2008 to detect and prevent the waste, fraud, and abuse of the unprecedented U.S. funds being poured into Afghanistan. Since that time, SIGAR has issued 410 audits, inspections, alert letters, and other products—including over 700 recommendations—that identified roughly \$1 billion in potential savings to U.S. taxpayers. In addition, our criminal investigators have conducted 960 investigations, resulting in 104 arrests, 142 criminal charges, 107 convictions or guilty pleas, and 99 sentencing, and achieving over \$1 billion in U.S. government cost savings, fines, recoveries, and restitutions.

The body of SIGAR's work shows that reconstruction remains tenuous and incomplete. The Afghan security forces need continued donor support, plus mentoring and limited tactical support from the U.S. military, to block insurgent advances. Likewise, the Afghan government cannot survive without continued donor financial assistance.

This quarter, SIGAR issued an updated High-Risk List outlining the most critical issues threatening reconstruction. Of the eight issues identified, the two most critical are the questionable capabilities of the Afghan National Defense and Security Forces (ANDSF) and pervasive corruption. If these two risk areas are not addressed, I fear that our reconstruction efforts could ultimately fail, to the detriment of our national-security goals in Afghanistan.

This quarterly report also points out some of the successes of our struggle to rebuild Afghanistan. For example, the essay in Section 1 of this report examines the issue of national procurement reform in Afghanistan, an area that the civil-society organization Transparency International calls "a bright spot" in the country's fight against corruption. Since 2015, SIGAR has supported the Afghan National Unity Government's efforts to create a national procurement organization to reform procurement for all 64 ministries and procurement entities across Afghanistan. So far, these efforts have resulted in at least \$200 million in savings that might have been lost to corruption. SIGAR is the only U.S. civilian agency invited to observe the weekly sessions of President Ashraf Ghani's National Procurement Commission, in which President Ghani personally reviews all major Afghan government procurement and construction contracts.

This quarter, SIGAR issued 13 audits, inspections, alert letters, and other products, including an audit alert letter in response to a congressional inquiry about the Department of Defense's Task Force for Business and Stability Operations' use of private villas in Afghanistan. SIGAR also published a performance audit report that examined the accuracy of data the U. S. Agency for International Development used to report progress in Afghanistan's health-care sector.

SIGAR completed three financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified more than \$2.4 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified nearly \$380 million in questioned costs.

SIGAR also published a follow-up inspection report examining the Sheberghan teacher training facility and SIGAR's Office of Special Projects issued six products, expressing concern on a range of issues, including the abandonment of a large Overseas Private Investment Corporation-funded hotel and apartment building construction project in Kabul and a U.S. Embassy Kabul grantee's unsuccessful efforts to increase Afghan women's participation in the sport of cricket. Special Project products also included observations from site visits to 25 USAID-funded schools in Herat Province and site inspections of 30 USAID-supported health facilities in Baghlan Province.

During the reporting period, SIGAR criminal investigations resulted in one conviction and six sentencing; nearly \$2 million in criminal fines and restitutions; a recovery of \$320,000 from a civil settlement; and the termination of a process to award a \$99 million sole-source contract. SIGAR initiated 18 new investigations and closed 13, bringing the total number of ongoing investigations to 259.

SIGAR's suspension and debarment program referred six parties for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 809, encompassing 453 individuals and 356 companies to date.

SIGAR remains committed to its reconstruction oversight mission. My staff and I look forward to working together with the new Administration and Congress to ensure that American taxpayer dollars are spent wisely in Afghanistan.

Sincerely,



John F. Sopko

# EXECUTIVE SUMMARY

**This report summarizes SIGAR’s oversight work and updates developments in four major sectors of Afghanistan’s reconstruction effort from October 1, 2016 to December 31, 2016.\* It also includes an essay on Afghanistan’s need for continued procurement reform. During this reporting period, SIGAR issued 13 audits, inspections, alert letters, and other products assessing U.S. efforts to build the Afghan security forces, improve governance, facilitate economic and social development and combat the sale and production of narcotics. The reports identified a number of problems, including the eight issue areas of the reconstruction currently most at risk of waste, fraud and abuse. During the reporting period, SIGAR criminal investigations resulted in one conviction and six sentencings; nearly \$2 million in criminal fines and restitutions; a recovery of \$320,000 from a civil settlement; and the termination of a process to award a \$99 million sole-source contract. SIGAR initiated 18 new investigations and closed 13, bringing the total number of ongoing investigations to 259. Additionally, SIGAR’s suspension and debarment program referred six parties for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.**

## SIGAR OVERVIEW

### AUDITS

This quarter, SIGAR issued one audit alert letter, one performance audit, three financial audits, and one follow-up inspection report.

The **audit alert letter** responded to a congressional inquiry about DOD’s Task Force for Business and Stability Operations’ use of private villas in Afghanistan.

The **performance audit** found that the U.S. Agency for International Development (USAID) did not disclose quality limitations in the data the agency relied upon to measure its achievements in Afghanistan’s health care sector. This lack of disclosure calls into question the extent of the achievements claimed in this sector for which USAID has obligated nearly \$1.5 billion since 2002.

The **financial audits** identified \$2,417,088 in questioned costs as a result of internal control deficiencies and noncompliance issues and \$109 in unremitted interest on

advanced federal funds or other revenue amounts payable to the government.

The follow-up **inspection report** found that the Sheberghan teacher training facility, which was funded by USAID and constructed under a U.S. Army Corps of Engineers (USACE) contract, had been completed and was being used. SIGAR also found that although the facility’s construction was substantially delayed, it was generally completed according to engineering standards and the electrical deficiencies SIGAR identified in its first inspection report had been resolved. However, the facility’s water quality and funding for fuel to meet generator requirements remain concerns.

### SPECIAL PROJECTS

This quarter, SIGAR’s Office of Special Projects wrote six **reviews**, **review letters**, and **inquiry letters**, expressing concern on a range of issues including:

# EXECUTIVE SUMMARY

- the abandonment of a large hotel and apartment building construction project in Kabul funded by \$85 million in loans from the Overseas Private Investment Corporation
- observations from site visits of 25 schools in Herat Province constructed or rehabilitated by USAID
- USAID's implementation and oversight of the Promoting Gender Equity in National Priority Programs (Promote), USAID's largest gender-focused initiative
- the results of site inspections of 30 USAID-supported health facilities in Baghlan Province
- a U.S. Embassy Kabul grantee's unsuccessful efforts to increase Afghan women's participation in the sport of cricket
- non-payment of Afghan contractors working on U.S.-funded contracts

## INVESTIGATIONS

During the reporting period, SIGAR criminal investigations resulted in one conviction and six sentencing; nearly \$2 million in criminal fines and restitutions; a recovery of \$320,000 from a civil settlement; and the termination of a process to award a \$99 million sole-source contract. SIGAR initiated 18 new investigations and closed 13, bringing the total number of ongoing investigations to 259, SIGAR's suspension and debarment program also referred six individuals for debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.

### Investigations highlights include:

- an Afghan major general convicted of bribery
- an investigation that resulted in the termination of a planned \$99 million sole-source contract prior to award
- a U.S. contractor convicted for tax evasion
- a former U.S. contracting official sentenced for signing a false tax return
- three former U.S. military members sentenced for fuel theft
- a former U.S. Army specialist sentenced for bribery conspiracy
- a U.S. Army captain sentenced for solicitation and receipt of gratuity

## RESEARCH AND ANALYSIS

This quarter, SIGAR's Research and Analysis Directorate issued an updated **High-Risk List** identifying the eight issue areas of the U.S.-funded reconstruction most vulnerable to waste, fraud and abuse. The eight areas are:

- Afghan Security Forces Capacity and Capabilities
- Corruption
- Sustainability
- On-Budget Support
- Counternarcotics
- Contract Management
- Oversight
- Strategy and Planning

\* SIGAR may also report on products and events occurring after December 31, 2016, up to the publication date.

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“Without efficient procurement, money gets wasted on a very large scale. ... Lack of transparency and corruption in procurement directly affects citizens, and the losses to corruption are estimated in the billions of dollars every year.”

—*The World Bank*

# 1 AFGHAN PROCUREMENT REFORM



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Afghan President Ashraf Ghani presides at a session of the National Procurement Commission that he established to review major procurements. Chief Executive Abdullah Abdullah is at the president's right. (Photo by Afghanistan's Office of the President)

## THE NEED TO CONTINUE AFGHAN PROCUREMENT REFORM

Government procurement spending worldwide—purchases and contracts for goods and services—accounts for 13–20% of countries’ gross domestic product, according to Transparency International. “With such vast sums at stake,” the civil-society organization notes, “few government activities create greater temptations or offer more opportunities for corruption than public sector procurement.”<sup>1</sup> Even among European Union countries with well-developed administrative systems, for example, the Organization for Economic Cooperation and Development reports, “Studies suggest that up to 20–25% of the public contracts’ value may be lost to corruption.”<sup>2</sup>

In Afghanistan, the potential for monetary losses from corruption—not to mention other losses from poor management and oversight practices—is almost certainly more substantial. As SIGAR and other organizations have repeatedly found, Afghanistan suffers from limited institutional capacity to conduct basic governmental functions, and from widespread and systemic corruption that consistently places it near the bottom of international rankings for public perception of corruption.

The Special Inspector General for Afghanistan Reconstruction (SIGAR) has taken an active role in supporting procurement reform in Afghanistan. SIGAR views vigilant oversight and Afghan reform initiatives as important means of protecting American taxpayers’ aid money as more of it passes into budgetary control by Afghan ministries.

A nearly \$1 billion fuel procurement initiated by the Afghan Ministry of Defense (MOD) illustrates both the need for reform and SIGAR’s involvement in problematic cases.

Until 2013, the U.S.-led Combined Security Transition Command-Afghanistan (CSTC-A) handled fuel procurements for the Afghan MOD and the Ministry of Interior (MOI), which control the Afghan army and police forces, respectively. In 2013, the ministries took over the function of soliciting bids for fuel contracts, with CSTC-A providing money to pay the bills via direct assistance.<sup>3</sup>

The MOD awarded a fuel contract that year to four Afghan vendors for a total value of nearly \$1 billion. SIGAR’s Investigations Directorate heard

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**Supplies are trucked** across Afghanistan. (USAID photo)

complaints about the award and launched an investigation into claims that the winning contractors had colluded to rig their bids and to jack up their prices above the competitive levels previously reflected in the MOI fuel contract.

Six companies had notified the MOD they planned to submit bids. However, two companies failed to submit their bids by the deadline. Reportedly the employees attempting to deliver bid documents for the companies were delayed by an unwarranted traffic stop in one case and a collision with a truck in another.

SIGAR later received allegations that representatives of the four contractors who submitted bids in time had met at a hotel in Dubai 10 days beforehand. SIGAR's investigation determined that the four companies who met in the hotel had fixed their prices and rigged their MOD contract bids. The four vendors offered exactly the same prices for diesel and gasoline for seven lots of fuel: exactly 86.25 cents per liter for diesel and exactly 83.84 cents per liter for gasoline.<sup>4</sup> They claimed they were obtaining fuel from four different sources and figuring their costs by completely different methods, so their pricing might represent a truly remarkable coincidence. But SIGAR consulted fuel and procurement experts who agreed the odds against multiple vendors' independently arriving at bids identical to within one one-hundredth of a cent were astronomical, and that they had never seen such a phenomenon.

Investigators also found evidence that the four colluding contractors had bribed several military personnel at the MOD, contracting officials, and financial advisors to make sure that no one else got any of the business. In addition, two competing firms—the two prevented, perhaps coincidentally,

from entering bids because of the traffic stop and the truck collision—had been offered bribes if they agreed not to submit competing bids. Both refused. When one of the competitors lodged a complaint about the alleged bribe, another bribe was offered to have the complaint withdrawn. The competitor refused that bribe as well.

The MOD contract award was worth \$999.5 million. Investigators discovered that the two vendors who could not reach the bid-submission office on time would have entered lower bids than the four who did. The lower of their two bids would have yielded a contract value of \$784.8 million—more than \$200 million below the contract value settled upon by the MOD.

SIGAR investigators briefed the commanding general of CSTC-A, and on February 1, 2015, presented their findings to President Ghani. The president reacted strongly. He cancelled the MOD contract, excluded the colluding contractors from award competitions, and removed five senior military personnel and a civilian advisor from the MOD.<sup>5</sup> Because CSTC-A pays for MOD's fuel, President Ghani's response to the SIGAR briefing saved U.S. taxpayers more than \$200 million that might have gone for illegally rigged prices.

The full story of the MOD fuel contract has yet to be told, however. After the bidding scandal broke, President Ghani ordered an Afghan investigation of the contract, but an Afghan news site reported in March 2016 that MOD, the investigative committee, and its head, Kabul University economist and former Minister of Economy Hamidullah Farooqi, refused to discuss it.<sup>6</sup> Nearly a year later, the investigative report has not been formally released.

A new twist to Afghan fuel-contract scandals was the January 9, 2017, conviction of MOI Major General Abdul Wase Raoufi for taking a \$150,000 bribe in exchange for awarding one of that ministry's fuel contracts. The general drew a 14-year prison sentence and a \$150,000 fine, subject to appeal. He was tried at Afghanistan's newly established Anti-Corruption Justice Center. SIGAR helped develop the case. See the Investigations portion of Section 2 of this report for more information.

## PROCUREMENT: NEARLY 50% OF AFGHAN BUDGET

Public procurement—of fuel, roads, buildings, textbooks, medical supplies, consulting, and other goods and services—is a big budget item in Afghanistan. The director of the country's National Procurement Authority recently said procurement accounts for nearly 50% of the Afghan national budget.<sup>7</sup> That important fact intersects with another: the United States, like other international donors, has officially committed to give at least 50% of its civilian development aid to Afghanistan **on budget**, whether through direct government-to-government grants or by channeling aid through multilateral trust funds. The generally stated aim of delivering aid

### On-Budget Assistance

According to USAID, "Assistance is qualified as 'On-Budget' [OBA] when USAID development funds are delivered through GIROA [Government of the Islamic Republic of Afghanistan] Public Financial Management (PFM) systems, which includes all components of GIROA's budget process—both upstream (including strategic planning, medium-term expenditure framework and annual budgeting) and downstream (including revenue management, procurement, control, accounting, reporting, monitoring and evaluation audit and oversight). OBA financing should comply with the following conditions: (i) a legal agreement (an OBA bilateral agreement or implementation letter(s) exists between USAID and GIROA; (ii) assistance is implemented and executed by a GIROA implementing entity, through national arrangements covering PFM systems at both the government-wide and ministerial/sectoral level; and (iii) assistance is reflected in the national budget and approved by the Parliament."

Source: USAID, "Mission Order 220.03," 3/24/2015.

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on budget—as distinct from off-budget expenditures controlled by the U.S. government or nongovernmental organizations and never incorporated into Afghan government budgets and control—is to cut costs, increase the host-country sense of ownership of reconstruction projects, and help build institutional capacity as ministries gain experience in financial management, procurement, and project oversight.

SIGAR understands the logic of increasing the proportion of aid delivered on budget. As a matter of oversight, however, whether the on-budget aid is delivered directly or via trust funds, U.S. ability to monitor, influence, and account for the distribution of its aid declines as more funds are executed by the Afghan government. As Special Inspector General for Afghanistan Reconstruction John F. Sopko warned the House Oversight and Governmental Reform Committee in 2013, “SIGAR does not oppose direct assistance. But if the Administration and Congress proceed with plans to increase direct assistance, we believe it is critical that they focus on three issues that could dramatically threaten our reconstruction objectives: the lack of Afghan government capacity to manage and account for donor funds, the effect of pervasive corruption, and the need to ensure adequate, long-term oversight.”<sup>8</sup>

SIGAR has urged that oversight of U.S. aid delivered on budget should include agreements on measurable outcomes and on access to relevant Afghan records, facilities, and staff.<sup>9</sup> SIGAR’s reports to Congress have also registered concerns about limited visibility into the stewardship and uses of U.S. funds that flow into Afghan budgets via multinational entities like the Afghanistan Reconstruction Trust Fund and the Law and Order Trust Fund for Afghanistan.<sup>10</sup>

Without comprehensive visibility into U.S. funding delivered to the Afghan government, U.S. law enforcement loses effective oversight and criminal jurisdiction for those who embezzle, steal, bribe, extort, or misappropriate in connection with procurements made with on-budget assistance funds.

That threat is aggravated by persistent concerns about ministry capabilities and the unintended consequences of large aid flows. Despite some statutory and administrative gains by the Afghan government, the reality since the 2001 U.S.-led intervention can be summed up in a recent assessment by the Norwegian Agency for Development Cooperation. That agency found attempts to set up and maintain agencies within multiple departments suffered from “the shortage of management and implementation capacity within the Afghan government, particularly at the provincial level.”<sup>11</sup> Meanwhile, the Norwegian report adds, “High levels of aid, together with limited absorptive capacity and a poorly functioning public administration, meant that the international presence in Afghanistan itself became a driver of corruption.”<sup>12</sup> That last observation echoed a finding of SIGAR’s Lessons Learned Program in its September 2016 report, *Corruption in*



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*Conflict: Lessons from the U.S. Experience in Afghanistan.* For years after the 2001 intervention in Afghanistan, SIGAR noted, “The U.S. government . . . failed to recognize that billions of dollars injected into a small, under-developed country, with limited oversight and strong pressures to spend, contributed to the growth of corruption. . . . The influx of money from aid and military contracts was not always accompanied by strong oversight. Controls were sometimes insufficient to prevent embezzlement, bribery, fraud, and other forms of corruption—by both Afghan and international actors—that drained resources from the reconstruction effort.”<sup>13</sup>

These and like concerns have been noted by other oversight bodies:

- A 2008 report by the Public Procurement Unit of the Afghan Ministry of Finance noted that ongoing reforms were then attempting to address issues including “limited procurement capacity at all levels in the government,” lack of adequate training, inadequate regulations, non-uniform procurement structures among agencies, and “no incentives for improvement and ownership.”<sup>14</sup> The Commission on Wartime Contracting in Iraq and Afghanistan estimated in its 2011 final report that “At least \$30 billion, and possibly as much as \$60 billion, has been lost to contract waste and fraud” in the contingency operations in the two countries.<sup>15</sup> U.S. aid has continued to both countries, especially to Afghanistan, where more than \$8.4 billion of the \$117 billion already appropriated has yet to be disbursed, and the United States has committed to spend billions more for years to come.
- In November 2016, the independent organization Integrity Watch Afghanistan (IWA) declared that “In the last 14 years, the Afghan government has failed in the fight against corruption. . . . Lack of political will and inappropriate institutional arrangements were amongst the key factors behind the total failure.” The IWA did, however, see some progress in the establishment of external oversight of the procurement process through the National Procurement Commission and the National Procurement Authority.<sup>16</sup> Working with civil-society experts, international representatives, and Afghan officials, Transparency International found last year that only two of 22 Afghan anticorruption commitments since 2014 deemed “most crucial to tackling corruption in Afghanistan” have been fully implemented.<sup>17</sup>

## **SIGAR ASSISTANCE TO AFGHAN PROCUREMENT**

In addition to SIGAR’s work in the MOD fuel-contract case, another SIGAR investigation revealed weakness in Afghan ministerial procurement capability and helped avoid the award of an Afghan ministry of a \$99 million road-building contract to a suspect and weakly credentialed consortium.

In 2015, the Afghan Ministry of Public Works (MOPW) began a sole-source selection process for a planned contract for building two sections of the Qaisar

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**U.S.-funded procurements** include goods like this shipment of cold-weather gear for the 205th Corps of the Afghan National Army. (U.S. Air Force photo by MSgt Paul Hughes)

to Laman Ring Road.<sup>18</sup> The sole-source process identified ASM JV, a joint venture among three companies, as the intended recipient of the planned \$99 million award. The funds were provided by the Asian Development Bank (ADB), to which the United States and Japan are the leading contributors of capital.

In May 2016, SIGAR began a criminal investigation based on allegations that ASM JV was paying bribes and secretly enlisting officials' help at both the ADB and MOPW to secure the contract award, that ASM JV lacked the technical and financial capacity to competently perform this major project, and that it had failed a December 2015 pre-qualification evaluation conducted by consulting engineers. Persons at ADB and MOPW nonetheless continued advocating for ASM JV to receive the contract. In July 2016, a request for proposal (RFP) for the contract was given to ASM JV, while no RFP was given to two companies with higher pre-qualification scores.

In August 2016, after an extensive investigation involving numerous interviews and reviews of emails and official records, SIGAR notified Afghan President Ashraf Ghani by official letter of its investigative findings, including evidence of corruption in the selection process. Officials of the National Procurement Authority (NPA) and presidential advisors voiced appreciation for SIGAR's investigative work; advisors to President Ghani said SIGAR's investigation confirmed their suspicions about the contract process.

MOPW officials stated that the award process could not move forward as planned, and that ASM JV appeared to have an inappropriate relationship with individuals representing ADB. In October 2016, SIGAR was notified that the presidential palace had terminated the sole-source selection process and would proceed to an "open tender" in which any company could bid and compete in a transparent and honest process.

Because the United States is one of the ADB's main capital subscribers, SIGAR's investigation and subsequent close coordination with officials of the NPA and the palace thus avoided millions of dollars of improper costs being drawn from U.S.-supplied funds at the ADB.

## CREATING AN APPARATUS FOR REFORM

The initial investigation by SIGAR of the MOD fuel price-fixing scandal highlighted some of the deficiencies of the Afghan procurement system, but others also demanded mitigation. CSTC-A's Procurement Reform Branch has worked with the Ghani administration to identify shortfalls that contribute to the system's inefficiency and ineffectiveness, and foster a culture of corruption.

According to the director of CSTC-A's Contracting Enabler Cell in Kabul, the shortcomings include "antiquated procurement law, a purely paper-based, lengthy bureaucratic process, untimely planning, lack of adequately trained professionals, lack of systemic accountability and a lack of contract management and oversight."<sup>19</sup> The Afghan government has acknowledged

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that although its early-2000s procurement law “was one of the better laws in the region, it still had vagueness and impreciseness.”<sup>20</sup>

Procurement reform is not simply a matter of designing structures and cleaning up practices. “Aspirations to de-politicize public procurement face major hurdles,” a trio of procurement researchers warns. Reform can involve “financial hardships and job losses for various regional or sectional constituencies;” tensions among political, regulatory, and administrative objectives; and conflicts among government agencies.<sup>21</sup>

Afghanistan has nonetheless taken several positive steps toward reform and correction of procurement processes.

Since early 2015, Afghan public-procurement contracts whose values exceed \$300,000 for operations and maintenance, or \$1.5 million for construction, undergo review by the National Procurement Commission (NPC), whose members are President Ghani, Chief Executive Abdullah, the second vice president, and the ministers of finance, economy, and justice. President Ghani personally presides at the NPC’s weekly meetings. A September 2016 report by Transparency International estimates the total savings from the NPC’s oversight as “at least \$350 million.”<sup>22</sup>

For one example of the NPC’s work, consider the session of December 31, 2016. The NPC approved 20 contracts with a total value of 12.5 billion afghanis (about \$187 million). The projects involved included electric substations and transmission lines, road and dam construction, information-technology gear for the presidential office, and dishware and foodstuffs for the Ministry of Defense. The NPC turned back contracts for technical studies of reservoir dams for further review, and told three ministries to look into technical, social, financial, and capacity issues with various projects under their control.<sup>23</sup>

Afghan laws have also changed. On October 7, 2015, President Ghani ratified Legislative Decree No. 75, revising existing procurement law with the stated aims of increasing transparency, controlling expenditure, improving value received, and offering equal tendering opportunities for eligible bidders. The law’s 67 articles apply to “all procurement proceedings by all budgetary units.”<sup>24</sup>

Procurement oversight also benefits from the operations of the National Procurement Authority (NPA). Transparency International has called the NPA “one bright spot” in Afghanistan’s procurement operations, saying it has “saved more than US\$200 million that might have been lost to corruption.”<sup>25</sup>

The National Unity Government established the NPA in late 2014 to increase transparency and otherwise improve the country’s public procurement system. The NPA assimilated three ministerial procurement entities: the Procurement Policy Unit of the Ministry of Finance, the Ministry of Economy’s Afghanistan Reconstruction and Development Services, and the Contract Management Office of the Ministry of Finance. The NPA’s mission is to reform procurement for all 64 ministries and procurement

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**Many millions of dollars** flow into road-building contracts in Afghanistan. (USAID photo)

entities across Afghanistan with the aim of producing an effective, efficient, transparent procurement system. The NPA also serves as secretariat organization to the NPC. Since October 2014, the NPA has operated under the direction of Yama Yari, who holds degrees in engineering and management, and has worked in engineering and construction as well as in government positions.<sup>26</sup>

The NPA reviews proposed contracts, and recommends approval, disapproval, or other action to the NPC. In its first 18 months of operation, the NPA says it assessed 2,000 contracts, of which 1,800 were approved. The NPA's reviews also led to blacklisting 83 companies from contracting for two to five years for falsifying documents or other procurement violations, and had referred cases to the Afghan attorney general's office.<sup>27</sup> The NPA has also trained 1,600 Afghan government personnel in procurement law and practice, and has instituted a tracking system to monitor NPC-approved contracts for cost, scope, schedule, and quality data.<sup>28</sup>

In September 2016, the NPA signed a memorandum of understanding with the Open Contracting Partnership, a nongovernmental organization based in Washington, DC, and with Integrity Watch Afghanistan. The memorandum calls for assessing current levels of transparency and accountability in the Afghan public procurement system, building capacity for public participation and feedback, cooperating on contract-implementation monitoring for a major infrastructure project, and documenting and publishing project results.<sup>29</sup>

Both CSTC-A and SIGAR work with the NPA to improve the Afghan procurement system. In September 2015, CSTC-A established the Procurement Reform Branch within its Contracting Enabler Cell to train, advise, and assist the NPA. As CSTC-A has observed, "One of the underlying challenges facing the National Procurement Authority is how to bring reform to a

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system fraught with corruption for decades, and still keep a functioning procurement system during a time of war.”<sup>30</sup> CSTC-A aims to transition the use of congressionally appropriated Afghan Security Forces Fund money to the Afghan government over the course of several years for “cradle-to-grave execution and management” of requirements procurement.<sup>31</sup>

In response to the additional responsibility the NPA will shoulder as the Afghan government handles more procurement funds itself, SIGAR has prepared fraud-awareness briefings to help NPA specialists recognize fraud indicators and select appropriate responses. SIGAR staff have also met with NPA personnel to discuss new Afghan regulations on debarment under the country’s public-procurement law, the need for reviewing the responsibility of owners and affiliates of contractors accused of fraud and poor performance, the use of online databases to provide publicly available information about debarment decisions, and to review the way SIGAR’s suspension and debarment program operates.

Imposing a reform-oriented entity in a problematic environment has been a challenge. “From the very beginning,” says Murtaza Noori, former NPA director of procurement policy, “the reform process faced protests from government officials and members of parliament. Criminal patronage networks extended into the government itself, and were trying to manipulate and sabotage procurement reforms.”<sup>32</sup>

Using suspension and debarment procedures is one way Afghanistan can clamp down on the networks of corruption and patronage that plague its procurement operations. In the United States, suspension and debarment are long-established administrative tools to ensure that the U.S. government contracts or otherwise transacts business only with responsible persons, as statute mandates.<sup>33</sup> Suspension is an immediate but temporary bar on doing business with the government; debarment is not immediate, but after a noticed proceeding, can be long-term.<sup>34</sup>

By cooperating with Afghan procurement authorities, SIGAR aims to foster sharper oversight and more effective accountability for vendors doing business with the Afghan government—and to a large extent being paid with U.S. taxpayers’ dollars. As of December 30, 2016, the NPA reports that 137 Afghan companies have been debarred from doing business with the Kabul government. Reasons for the debarments include providing phony bank statements, false documents about other contracts, and fake bid-security documents.<sup>35</sup>

One reflection of the influence SIGAR and CSTC-A have had on the course of procurement reform in Afghanistan is that SIGAR Investigations Directorate staff and CSTC-A representatives are invited observers—and typically the only non-Afghans attending—at the weekly sessions of President Ghani’s National Procurement Commission. SIGAR has found this access to be valuable as a means of gaining insight into Afghan government operations and to offer recommendations on matters that come before the NPC.

## PROGRESS AND CAVEATS

Afghanistan's recent steps toward procurement reform are encouraging. But concerns and reservations remain.

One recent indicator appears in *Benchmarking Public Procurement 2016*, a research report on 77 countries prepared by the International Bank for Reconstruction and Development within the World Bank Group. With procurement accounting for about half of developing countries' budgets, the report says, "it provides numerous opportunities for all involved to divert public funds for private gain."<sup>36</sup> The report team collected data and compared use of good procurement practices among 77 countries ranging from Afghanistan and Haiti, to Sweden and the United States. Each country was then assigned to a comparative quintile—quintile 1 being lowest, quintile 5 being highest—in three stages of procurement and two types of complaint and report mechanisms.

Generally, Afghanistan scored well. On the 1–5 quintile scale, Afghanistan was graded at 3 in preparing bids, 5 in submitting and evaluating bids, 5 in awarding and executing contracts, 4 in availability of complaint and reporting mechanisms, and 2 in first-tier review (initial processing of complaints).<sup>37</sup> The varying grades indicate areas for improvement, but also suggest that recent years' legal and administrative reforms have helped.

The Bank's new 2017 benchmarking report is not directly comparable to the 2016 edition: the coverage expanded to 180 countries, and the topics measured and scoring methodology changed. Afghanistan has some low marks, but also a few passable grades. On a 1–100 scale, Afghanistan earns a 56 for needs assessment, call for tender, and bid preparation score; 83 for bid submission; 43 for bid opening, evaluation, and award; 73 for content and management of procurement contract; 74 for performance guarantee rules and practices; and 33 for payment of suppliers.<sup>38</sup>

Overall, as Transparency International said in a September 2016 report, "There is evidence of success and savings made by the National Procurement Commission in holding public procurement processes and contracts to account. . . . Moreover, the National Procurement Authority has successfully implemented a number of key reforms, including recent legislative approval of the National Law on Procurement."<sup>39</sup> The same report added, however, that the "high-level political intervention and oversight" required to carry out the reforms "threatens to undermine the sustainability of stable public procurement procedures and institutions throughout state bodies," and cites reports of parliamentary obstruction of implementing measures affecting the NPA.

The inspector general of the U.S. Department of Defense (DOD IG) recently noted the creation of the NPA and the NPC, as well as CSTC-A's new process for developing requirements and imposing conditions in financial-commitment letters with Afghan ministries, as steps that "improved [the Afghan government's] capacity to reduce corruption and independently

# AFGHAN PROCUREMENT REFORM

identify and develop requirements.”<sup>40</sup> The DOD IG also observed, however, that Afghan provincial leaders without authority to obligate government funds were entering into informal agreements with contractors for goods and services, and that CSTC-A was inconsistently applying penalties for ministry failures to meet commitments.

The DOD IG said allowing provincial leaders to enter into unofficial procurement arrangements invites corruption and favoritism. Further, “Until CSTC-A is able to help [the Afghan government] address its contracting deficiencies,” the DOD IG warned, “future U.S. direct assistance funding continues to be vulnerable to fraud, waste, and abuse.”<sup>41</sup> In general, the DOD IG reported, “CSTC-A officials believe the NPC involvement has enforced contracting standards and decreased corruption in the contracting process.” However, “CSTC-A has not identified any metrics to determine the NPC’s effectiveness.”<sup>42</sup> CSTC-A had, however, earlier commented that the new NPC process produced the Afghan fiscal year “1394 procurement crisis” that left many MOD contracts incompletely executed or not awarded by the end of the fiscal year.<sup>43</sup>

Delays in the reformed procurement process may in part reflect leadership’s and procurement officers’ backgrounds, generally in policy rather than practice, according to former NPA official Noori: “They have little experience with the procurement process. . . . During my time at NPA, I heard many complaints from the infrastructure sector that approval of contracts or even small contract extension or alterations would take months at NPA and NPC to be approved.”<sup>44</sup>

Integrity Watch Afghanistan likewise saw “some progress” in President Ghani’s transparency commitments, the creation of the NPA and NPC, and reshuffling of justice-sector staff, but “in terms of having a clear and comprehensive strategy and the institutionalized approach to fight corruption, as well as in terms of the prosecution of corruption cases, the [National Unity Government] has not been particularly successful.”<sup>45</sup> That is a concern for procurement reform, because visibly effective anticorruption measures help keep vendors and procurement officials honest, or at least deterred from dishonesty.

Afghanistan is, of course, not alone in struggling to improve public procurement. The Asian Development Bank (ADB), of which Afghanistan is a member, has a technical-assistance project under way to improve procurement in several developing member countries; the initial focus was on Bangladesh, Indonesia, Pakistan, and Vietnam.<sup>46</sup> The ADB notes that developing countries’ reform efforts “have primarily focused on first-generation reforms at the national level,” such as changes in legal and regulatory frameworks, but adds, “a huge task remains to translate these into actual changes in procurement practices and outcomes.” The aim of ADB’s technical assistance is to strengthen the capacity of ministries, local governments, and other procuring entities.<sup>47</sup>

# AFGHAN PROCUREMENT REFORM



**Most procurements** are for small items, such as vehicle parts at this depot in Afghanistan. (SIGAR Audits Directorate photo)

Afghanistan's recent efforts appear to continue a top-down approach that a review of post-2001 reform efforts found to be a consistent flaw in the Afghan state. Professor Jennifer Murtazashvili of the Graduate School of Public and International Affairs at the University of Pittsburgh writes that “the structures existing at the dawn of the state building effort basically reflected the old Soviet model of governance,” with heavy emphasis on centralized bureaucracy and “little tolerance for local autonomy.” Experience might suggest that reforms would favor more cooperative relations between the capital and provinces or districts, but “Reform has thus far reinforced centralization and the previous bureaucratic system.”<sup>48</sup>

This last caveat illustrates the tension between exerting effective oversight and control over direct-assistance funds, and the need to change and disseminate attitudes and practices among all levels of Afghan governance. Concentrating power and money at the center may invite and reward evasion and subversion at the periphery. For example, the DOD IG noted that provincial officials have obligated public funds outside of the central system. Another potential issue is that bidders or corrupt procurement officials might divide work into a number of small contracts to stay under value thresholds that would trigger a high-level review.

Centralized systems with high monetary thresholds for review also face the problem that in most countries, public-sector transactions are typically small transactions of relatively low value.<sup>49</sup> Therefore, without consistent application of standard procedures, training requirements, safeguards, and accountability measures at all levels of government procurement and at all steps in the process—requirements definition, solicitation, review, award, monitoring, termination or closeout, and appeal processing—carelessness and dishonesty can multiply around weak spots in the system.

Meanwhile, the reformed procurement structure itself is still a work in progress. According to former NPA official Noori, mechanisms for monitoring contracts and settling disputes are incomplete, and the strategy for creating an e-procurement system is not developed. Nonetheless, he adds, the NPA “has made relatively good progress in a short time, mostly due to personal political support from [President] Ghani.” But after the end of Ghani's term in office, Noori fears, “The NPA will be unable resist pressure and interruption from corrupt forces.”<sup>50</sup>

Too-limited reform can allow large numbers of poor-quality and corrupt lower-cost procurements to occur, undermining governance objectives and sustaining public suspicions about the integrity and effectiveness of the central government. As SIGAR has long reported, this is a particular point of concern for Afghanistan and for its international donors.



## THE STAKES REMAIN HIGH

SIGAR encourages the continuing work of the international Resolute Support train-advise-assist mission, CSTC-A, and of the Ghani administration, to improve the oversight and effective use of foreign on-budget assistance in Afghanistan. The Resolute Support mission, for example, has set up a contract-fraud unit—as recommended in SIGAR’s lessons-learned report on corruption in Afghanistan—and might also usefully offer to undertake joint vetting of contractors with Afghan entities.

But clearly there is much more work to be done by both Afghanistan and the United States to protect on-budget aid funds from waste, fraud, and abuse as greater proportions of aid flow directly onto the Afghan budget and under Afghan ministerial control. As any systems engineer can attest, the success of any new and improved system requires continued monitoring and oversight—something that SIGAR, CSTC-A, and the Afghan law-enforcement community will hopefully continue to perform.

The risks affect both Afghan and U.S. interests. “Misprocurement,” the NPA observes, “would result in a waste of public money, ineffective service delivery, and public disenfranchisement” for Afghans.<sup>51</sup> From the standpoint of U.S. objectives, aid flowing through poor procurement processes risks inadequately funding security forces, strengthening corrupt networks, enriching insurgent sympathizers, and alienating U.S. public support for foreign-policy objectives.

SIGAR’s responsibilities include working to find new ways to prevent and detect waste, fraud, and abuse in Afghanistan reconstruction. That is why, in addition to its support for the reforms embodied in the NPA and NPC, SIGAR maintains close contact with U.S. military and civilian implementing and oversight personnel, and with allied nations who also provide aid to Afghanistan, as well as with the National Unity Government and its new attorney general. SIGAR remains the largest U.S. oversight entity still operating in Afghanistan, with a unique institutional memory supported by its long-term staff presence.

The success of the reconstruction effort in Afghanistan is closely related to the extent to which the Afghan government can effectively manage and protect the funds provided by the United States and other donors for procuring needed goods and services. As Colonel Charles Worshim III, director of CSTC-A’s Contracting Enabler Cell in Kabul, put it:

The government of the Islamic Republic of Afghanistan must realize a transparent procurement system if there is any chance of legitimacy taking hold in the country. In the absence of a transparent system, Afghanistan will always struggle to break free of its designation as one of the most corrupt countries in the world.<sup>52</sup>

“Unfortunately in the nearly five years I’ve been traveling to Afghanistan, I first witnessed the United States put in way too much, way too fast. More recently, I’ve watched the U.S. remove way too much, way too fast. Policy makers both in Congress and the new Trump Administration should take note of this.”

—*Inspector General John Sopko*

# 2 SIGAR OVERSIGHT



## SIGAR OVERSIGHT ACTIVITIES

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Inspector General Sopko and SIGAR engineer Wilhelmina Pierce inspect the abandoned, U.S.-funded hotel that faces the U.S. Embassy in Kabul. (SIGAR photo)

## SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 13 audits, inspections, alert letters, and other products. SIGAR work to date has identified about \$2 billion in savings for the U.S. taxpayer.

SIGAR issued an updated High-Risk List identifying the most critical issues facing reconstruction. The eight areas currently most at risk are: Afghan security forces capacity and capabilities, corruption, sustainability, on-budget support, counternarcotics, contract management, oversight, and strategy and planning. The first High-Risk List was issued in December 2014.

SIGAR published one audit alert letter in response to a congressional inquiry about the Department of Defense's (DOD) Task Force for Business and Stability Operations' use of private villas in Kabul and other locations in Afghanistan. SIGAR also published one performance audit report this period. The audit examined the quality of data USAID used to report progress in Afghanistan's health care sector.

SIGAR completed three financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified more than \$2.4 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified nearly \$380 million in questioned costs.

This quarter, SIGAR published one follow-up inspection report. The report examined the Sheberghan teacher training facility.

SIGAR's Office of Special Projects issued six products expressing concern on a range of issues including: abandonment of a large hotel and apartment building construction project in Kabul funded by the Overseas Private Investment Corporation (OPIC), observations from site visits of 25 schools in Herat constructed or rehabilitated by the United States Agency for International Development (USAID), site inspections of 30 USAID-supported health facilities in Baghlan Province, and a U.S. Embassy Kabul grantee's unsuccessful efforts to increase Afghan women's participation in cricket.

During the reporting period, SIGAR criminal investigations resulted in one conviction and six sentencings; nearly \$2 million in criminal fines and restitutions; and a recovery of \$320,000 from a civil settlement. Additionally, as the result of a SIGAR investigation, and subsequent coordination with

### ALERT LETTERS

- Audit Alert Letter 17-14-AL: Response to Congressional Request for Information about TFBSO Villas

### COMPLETED PERFORMANCE AUDITS

- Audit 17-22-AR: USAID's Efforts to Support and Improve Afghanistan's Health Sector

### COMPLETED FINANCIAL AUDITS

- Financial Audit 17-20-FA: USAID Contract with Black & Veatch Special Projects Corporation for the Kandahar-Helmand Power Program
- Financial Audit 17-23-FA: State Grant with Aga Khan Foundation USA for the Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) Program
- Financial Audit 17-24-FA: State Grant with Sayara Media and Communications for Afghanistan Counternarcotic Program

### COMPLETED INSPECTION REPORTS

- Inspection Report 17-19-IP: Sheberghan Teacher Training Facility

### COMPLETED SPECIAL PROJECT PRODUCTS

- Special Project Review 17-12-SP: Schools in Herat Province: Observations from Site Visits at 25 Schools
- Special Project Review Letter 17-13-SP: Abandonment of OPIC Projects in Kabul
- Special Project Inquiry Letter 17-16-SP: USAID Implementation and Oversight of the Promoting Gender Equity in National Priority Programs (Promote) Initiative

# SIGAR OVERSIGHT ACTIVITIES

## COMPLETED SPECIAL PROJECT PRODUCTS

- Special Project Review 17-17-SP: Women's Cricket Leadership Exchange Grant: Efforts to Increase Women's Participation in Cricket Hindered by a Lack of Support from Afghanistan Cricket Board
- Special Project Review Letter 17-18-SP: USAID-Supported Health Facilities in Baghlan
- Special Project Review 17-21-SP: Nonpayment to Afghan Subcontractors Update

## OTHER SIGAR OVERSIGHT ACTIVITIES

- High-Risk List 17-25-HRL

officials within the Ghani administration, the process to award a \$99 million sole-source contract was terminated prior to award, avoiding excessive costs to the financing entity, to which the United States is a lead contributor. SIGAR initiated 18 new investigations and closed 13, bringing the total number of ongoing investigations to 259.

This quarter, SIGAR's suspension and debarment program referred six parties for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 809, encompassing 453 individuals and 356 companies to date.

## AUDITS

SIGAR conducts performance audits, inspections, and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued one audit alert letter, one performance audit, three financial audits, and two follow-up inspection reports. This quarter, SIGAR has 14 ongoing performance audits.

### Audit Alert Letter

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 audit alert letters to highlight concerns.

During this reporting period, SIGAR sent one audit alert letter in response to a congressional inquiry about DOD's Task Force for Business and Stability Operations' use of private villas in Kabul and other locations in Afghanistan.

### **Audit Alert Letter 17-14-AL: Response to Congressional Request for Information about TFBSO Villas**

On December 5, 2016, SIGAR wrote to Representative Walter Jones with a response to his information request about DOD's Task Force for Business and Stability Operations' (TFBSO) use of private 'villas' in Kabul and other locations in Afghanistan. Representative Jones requested that SIGAR provide information on the cost, occupancy, and use of the villas.

To answer these questions—listed below by number with an abridged version of SIGAR's response—SIGAR auditors searched the TFBSO hard drive that DOD delivered to SIGAR on January 14, 2016, which DOD claimed contained all of its remaining electronic records on the task force. Additionally, SIGAR contacted all the agencies that performed contracting

## ALERT LETTERS

- Audit Alert Letter 17-14-AL: Response to Congressional Request for Information about TFBSO Villas

# SIGAR OVERSIGHT ACTIVITIES

on TFBSO's behalf for the villas in Afghanistan and reviewed their contract documents. SIGAR also contacted three contractors identified as having provided services at the villas: Triple Canopy, Defense Group Incorporated (DGI), and Muscogee Nation Business Enterprise (MBNE). SIGAR also contacted former contractor employees with knowledge of the use and operation of the TFBSO villas.

Question 1 sought the names and employment status (for example: TFBSO staff member, other government agency employee, contractor employee, or TFBSO guest or visitor) of all persons who stayed at these villas while they were leased by TFBSO, the purpose of their visit and the duration of their stay.

After reviewing the TFBSO hard drive, records from relevant contractors, and contract documents, SIGAR was unable to definitively state the names and employment status of everyone who stayed at the villas, the purpose of their visits, or the duration of their stays. However, SIGAR did find "travel trackers" that contained information regarding who may have stayed at the villas between September 18, 2010, and July 20, 2012; the villas were in operation until December 31, 2014. Information from those trackers was included as an enclosure in the alert letter.

Question 2 asked for a breakdown of the costs incurred by TFBSO to operate, furnish, and maintain these villas.

On November 25, 2015, SIGAR's Office of Special Projects reported that DOD spent nearly \$150 million on private housing and private security guards to support TFBSO's operations in Afghanistan. This figure was derived from information provided by legal representatives for Triple Canopy, DGI, and MNBE.

Based on SIGAR auditors' analysis of the TFBSO hard drive, contract documents retained by relevant U.S. contracting agencies, and discussions with the contractors regarding their operation of TFBSO's villas, SIGAR concluded that \$183,213,210 was obligated to 13 contracts or delivery orders that partially or fully supported TFBSO's villas in Afghanistan. However, because the documentation was either incomplete or did not contain enough detail to delineate villa versus non-villa costs, SIGAR could not identify an exact amount.

For four of the 13 contracts or delivery orders, SIGAR could not determine the final obligated amount because the U.S. contracting agencies were either unable to locate the contract closeout documentation, or the contract documentation purportedly had been disposed of in accordance with normal agency procedures.

For all contracts that lacked closeout documentation, SIGAR's alert letter included an enclosure with obligation data and each contract's original obligation amount or final costs as reported by the contractor, as available.

Question 3 sought descriptions of the various types of villas TFBSO used. For example, SIGAR's November 25, 2015, inquiry letter refers to

# SIGAR OVERSIGHT ACTIVITIES

“leadership villas” and “investor villas.” How did these villas differ from one another and what might have been more basic villas? How did TFBSO decide who would occupy each type of villa?

SIGAR could not find a documented distinction between the “leadership villas” and “investor villas” based on analysis of the TFBSO hard drive, the contract files, and information provided by Triple Canopy, DGI, and MNBE. In addition, SIGAR could not find any documents indicating how TFBSO decided who would occupy each type of villa.

Only Triple Canopy’s contracts contained language distinguishing the types of villas; however, the contract documents do not make a clear distinction between villas types beyond calling for separate office spaces, kitchens, and dining rooms for investor villas, and requiring upgraded furnishings. The contracts did not specify which villas were for investors or how many there were.

Question 4 asked for copies of all contract-related documents pertaining to services at the villas provided by Triple Canopy, DGI, and MNBE. “Contract-related documents” includes contracts, delivery and task orders, modifications and amendments, as well as contract proposals, solicitations, award decisions, justifications (for single-bid contracts and contracts awarded with less than full and open competition), contract audits and reviews, and contractor past performance reviews.

SIGAR requested copies of all contract-related documents for the villas from each of the four relevant contracting offices. The U.S. Air Force Acquisition Directorate notified SIGAR that it could not find its TFBSO contract files, possibly because it had disposed of them. The General Services Administration provided SIGAR with partial files electronically. The Department of Interior and DOD’s Washington Headquarters Service provided SIGAR access to all the contract files, but did not give SIGAR copies. This is because many of the contract files related to TFBSO villa operations consist of hundreds, if not thousands, of paper pages, making them prohibitively burdensome to scan or photocopy in their entirety. SIGAR therefore reviewed each contract file in its entirety, but retained copies of only relevant information, including closeout documentation.

DOD’s records for TFBSO are incomplete. In fact, in response to a separate congressional request, SIGAR attempted to perform a full financial audit of TFBSO’s activities in Afghanistan. Because DOD could not produce basic contract files and other financial information related to TFBSO’s expenditure of the \$640 million in appropriations it received, SIGAR determined that it would be impossible to conduct a full financial audit that would allow SIGAR to express a meaningful opinion on TFBSO’s financial records.

SIGAR continues to make inquiries to DOD, the contracting agencies, TFBSO’s contractors, and former task force employees as part of SIGAR’s ongoing audit of TFBSO activities in Afghanistan.



## Performance Audit Reports Published

SIGAR published one performance audit report this quarter. The audit examined the quality of data USAID used to report progress in Afghanistan's health care sector.

### **Performance Audit 17-22-AR: Afghanistan's Health Care Sector USAID's Use of Unreliable Data Presents Challenges in Assessing Program Performance and the Extent of Progress**

Since 2002, USAID has obligated nearly \$1.5 billion in assistance to develop Afghanistan's health care sector and publicly cites numerous achievements made in life expectancy, child and infant mortality, and maternal mortality. However, SIGAR found that USAID did not disclose data quality limitations. This lack of disclosure calls into question the extent of the achievements claimed. Given the difficulties in collecting data, USAID's Automated Directive System allows USAID missions to choose the best available evidence. However, missions are required to be transparent and to communicate "any limitations in data quality so that achievements can be honestly assessed." In all cases SIGAR reviewed, USAID did not disclose data limitations.

For example, for life expectancy, USAID publicly reported a 22-year increase from 2002 to 2010. USAID did not disclose that the baseline data came from a World Health Organization report which cited that due to the severe scarcity of information in countries like Afghanistan, indirect estimating methods were used. In addition, a later World Health Organization report only shows a six-year increase for males and an eight-year increase for females in life expectancy between 2002 and 2010. For maternal mortality, USAID's public documents cite a decrease from 1,600 to 327 deaths per 100,000 live births between 2002 and 2010. However, upon reviewing USAID's data, SIGAR found that the 2002 information was based on a survey conducted in only four of Afghanistan's then-360 districts. USAID's own internal documentation acknowledged the limitations.

USAID has also relied on data from the Ministry of Public Health's (MOPH) Health Management Information System (HMIS), which contains information entered by Afghans working at clinics and hospitals throughout the country. This includes information on the number of patients seen and number of births that occurred at each facility. However, according to the director general of the MOPH department that oversees the system, "The data in HMIS [are] not 100% complete." Furthermore, in 2014, the World Bank found that although HMIS officials in Kabul require provincial officers to verify the accuracy of reports collected in their provinces by visiting the health facilities themselves, the officials indicated that "they rarely travelled outside the provincial capital and rarely verified the reports."

SIGAR found that USAID's project evaluations and performance reports were not linked to the broader health care assistance objectives included in

## COMPLETED PERFORMANCE AUDITS

- Audit 16-22-AR: USAID's Efforts to Support and Improve Afghanistan's Health Sector

# SIGAR OVERSIGHT ACTIVITIES

the PMP for Afghanistan, and the agency's performance-monitoring effort lacked the information needed to prove that its efforts helped achieve its objectives. For example, USAID provided us with final performance reports for eight of the 20 completed projects. Based on our review of these eight reports, SIGAR determined that there was not a direct link between these reports and the five health-assistance objectives listed in the U.S. Mission in Afghanistan's Post Performance Management Plan (PMP), which State and USAID developed in 2010 to help U.S. Embassy Kabul plan, set, manage, and assess its assistance efforts for 2011 through 2015. For example, the final performance report for the Basic Support for Institutionalizing Child Survival-III project discussed child malnutrition, one of the five health care assistance objectives, but calculated child malnutrition differently than the metric used in the PMP.

USAID guidance requires at least one external evaluation, but does not specify when that evaluation is to be conducted. Not having an independent final evaluation forces USAID to rely on reports from implementing partners that may have a conflict of interest because the implementing partner also performed the project. These reports could be biased, increasing the risk that USAID is using inaccurate information to influence decisions about future health care projects. For example, in August 2012, a final report written by the implementing partner for the \$100.5 million Tech-Serve project claimed that it strengthened the MOPH Grants and Contract Management Unit's capacity to handle donor funds. However, only four months later, USAID's own assessment directly contradicted the Tech-Serve implementing partner's final report, and USAID concluded that it cannot rely on the MOPH's systems and internal controls to manage donor funds.

Additionally, USAID did not contract for an external evaluation of the \$259.6 million Partnership Contracts for Health (PCH) project, the agency's largest health care project in Afghanistan. According to USAID, the PCH project did not need an external or final evaluation because both the USAID Office of Inspector General and SIGAR had reviewed the project. USAID justified waiving its own requirement for an external evaluation of PCH on the basis of these prior reviews. However, the USAID Office of Inspector General's and SIGAR's reviews did not examine the project's overall effectiveness or how it related to the health objectives in the PMP.

Finally, Afghanistan faces several challenges to developing a strong, sustainable health care sector. The Afghan government lacks funds to operate and sustain its health care facilities; hospitals are unable to provide adequate care; health care facilities lack qualified staff; and corruption throughout the system remains a concern. Because of these challenges, many Afghans seek health care services abroad. According to a 2014 *Medecins Sans Frontieres* report, Afghans have limited faith in the quality of their health care system. The report states that four out of five Afghans bypassed their closest public clinic primarily because they believed there

# SIGAR OVERSIGHT ACTIVITIES

were problems with the availability or quality of staff, services, or treatments there. As a result, according to MOPH, USAID, and World Health Organization officials, Afghans spend approximately \$285 million annually on health care services in other countries, depriving the health care sector of a vital source of revenue and further weakening the government's ability to sustain the facilities that donors are now funding. Furthermore, according to MOPH surveys, 99% of respondents said the medical care they received abroad was better than the care they received at home.

SIGAR made three recommendations to USAID. To ensure that government decision makers and the general public have an accurate understanding of progress in the Afghan health care sector and ensure that USAID has more insight into the accuracy and reliability of implementing partners' final performance reports, SIGAR recommended that the USAID Mission Director for Afghanistan: (1) acknowledge in external reporting the limitations associated with surveys and data the agency uses to demonstrate its achievements in the health care sector in Afghanistan; (2) amend mission guidelines for conducting project reviews in Afghanistan to require an explicit discussion of the applicable PMP objectives; and (3) take action to validate the accuracy of final health care project reports submitted by implementing partners 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 three financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. The audits question expenditures that cannot be substantiated or are potentially unallowable. The total number of ongoing financial audits is 21 with nearly \$707 million in auditable costs, as shown in Table 2.1.

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 nearly \$380 million in **questioned costs** and \$363,244 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of December 31, 2016, funding agencies had disallowed nearly \$16.9 million in questioned amounts, which are subject to collection. It takes time for funding agencies to carefully consider audit findings and

TABLE 2.1

<b>SIGAR'S FINANCIAL AUDIT COVERAGE</b> (\$ BILLIONS)	
86 Completed Audits	\$6.9
21 Ongoing Audits	\$0.7
<b>Total</b>	<b>\$7.6</b>

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

Source: SIGAR Audits and Inspections Directorate.

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

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

# SIGAR OVERSIGHT ACTIVITIES

## 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.

recommendations. As a result, final disallowed cost determinations remain to be made for several of SIGAR's issued financial audits. SIGAR's financial audits have also identified and communicated 325 compliance findings and 347 internal-control findings to the auditees and funding agencies.

SIGAR's financial audits have four specific objectives:

- Express an opinion on whether the **Special Purpose Financial Statement** for the award presents fairly, in all material respects, revenues received, costs incurred, items directly procured by the U.S. government, and balance for the period audited in conformity with the terms of the award and generally accepted accounting principles or other comprehensive basis of accounting.
- Evaluate and obtain a sufficient understanding of the audited entity's internal control related to the award; assess control risk; and identify and report on significant deficiencies, including material internal-control weaknesses.
- Perform tests to determine whether the audited entity complied, in all material respects, with the award requirements and applicable laws and regulations; and identify and report on instances of material noncompliance with terms of the award and applicable laws and regulations.
- Determine and report on whether the audited entity has taken adequate corrective action to address findings and recommendations from previous engagements.

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

## Financial Audits Published

This quarter, SIGAR completed three financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified \$2,417,088 in questioned costs as a result of internal control deficiencies and noncompliance issues and \$109 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. These deficiencies and noncompliance issues included receiving reimbursement for subcontractor costs that were never incurred, failing to meet a grant's cost-sharing requirements, charging unallowable laundry expenses to a grant, employing a foreign currency conversion process that did not follow U.S. generally accepted accounting principles, failing to adjust indirect cost rates to reflect actual costs, and neglecting to complete a cost or price analysis for a mobile phone service procurement.

## COMPLETED FINANCIAL AUDITS

- Financial Audit 17-20-FA: USAID Contract with Black & Veatch Special projects Corporation for the Kandahar-Helmand Power Program
- Financial Audit 17-23-FA: State Grant with Aga Khan Foundation USA for the Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) Program
- Financial Audit 17-24-FA: State Grant with Sayara Media and Communications for Afghanistan Counternarcotic Program

## **Financial Audit 17-20-FA: USAID's Kandahar Helmand Power Project**

### **Audit of Costs Incurred by Black & Veatch Special Projects Corporation**

On December 9, 2010, USAID awarded a \$266 million, 34-month contract to Black & Veatch Special Projects Corporation (BVSPC) to fund the Kandahar Power Initiative. As a critical component of the U.S. government's counterinsurgency strategy in southern Afghanistan, the initiative was part of a national program to improve the Southeast Power System and connect it with other electrical grids in Afghanistan. Over the course of 18 modifications, the program was renamed the Kandahar Helmand Power Project (KHPP), the budget was reduced to \$229 million, and the period of performance was extended to November 30, 2015. USAID authorized BVSPC to conduct contract closeout activities through December 31, 2015. SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe), reviewed \$227,372,464 charged to the contract from December 9, 2010, through December 31, 2015.

Crowe identified four material weaknesses and four significant deficiencies in BVSPC's internal controls and 10 instances of noncompliance with the terms and conditions of the KHPP contract. Of note, Crowe found that BVSPC was reimbursed for more than \$1.3 million in subcontractor costs that were not reimbursable. Another \$34,473 was called into question because BVSPC did not complete cost and price analysis for a procurement for mobile phone service. Crowe also reported several findings arising from deficiencies in BVSPC's property and inventory records.

As a result of these internal-control weaknesses and instances of noncompliance, Crowe identified \$1,350,382 in total questioned costs, consisting of \$1,313,191 in **ineligible cost** and \$37,191 in **unsupported costs**.

Crowe reviewed five prior audit reports applicable to the KHPP and conducted follow-up procedures on seven matters that could have a direct and material effect on the Special Purpose Financial Statement (SPFS) or other financial information significant to the audit objectives. Crowe concluded that BVSPC had not taken adequate corrective action on three of the items.

Crowe issued an unmodified opinion on BVSPC's SPFS, noting that it presents fairly, in all material respects, revenues received, costs incurred, and the balance for the period audited.

Based on the results of the audit, SIGAR recommends that the responsible contract officer at USAID:

1. Determine the allowability of and recover, as appropriate, \$1,350,382 in questioned costs identified in the report.
2. Advise BVSPC to address the report's eight internal-control findings.
3. Advise BVSPC to address the report's 10 noncompliance findings.

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

**Ineligible costs:** costs prohibited by the award, applicable laws, or regulations.

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## **Financial Audit 17-23-FA: Department of State's Strengthening Afghan Governance and Alternative Livelihoods Program**

### **Audit of Costs Incurred by the Aga Khan Foundation USA**

On July 17, 2014, the Department of State (State) awarded an \$11,884,816 grant to the Aga Khan Foundation USA (AKF) to support the Strengthening Afghan Governance and Alternative Livelihoods program. Its purpose was to improve alternative livelihoods for vulnerable populations in Afghanistan and to complement similar past and current programming funded by the U.S. government. According to AKF's website, the activities were designed to "strengthen farmers' capacity to improve their livelihoods with better inputs (seeds, fertilizers, and access to extension services), training on new technology, and mechanisms that connect farmers with markets to increase sales of their crops." The award was active from July 21, 2014, through January 20, 2016, with total obligated funding of \$11,078,002. SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe), reviewed \$11,078,002 in expenditures charged to the grant from July 21, 2014, through January 20, 2016.

Crowe identified two material weaknesses and one significant deficiency in AKF's internal controls. In addition, Crowe found three instances of noncompliance. The first instance deals with the terms and conditions of the grant; AKF did not meet the cost-sharing requirement and did not make the required in-kind contributions. As result, Crowe questioned \$928,370 because of the cost sharing, and AKF was eligible to receive only 85.4% of the funds the U.S. government authorized for the program.

In the second instance, Crowe found that AKF did not have a policy that explained the foundation's responsibilities in monitoring and classifying its subgrantees which resulted in \$133,155 questioned costs. The last instance involved charging unallowable laundry expenses.

In addition, AKF's foreign-currency conversion process did not follow U.S. generally accepted accounting principles, which require the exchange rate to be recorded when a transaction occurs. AKF instead recorded its currency-exchange transactions at the beginning of the month.

As a result of these internal-control deficiencies and instances of non-compliance, Crowe identified \$1,061,510 in total questioned costs, all of which were unsupported costs. Crowe did not identify any ineligible costs.

Crowe identified three previous audit reports that could have a material impact on the Special Purpose Financial Statement (SPFS). However, after review, Crowe concluded that there were no applicable findings and therefore no follow-up action was required.

Crowe issued a modified opinion on AKF's SFPS due to the amount of material questioned costs related to the cost-share requirement not being met and inadequate subrecipient monitoring procedures and classification.

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

1. Determine the allowability of and recover, as appropriate, \$1,061,510 in questioned costs identified in the report.
2. Advise AKF to address the report's three internal-control findings.
3. Advise AKF to address the report's three noncompliance findings.

## **Financial Audit 17-24-FA: Department of State's Afghanistan Counternarcotics Program**

### **Audit of Costs Incurred by Sayara Media and Communications**

On April 3, 2013, State awarded an \$8,219,255 cooperative agreement to Sayara Media and Communications (Sayara) to support State's Afghanistan Counternarcotics Program. The two-year program sought to deliver organizational reform to the Afghan Ministry of Counternarcotics and increase the capacity of its staff. According to the agreement, Sayara was required to engage in activities such as collecting reliable information on the Afghan drug trade, initiating a public information and awareness campaign, and shifting ownership of program implementation, oversight, and responsibility to the ministry in the program's second year.

After four modifications, the total obligated amount of the agreement increased to \$12,678,720, and the period of performance was extended to November 6, 2017. SIGAR's financial audit, performed by Crowe Horwath LLP (Crowe), reviewed \$9,719,662 in expenditures Sayara charged to the agreement for the period from April 4, 2013, through April 3, 2016.

Crowe identified one significant deficiency, two deficiencies in Sayara's internal controls, and three instances of noncompliance with the terms and conditions of the cooperative agreement and applicable regulations. For example, Crowe found that Sayara did not adjust its indirect cost rates to reflect actual costs, but instead charged the agreement based on estimated rates. Crowe also found that Sayara did not use \$5,196 that State provided. Finally, Crowe found that in nine of 11 instances tested, Sayara withdrew more federal funds than it needed to pay program costs, which was contrary to the cooperative agreement's requirements.

Because of these internal-control deficiencies and instances of noncompliance, Crowe identified \$5,196 in total questioned costs categorized entirely as unsupported. Crowe did not identify any ineligible costs. Crowe calculated \$109 in imputed interest on the excess funds Sayara withdrew.

Crowe identified four previous audit reports. However, because they did not have any findings or recommendations, no follow-up action was required.

Crowe issued a modified opinion on the SPFS because of the issues noted with respect to Sayara's charges for indirect costs. Crowe concluded that indirect costs may be misstated in the statement.

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

# SIGAR OVERSIGHT ACTIVITIES

1. Determine the allowability of and recover, as appropriate, \$5,196 in questioned costs identified in the report.
2. Collect \$109 in interest from Sayara.
3. Advise Sayara to address the report's three internal-control findings.
4. Advise Sayara to address the report's three noncompliance findings.

## COMPLETED INSPECTION REPORTS

- Inspection Report 17-19-IP:  
Sheberghan Teacher Training Facility

## INSPECTIONS

### Inspection Report Published

This quarter, SIGAR published a follow-up inspection report that examined the Sheberghan teacher training facility.

#### **Inspection Report 17-19-IP: Sheberghan Teacher Training Facility Electrical System Deficiencies Were Corrected, but Water Quality and Funding for Generator Fuel Remain Concerns**

This report discusses the results of SIGAR's follow-up inspection of the Sheberghan teacher training facility, which was funded by USAID and constructed under a U.S. Army Corps of Engineers (USACE) contract. SIGAR's objectives for this inspection were to assess whether the facility (1) had been completed in accordance with contract requirements and applicable construction standards, and (2) was being used.

On July 17, 2013, SIGAR reported that four years after construction began, the facility was still not complete, and Mercury Development, the original contractor, had walked away from the project after being paid \$3.1 million, despite poor performance, the facility's being incomplete, and unresolved electrical issues. SIGAR also noted that USACE dismissed Zafarkhaliq Construction Company, the second contractor, for its inability to complete the project. In addition, SIGAR reported that the facility's electrical wiring did not meet the U.S. National Electrical Code, as the contract required, and that an improper entry, known as a "tap," into the electrical system exposed occupants to potential electrocution and fire hazards.

During SIGAR's follow-up site visits conducted in April 2015 and September 2016, SIGAR found that the facility had been completed and was being used. SIGAR also found that although the facility's construction was substantially delayed, it was generally completed according to engineering standards and the electrical deficiencies SIGAR identified in the first inspection report had been resolved. The facility's water quality and funding for fuel to meet generator requirements remain concerns.

SIGAR provided a draft of this report to USAID for comment. In its comments, USAID stated that the Sheberghan teacher training facility has been completed, and all recommendations from SIGAR's July 2013 report have been resolved. With regard to water quality, the agency noted that because the facility was officially transferred to the Ministry of Higher Education, it



is now the ministry's responsibility to purchase chlorine to ensure that the water-treatment system works as designed. USAID said it would alert the ministry about the need for chlorine. With regard to funding the generator fuel, USAID stated that the amount of fuel required has decreased significantly because the facility is now connected to the city power grid for its primary source of electricity.

Because the deficiencies SIGAR identified in the July 2013 inspection report have been corrected and the Ministry of Higher Education is now responsible for the facility's operation and maintenance, SIGAR is not making any new recommendations.

## **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 four recommendations contained in two audit and inspection reports. These reports contained recommendations that resulted in the recovery of \$68,605 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through December 2016, SIGAR published 244 audits, alert letters, and inspection reports and made 714 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed over 82% 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 52 audit and inspection reports. There were no recommendations over 12 months old where the agency had yet to produce a corrective-action plan that SIGAR believes would resolve the identified problem or otherwise respond to the recommendations. However, there are 30 audit and inspection reports over 12 months old for which SIGAR is waiting on the respective agencies to complete their agreed-upon corrective actions.

## **SPECIAL PROJECTS**

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

## COMPLETED SPECIAL PROJECTS

- Special Project Review 17-12-SP: Schools in Herat Province: Observations from Site Visits at 25 Schools
- Special Project Review Letter 17-13-SP: Abandonment of OPIC Projects in Kabul
- Special Project Inquiry Letter 17-16-SP: USAID Implementation and Oversight of the Promoting Gender Equity in National Priority Programs (Promote) Initiative
- Special Project Review 17-17-SP: Women's Cricket Leadership Exchange Grant: Efforts to Increase Women's Participation in Cricket Hindered by a Lack of Support from Afghanistan Cricket Board
- Special Project Review Letter 17-18-SP: USAID-Supported Health Facilities in Baghlan
- Special Project Review 17-21-SP: Nonpayment to Afghan Subcontractors Update

problems and questions. This quarter, SIGAR's Office of Special Projects wrote six products, including reviews, review letters, and inquiry letters, expressing concern on a range of issues including: the abandonment of a large OPIC-funded hotel and apartment building construction project in Kabul, observations from site visits of 25 schools in Herat Province constructed or rehabilitated by USAID, site inspections of 30 USAID-supported health facilities in Baghlan Province, and a grantee's unsuccessful efforts to increase Afghan women's participation in cricket.

## Review 17-12-SP: Schools in Herat Province

### Observations from Site Visits at 25 Schools

This report is the first in a series that will discuss SIGAR's findings from site visits at schools across Afghanistan. The 25 schools discussed in this report were either built or rehabilitated using taxpayer funds provided by the USAID. As of September 30, 2016, USAID has disbursed about \$868 million for education programs in Afghanistan. The purpose of this Special Project review is to determine the extent to which schools purportedly constructed or rehabilitated in Herat province using USAID funds were open and operational, and to assess their current condition.

SIGAR was able to assess the general usability and potential structural, operational, and maintenance issues for each of the 25 schools. SIGAR's observations from these site visits indicated that there may be problems with student and teacher absenteeism at many of the schools SIGAR visited in Herat that warrant further investigation by the Afghan government. SIGAR also observed that several schools in Herat lack basic needs including electricity and clean water, and have structural deficiencies that are affecting the delivery of education.

SIGAR provided a draft of this review to USAID for comment on October 7, 2016. USAID provided comments on November 2, 2016. In its comments, USAID pointed out that it rehabilitated 21 of the schools SIGAR visited and constructed four of them. USAID also stated that it is no longer building new schools in Afghanistan and that it had transferred these 25 schools to the Afghan Ministry of Education (MOE) by 2006. USAID also stated that "a single 1–2 hour site visit during only one of two or potentially three shifts during a school day cannot substantiate claims of low attendance." As stated in the report, SIGAR agrees and acknowledges that it "cannot draw any firm conclusions based on [its] observations, because site visits only represent a snapshot in time." Additionally, USAID stated that it "will ensure that the MOE is notified of the data issues identified by SIGAR for further analysis, and follow-up as well on the other issues raised in the SIGAR review." SIGAR conducted its work in Herat and Kabul Provinces, and in Washington, DC from November 2015 through September 2016 in accordance with SIGAR's quality-control standards.

## **Review Letter 17-13-SP: Abandonment of OPIC Projects in Kabul**

SIGAR sent OPIC a review letter to alert the corporation to serious deficiencies in the management and oversight of \$85 million in loans made by OPIC for the construction of a hotel and an adjacent apartment building, directly across the street from the U.S. Embassy in Kabul, Afghanistan.

The proposal for the so-called Marriott Kabul Hotel project was submitted to OPIC in December of 2006 by Fathi Taher, a Jordanian citizen, and his U.S. sponsor, General Systems International LLC. The project called for the construction of “a 209-room, five-star hotel in Afghanistan . . . that [would] provide accommodation for foreign investors, an important boost to reconstruction efforts in the country, and a gateway for returning Afghan citizens who have spent time outside of their homeland.” According to an OPIC report, “The foreign exchange generated from official government and business travelers will contribute to the economic development of other sectors in the Afghan economy. These foreign exchange earnings are expected to total over \$80 million annually.”

In January 2007, OPIC approved the proposed loan for \$60 million. An initial disbursement of a portion of the loan was made in February 2009 and construction was originally expected to be completed by the end of 2010. Ultimately, there were four loan disbursements made, totaling \$57,771,796.

In 2010, Fathi Taher and his United States sponsor, Apus Apartments LLC, submitted a proposal to OPIC for the construction of an apartment building adjacent to the hotel, referred to as the “Kabul Grand Residences”. The apartment building was intended to provide “secure housing to local residents, expatriate workers, foreign diplomats, international aid workers, and U.S. government personnel.” The loan was approved by OPIC in September 2011, for \$27 million. OPIC made three loan disbursements totaling \$27 million for the project. The developer and the project manager for both the hotel and the apartment building was the same Fathi Taher entity, Tayl Investors Group.

SIGAR found the hotel and the apartment building to be abandoned empty shells, and both loans were in default, possibly as the result of fraud. SIGAR’s preliminary investigation of these projects indicated troubling management practices and lax oversight by OPIC. The loans for both projects were disbursed in increments over time based on progress reports submitted by the borrower. However, OPIC did not regularly visit the sites or have an on-site monitoring presence at either construction project, but instead relied almost exclusively on representations made by the loan recipients regarding the status of the projects. As a result, the \$85 million in loans is gone, the buildings were never completed and are uninhabitable, and the U.S. Embassy is now forced to provide security for the site at additional cost to U.S. taxpayers.

While SIGAR’s investigation of these two projects and a third OPIC project in Afghanistan is ongoing, SIGAR believes the issues raised by these

# SIGAR OVERSIGHT ACTIVITIES

loans have broader implications which deserve OPIC's immediate attention. The failure to properly manage and oversee these loans may indicate systemic problems in the management and oversight of OPIC loans for other projects in Afghanistan and elsewhere around the world, putting additional millions of dollars at risk.

OPIC has a long history of providing financing and insurance for successful projects in developing countries under difficult circumstances, and SIGAR believes that OPIC has a potentially valuable role to play in Afghanistan. However, SIGAR's investigation indicates that OPIC's oversight practices for the Marriott Kabul Hotel and the adjacent apartment project in Kabul did not provide adequate assurance that OPIC's loan funds were properly spent.

OPIC provided nearly \$85 million to the same developer for these two projects, but did not employ or contract with a project supervisor or monitor willing to be on-site to provide an objective, independent assessment of construction progress.

In the letter, SIGAR expressed concern that the projects did not have an appropriate level of oversight considering the risk and size of the loans. SIGAR encouraged OPIC to use more robust oversight practices, appropriate to the dynamic nature of Afghanistan's security environment, when funding any future large-scale construction projects in Afghanistan. Further, given that these projects have been abandoned for the last three years, SIGAR encouraged OPIC to take immediate action to recoup the loan funds from the recipients.

The USAID Office of Inspector General is tasked with providing independent oversight that promotes the efficiency, effectiveness, and integrity of OPIC programs and operations. Therefore, SIGAR is coordinating with them regarding the issues raised in this letter because these management and oversight issues may extend to OPIC projects beyond Afghanistan.

SIGAR conducted this special project in Washington, DC and Kabul, Afghanistan from February 2016 to October 2016, in accordance with SIGAR's quality-control standards.

## **Inquiry Letter 17-16-SP: USAID Implementation and Oversight of the Promoting Gender Equity in National Priority Programs (Promote) Initiative**

On December 7, 2016, SIGAR sent an inquiry letter to USAID Administrator Gayle Smith requesting information regarding USAID's implementation and oversight of the Promoting Gender Equity in National Priority Programs (Promote), USAID's largest gender-focused initiative.

Promote launched in July 2013. USAID designed Promote to facilitate the advancement of Afghan women into leadership positions in government, the private sector, and civil society through education and training programs. In October 2014, USAID announced the award of five-year,

# SIGAR OVERSIGHT ACTIVITIES

indefinite-delivery/indefinite-quantity contracts for Promote to three prime contractors to implement the program: Chemonics International, Development Alternatives Inc., and Tetra Tech Inc.

As of October 30, 2016, USAID has committed \$280 million to Promote and has sought to raise an additional \$200 million from foreign donors. When USAID announced the program in 2013, then-Administrator Rajiv Shah, stated, “The program will make available more than \$400 million dollars with contributions of nearly \$200 million dollars from the United States, and we seek to raise more the \$200 million dollars from other international donors many of which have already expressed a willingness to invest.”

However, more than a year later when the contracts were awarded in October 2014, no other donors had committed funds to the program.

In March 2015, SIGAR wrote to then-Acting Administrator Alfonso Lenhardt to request information related to the development and initial implementation of the Promote program. SIGAR’s letter expressed concern about whether USAID would be able to effectively implement, monitor, and assess the impact of Promote.

In response to the inquiry about international donor commitments, USAID stated that it “realized early on that the Promote project had great potential to engage other donors increasingly interested in the issue of women’s rights” and that it “is evaluating potential Promote partnership opportunities with other international donors.” However, since then, USAID has reported that it has still not obtained any international commitments to the program.

In addition, SIGAR was concerned that a large portion of the funding USAID has committed to Promote may go mostly to U.S. contractors, rather than spent to directly benefit Afghan women. These concerns are shared by Afghan women themselves. In late August and early September 2016, a team of female SIGAR officials went to Afghanistan on a fact-finding mission to identify the major challenges facing Afghan women. The SIGAR team interviewed more than 40 prominent Afghan women, including President Ghani’s wife, First Lady Rula Ghani. Among other things, SIGAR’s interviews showed that, “As with many other U.S. aid projects, they fear that despite what appears to be generous funding, a large portion will be absorbed by U.S. contractors, leaving little to actually reach Afghan women.”

To help ensure that the Promote program is successful in achieving important benefits for Afghan women, SIGAR recently initiated an audit to examine USAID’s efforts to implement, oversee, and evaluate Promote since its launch in November 2014. In support of that audit, and to better understand the reasons for the lack of international donor support and ongoing concern related to security and overhead costs, SIGAR inquired about: (1) international donor outreach for Promote and potential donors reasons provided, if any, for opting not to donate; (2) steps USAID took to identify and eliminate duplication of efforts by Promote activities and

other gender-related programs implemented by international donors in Afghanistan; and (3) the percentage of total program disbursements spent on security and overhead costs for the three contractors and program implementers.

## **Review 17-17-SP: Women’s Cricket Leadership Exchange Grant Efforts to Increase Women’s Participation in Cricket Hindered by a Lack of Support from Afghanistan Cricket Board**

In September 2014, U.S. Embassy Kabul’s Public Affairs Section (PAS) approved a grant of \$470,392 to develop, coordinate, and implement a regional women’s leadership exchange for female cricket players from Afghanistan, India, and Pakistan. In February 2016, SIGAR received a complaint questioning whether the funds provided under the grant were used as intended. SIGAR initiated this review in response to that complaint and to determine the extent to which the grant achieved its intended objectives. SIGAR found that the grantee failed to develop, coordinate, and implement the women’s cricket exchange largely due to a lack of support from the Afghanistan Cricket Board (ACB), and that the grantee and PAS jointly agreed to terminate the grant on February 1, 2016. In July 2016, SIGAR verified that the grantee returned \$329,991 to PAS, or approximately 90% of the original \$376,313.42 grant funds disbursed, as well as six unused mobile phones.

SIGAR provided a draft of this report to the State Department on October 11, 2016. SIGAR received comments from PAS Kabul on November 19, 2016. In its comments, PAS stated that “it appears that SIGAR may not have spoken with any women cricket players or to Ms. Tuba Sengar, the Director of Women’s Cricket at the Afghanistan Cricket Board,” and that doing so “would have been very helpful in clarifying many of the points that the draft report left as inconclusive.” However, SIGAR interviewed Ms. Sengar in conjunction with its meeting with Shafiqullah Stanikzai, the chief executive officer of the ACB, and revised text in the Special Project report to reflect that meeting. SIGAR was unable to speak with the women who participated in the exchange, due to the inability of either PAS or the grantee to provide a roster of participants.

PAS also reported that while it was disappointed that it was unable to achieve the goals outlined in the project, both “PAS and [the grantee] intensely monitored the project from its inception in September 2014 until its end in January 2016.” However, SIGAR’s primary observation is that PAS and the grantee gave significant leeway to the ACB to implement project activities and did not exercise sufficient control and oversight of the completion of grant activities, including team selection and coordination with partner cricket boards to ensure that intended outcomes were met.

On December 9, 2016, State requested that SIGAR not publish their comments as an appendix to the review, as is SIGAR’s normal practice, because

their comments included some identifying references to the grantee that could endanger personnel in Afghanistan. Given the nature of State's request and its ongoing concern for the safety and security of grantee personnel, SIGAR agreed not to publish State's comments. SIGAR conducted this special project in Washington, DC, and Kabul, Afghanistan from April 2016 to October 2016, in accordance with SIGAR's quality-control standards.

## **Review Letter 17-18-SP: USAID-Supported Health Facilities in Baghlan**

SIGAR sent USAID a review letter to inform them of the results of site inspections conducted by SIGAR to verify the locations and operating conditions at 30 public-health facilities in Baghlan Province, Afghanistan.

These facilities are supported by USAID through the World Bank-administered Afghanistan Reconstruction Trust Fund (ARTF). Previously, the Afghan Ministry of Public Health (MOPH) received funds through direct bilateral assistance from USAID to fund operations at these health facilities. SIGAR found substantial inaccuracies in the geospatial coordinates USAID previously provided for many of these 30 health facilities, and observed that not all facilities had access to electricity and drinking water. This is the fourth in a series of health facility reviews SIGAR is conducting in provinces throughout Afghanistan.

All of the 30 facilities SIGAR inspected were supported by USAID's \$259.6 million Partnership Contracts for Health (PCH) program from July 2008 through June 2015. The PCH program provided funding to support the operations of approximately 600 health facilities in 13 Afghan provinces, including 50 in Baghlan Province. A key component of the PCH program in Baghlan was the use of detailed geospatial location information—in the form of global positioning system (GPS) coordinates—to ensure health facilities were in the appropriate locations. SIGAR selected 30 of the 50 facilities to visit and observe operational conditions based on initial findings from geospatial analysis and site-security assessments.

Following the conclusion of the PCH program on June 30, 2015, USAID immediately began providing funding to support the same health facilities through the World Bank-administered System Enhancement for Health Action in Transition (SEHAT) program, which is scheduled to run through June 2018. The total USAID contribution to the SEHAT program is expected to be approximately \$228 million. USAID contributes funds to the ARTF, and these funds are “preferenced” (earmarked) to support the SEHAT program, specifically to support the same health care facilities in the 13 provinces where USAID previously administered its PCH program.

Since 2014, SIGAR has expressed concern regarding the oversight of facilities supported by PCH. Those concerns have continued with the administration of SEHAT. Over the past year, SIGAR has issued multiple

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letters calling into question the accuracy of the geospatial coordinates of PCH- (now SEHAT-) supported health facilities throughout Afghanistan.

In response to SIGAR's initial Alert Letter on the topic of GPS coordinates, USAID stated that the MOPH was "currently collecting new coordinates for its health facilities." As part of SIGAR's June 2016 review of health facilities in Badakhshan Province, SIGAR requested updated data from USAID. However, an agency official stated that USAID no longer maintained such data and that obtaining it would require a specialized request to the Afghan government, which USAID was unwilling to make.

Accurate location-specific information, including geospatial coordinates, is critical to effective oversight. To test the accuracy of USAID's information, SIGAR used data USAID provided in July 2015 to conduct limited site inspections and verify the location and condition of 30 USAID-supported health facilities in Baghlan Province.

At each site inspection, our team took time-, date-, and location-stamped photographs. Where possible, the following activities were also completed during the course of each site inspection:

- an overall assessment of the facility (outside and inside), recording, among other information, the geospatial coordinates of the facility, whether the facility appeared to be open and operational, and whether the facility had reliable access to electricity and water, and an on-site pharmacy
- an interview with a facility staff member
- an interview with a member of the community served by the health facility

Site inspections were conducted from October 26 through December 1, 2015, using the most recent location data provided by USAID. SIGAR conducted limited site inspections lasting 1–2 hours and focused on the location of the health facility, whether the health facility was open or active at the time of the visit, and the physical structures and systems.

SIGAR found that geospatial coordinates reported by USAID for 13 of the facilities ranged from more than 1 kilometer to more than 10 kilometers from the actual facility location, and that USAID documentation for 20 clinics not inspected by SIGAR included no geospatial-stamped photos or monitoring reports.

All 30 of the health facilities SIGAR visited were open and operational. In addition, at each location SIGAR sought input from a community member near the facility to determine whether the facility was generally benefiting the population. SIGAR spoke to 29 community members who had visited the facility either for treatment themselves or in connection with the treatment of a family member. Twenty-two of those community members stated that the health facility was very useful for the community, while five stated the health facility was somewhat useful, and one had no opinion. One



# SIGAR OVERSIGHT ACTIVITIES

community member stated the health facility was not useful because the doctors had irregular hours and did not have a good working relationship with the community.

SIGAR's site inspections and analysis revealed concerns about the operational condition of several facilities and indicated that several suffer from poor maintenance and basic operational challenges. These challenges include lack of reliable power and water. For example, SIGAR concluded that nine facilities did not have electricity at the time of the site visit and that others did not have adequate or consistent power required for proper lighting and refrigeration of some pharmaceuticals and vaccines. SIGAR further concluded that six of the 30 facilities did not have running water at the time of the site visit.

SIGAR's site inspectors also observed some basic structural concerns at most of the facilities, such as cracked walls, leaking roofs, exposed wiring, and shattered windows. These concerns did not appear to be negatively affecting operations in most cases, but they raise concerns regarding sanitation and safety. Electrical deficiencies, such as exposed live wires, pose serious hazards that could endanger the patients and staff. Improper wiring connections and installation are a potential shock hazard.

USAID officials have previously told SIGAR that their agency is not collecting, is not asking for, and has no insight as to how the World Bank or the MOPH are recording GPS coordinates for the health facilities supported by USAID through SEHAT. USAID officials also noted that the agency does not intend to maintain coordinates for SEHAT clinics going forward, would not submit specialized data requests to obtain updated GPS coordinates, and would instead rely on World Bank publications and the MOPH.

In previous letters, SIGAR has repeatedly cited USAID's own contracts, Requests for Proposals, and other documents that highlight reliable project location data as a critical tool in providing effective oversight and mitigating corruption. Moreover, USAID's own implementation letter for the SEHAT program clearly calls for the agency to conduct site visits, and to analyze and verify HMIS data (which could include GPS location data). However, SIGAR's review of World Bank reports submitted to USAID showed that the World Bank is not reporting any specific location-based information or the operational status of individual facilities to USAID.

SIGAR encouraged USAID to work with the MOPH and the World Bank to confirm and update the coordinates for the 30 clinics SIGAR detailed in an enclosure to the review letter. The enclosure was withheld from public release due to safety and security concerns related to location information. SIGAR also encouraged USAID to urge the World Bank and the MOPH monitoring teams and implementing partners to use cameras that are capable of producing photos with embedded geospatial data and to conduct more robust site inspections that include descriptions of facility condition and operations. Finally, SIGAR encouraged USAID to request

# SIGAR OVERSIGHT ACTIVITIES

and maintain this information, in order to help ensure that funding spent to improve the health of specific populations is actually reaching the intended communities.

SIGAR provided a draft of this letter to USAID for comment. In response, USAID stated that it informed the MOPH and World Bank about the issues SIGAR raised in the letter.

SIGAR conducted this special project in Washington, DC; Baghlan, Afghanistan; and Kabul, Afghanistan from October 2015 to October 2016, in accordance with SIGAR's quality-control standards.

## **Review 17-21-SP: Nonpayment to Afghan Subcontractors Update**

In 2009, SIGAR began receiving hotline complaints alleging that Afghan contractors working on U.S.-funded contracts in Afghanistan were not being properly compensated for the work they performed.

By the end of 2012, nonpayment complaints represented approximately one of every four complaints received on SIGAR's Hotline. In response to these complaints, SIGAR analyzed the problems associated with the nonpayment of Afghan contractors and issued *Management Alert: Subcontractor Nonpayment Issues in June 2013*. That letter provided general information concerning complaints SIGAR received, highlighted the risks associated with contractor nonpayment, and identified possible actions to mitigate the problem of contractor nonpayment.

The complaints SIGAR received and continues to receive suggest that contractor nonpayment remains a significant problem in Afghanistan. SIGAR continues to collect testimonial and documentary evidence indicating that subcontractors are being victimized by prime contractors who refuse to pay them for the work they had performed. However, SIGAR has also found that subcontractors are alleged to have made death threats, engaged in work stoppages and strikes, seized worksite equipment, obtained questionable legal orders leading to arrests, and engaged in extortion in order to obtain payment from prime contractors. Of particular concern are reports that thousands of Afghan workers remain unpaid and that they may contribute to security concerns because they might align with insurgents out of frustration. The nature and frequency of the complaints made to SIGAR regarding subcontractor nonpayment and the actions of some subcontractors to obtain payment indicate a relative lack of remedies or resources that would assist Afghan subcontractors in resolving nonpayment disputes.

This report provides an update to SIGAR's 2013 analysis of nonpayment complaints, explains the results of SIGAR's recent work in this area, and suggests additional actions to address the problems associated with contractor nonpayment disputes. In conducting this review, SIGAR sought input from the Departments of Defense (DOD) and State (State), the U.S. Agency for International Development (USAID), a government services

# SIGAR OVERSIGHT ACTIVITIES

advocate representing a number of U.S. contractors in Afghanistan, and representatives of Afghan subcontractors who had filed complaints with SIGAR, DOD, Congress, and the Afghan Minister of Justice. In particular, SIGAR requested that DOD, State, and USAID:

- identify nonpayment complaints received by their agency since January 2013, including how nonpayment issues may have affected projects (i.e., projects temporarily shutting down, or individuals unwilling to work or receiving threats) and how complaints were resolved;
- provide agency observations on the extent and cause of the issue and recommendations with respect to what the Afghan government is doing or can do to help alleviate subcontractor nonpayment problems; and
- identify contracting mechanisms available to the contracting officer that have been effective in alleviating nonpayment disputes.

Attorneys from the U.S. Army Corps of Engineers (USACE) Middle Eastern District responded and provided insights related to its challenges in ensuring appropriate and timely payments to subcontractors in Afghanistan. SIGAR also received feedback from several State contracting officers in Afghanistan and spoke with State's Afghanistan Public Affairs Section Program Manager and contracting officer's representative. USAID's Afghanistan Office of Acquisition and Assistance advised SIGAR that they were not aware of any recent instances or complaints regarding subcontractor or prime contractor nonpayment related to USAID activities.

SIGAR also reviewed hotline complaints, during the course of which, SIGAR determined that the SIGAR Hotline received 164 new nonpayment complaints between October 2012 and August 2015. Those complaints involved contracts valued at more than \$493 million in total, of which contractors disputed more than \$82 million as unpaid.

SIGAR was able to link 80 of the 164 complaints to a specific contract. All but one of the contracts were administered by DOD. SIGAR held meetings with senior DOD officials and agreed to provide DOD with relevant data related to each of the complaints and DOD agreed to review the complaints and take appropriate action. SIGAR and DOD also agreed to review their respective reporting processes to ensure that DOD is provided future DOD-related complaints in a timely fashion. SIGAR has resolved, closed, or referred all but 14 of the complaints and DOD was reviewing several others.

Challenges continue to hinder nonpayment recoveries, but SIGAR efforts have helped resolve a number of contracting disputes. Since issuing the 2013 report on subcontractor nonpayment, SIGAR has updated its procedures to better address the growing number of nonpayment complaints SIGAR receives. Now, when SIGAR receives a complaint regarding nonpayment on a U.S. government-funded reconstruction contract, SIGAR investigators contact the subcontractors, prime contractors, and contracting officers (if necessary) involved in an effort to resolve the complaints.

# SIGAR OVERSIGHT ACTIVITIES

SIGAR's actions have resulted in effective dispute resolution and dozens of referrals for suspension or debarment, as well as monetary recoveries for Afghan subcontractors.

SIGAR procedures call for investigative review of all hotline complaints and that administrative, civil, or criminal action be taken by the agency, as appropriate. Although SIGAR cannot provide legal advice to the parties in nonpayment disputes, all Afghan contractor nonpayment complaints receive follow-up action by SIGAR investigative staff. Specifically, in January 2014, SIGAR began identifying and classifying nonpayment complaints. Since then, SIGAR contacts the complainant and requests the following information:

- the prime contract number/task order number
- the invoice(s) not paid under the contract
- the total amount due to the company (supported by invoices)
- a copy of the contract
- proof of performance on the part of the company

SIGAR staff review the documentation provided and, if appropriate, attempt to contact the contracting officer or contractor identified as not having made full payment. If the parties allegedly involved do not respond, the complaint is forwarded to SIGAR's Senior Counsel for Investigations for review, which may lead to referral for debarment based on a lack of present responsibility as a government contractor. In those instances when the complainant fails to provide the requested information, they are sent a second request and asked to comply with one week. If no response is received, the complaint is closed.

SIGAR's investigative division reports that these measures have directly helped resolve a number of these nonpayment disputes and have led to administrative actions against companies identified as serial offenders. For example, of the 164 complaints SIGAR received between October 2012 and August 2015, 47 concerned the actions of four companies that have been, or are in the process of being evaluated for administrative action by SIGAR's suspension and debarment program. An additional five hotline complaints have resulted in companies being debarred or referred for debarment. As of February 2016, SIGAR's investigative efforts related to nonpayment issues have led to 59 debarments, one administrative compliance agreement, and 28 cases where SIGAR made a suspension or debarment referral but the agency declined to take action.

Nonpayment is an ongoing problem that negatively affects Afghan subcontractors; Afghan, U.S. and international prime contractors; and U.S. reconstruction projects. A review of SIGAR's hotline complaints indicated that, in many instances, Afghan contractors continue to be denied prompt and proper payment for work performed in support of Afghanistan reconstruction projects. Important reconstruction projects are underway in

remote or insecure areas of Afghanistan where there is little or no direct U.S. oversight. The United States depends on multiple tiers of Afghan contractors and subcontractors to perform work on these projects. These contractors face safety and financial risks by accepting work relating to these contracts, and when there is a contract dispute, the subcontractors in particular have little practical recourse. Afghan subcontractors and their representatives have also told SIGAR that Afghan subcontractors often blame the U.S. government when they are not paid for their work on a reconstruction project, even though the U.S. government does not have a direct contractual relationship with the subcontractors. Of particular concern are the reports by Afghan contractors that thousands of Afghan workers remain unpaid and may consider cooperating with insurgent forces out of frustration and the need for money.

Given the persistence of contractor nonpayment disputes and the associated risks to the Afghanistan reconstruction effort, these issues warrant further attention from both the U.S. and Afghan governments. After speaking with USACE staff, Afghan contractor representatives, and other stakeholders, as discussed throughout this report, SIGAR identified some actions that could help address some of the root causes of contractor nonpayment disputes and lead to more equitable outcomes for all parties involved. By considering whether some of the suggested actions present feasible ways of addressing the challenges many Afghan contractors face, U.S. government agencies operating in Afghanistan may be able to eventually reduce risks and encourage greater local cooperation with the Afghanistan reconstruction effort. These suggested actions may also help expedite resolution of disputes where the Afghan contractor performed shoddy or inadequate work—or no work at all.

SIGAR conducted this special project in Washington, DC from July 2015 to November 2016, in accordance with SIGAR's quality control standards.

## LESSONS LEARNED

SIGAR's Lessons Learned Program was created to identify and preserve lessons from the U.S. reconstruction experience in Afghanistan and make recommendations to Congress and executive agencies on ways to improve our efforts in current and future operations. Its first report, *Corruption in Conflict*, was published in September 2016. The program has five projects in development: interagency strategy and planning, counternarcotics, private-sector development, security-sector reconstruction, and stabilization.

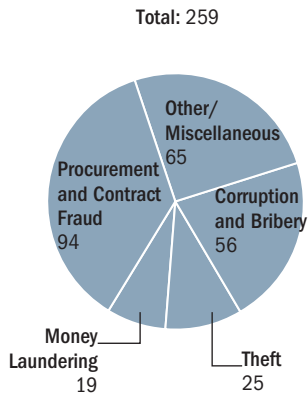
## INVESTIGATIONS

During the reporting period, SIGAR criminal investigations resulted in one conviction and six sentencing; nearly \$2 million in criminal fines and

# SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.1

## SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF DECEMBER 31, 2016



Source: SIGAR Investigations Directorate, 1/5/2017.

restitutions; and a recovery of \$320,000 from a civil settlement. Additionally, as the result of a SIGAR investigation, and subsequent coordination with officials within the Ghani administration, the process to award a planned \$99 million sole-source contract was terminated prior to award, avoiding excessive costs to the financing entity, to which the United States is a lead contributor. SIGAR initiated 18 new investigations and closed 13, bringing the total number of ongoing investigations to 259, as shown in Figure 2.1.

To date, SIGAR investigations have resulted in a cumulative total of 142 criminal charges, 107 convictions and 99 sentencing. Criminal fines, restitutions, forfeitures, civil settlement recoveries and U.S. government cost savings and recoveries total more than \$1 billion.

### Afghan Major General Convicted for Bribery

In late August 2016, SIGAR received information relating to allegations of bid rigging and collusion involving owners of fuel and logistics companies and Ministry of Interior (MOI) Major General Abdul Wase Raoufi. The bid rigging was related to the MOI fuel-procurement bidding process. At the time, Raoufi chaired the Fuel Evaluation Committee that oversaw MOI's fuel bidding and procurement process.

SIGAR initiated an investigation into these allegations in cooperation with the Afghan Major Crimes Task Force (MCTF). The MCTF is an elite investigative body which investigates high-level corruption cases. Working jointly with SIGAR, the MCTF investigation revealed that Raoufi and MOI officers used their influence in the bidding process to collect bribes from the qualified bidding vendors of \$100,000–150,000 for each of the seven zone fuel lots in the MOI fuel contracts.

The MCTF initiated an undercover sting operation in conjunction with and under authority of prosecutors of the Afghan Attorney General's Office (AGO) assigned to the MCTF.

On the evening of September 27, 2016, the MCTF established a surveillance of an undercover meeting at Raoufi's home in Kabul, Afghanistan. During the meeting, Raoufi solicited a \$150,000 bribe from an MCTF undercover agent for the award of one lot on the MOI fuel contract. Raoufi also implicated 16 other MOI officers in the bribery scheme during the meeting.

On September 29, 2016, the MCTF undercover agent again met with Raoufi. The MCTF officer paid a \$150,000 cash bribe to Raoufi, who was then arrested by members of the MCTF and AGO.

On January 9, 2017, Raoufi was found guilty of accepting a \$150,000 bribe in exchange for awarding a fuel contract. The trial was held at the newly established Anti-Corruption Justice Center (ACJC). Raoufi was sentenced to 14 years in jail and fined \$150,000. He was also fined 18,000 Afghani for forging documents regarding an armored vehicle he was using. He was allowed 20 days to appeal the verdict.

# SIGAR OVERSIGHT ACTIVITIES

The Court also issued summonses for six other MOI officials as part of this continuing investigation. SIGAR will continue to work jointly with its partners at the MCTF, ACJC, and the AGO to fight waste, fraud, and abuse of U.S. reconstruction funds in Afghanistan.

## Former U.S. Military Members Sentenced for Fuel Theft

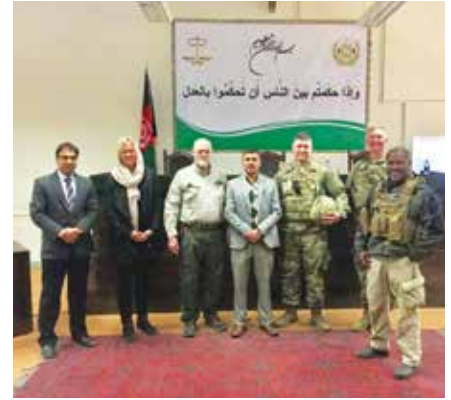
On December 14, 2016, in the U.S. District Court of Honolulu, Hawaii, former U.S. Army Sergeant First Class Marvin Ware was sentenced for his role in a fuel-theft conspiracy. For count one, conspiracy to commit bribery, Ware was sentenced to 60 months' incarceration, and for count two, bribery, he was sentenced to 87 months' incarceration, to run concurrently. He was also sentenced to three years' supervised release and was ordered to pay restitution of \$765,000 and a special assessment of \$200.

On December 13, 2016, former U.S. Army Sergeant Reginald Dixon was sentenced to 30 months' incarceration and three years' supervised release, and was ordered to pay restitution of \$573,750 and a special assessment of \$100.

On December 13, 2016, former U.S. Army Specialist Larry Emmons II was sentenced to 21 months' incarceration and three years' supervised release, and was ordered to pay restitution of \$573,750 and a special assessment of \$100.

Ware, Dixon and Emmons were members of Alpha Company, 325th Brigade Support Battalion (BSB), 25th Infantry Division, at Schofield Army Barracks, Honolulu, Hawaii. They were deployed to Forward Operating Base (FOB) Fenty, Afghanistan, from April 2011 to March 2012. Ware was a senior noncommissioned officer, assigned as the truck master. Emmons, a direct subordinate to Ware, served as a petroleum supply specialist, responsible for loading and transporting water and fuel, including jet fuel (referred to as "JP8"), to other military bases within Afghanistan. Dixon served as a petroleum operator, responsible for fueling military aircraft, primarily helicopters, using tanker trucks known as Heavy Equipment Mobility Tactical Trucks (HEMTTs). During the period of December 2011 through February 17, 2012, at clandestine locations on FOB Fenty and at times not likely to arouse suspicion, the conspirators and others surreptitiously filled 3,000 gallon trucks termed "jingle trucks," owned by an Afghan trucking contractor, with JP8 jet fuel. In return for facilitating the theft, employees of the trucking contractor paid the soldiers approximately \$6,000 per truck-load of fuel.

Information about the conspiracy was reported through the SIGAR Hotline; an investigation ensued. On February 16, 2012, special agents from SIGAR, the Defense Criminal Investigative Service (DCIS), the U.S. Army Criminal Investigation Command Major Procurement Fraud Unit (USACID MPFU), and the U.S. Air Force Office of Special Investigations (AFOSI) surveilled the authorized FOB Fenty fuel point. They observed



**Dr. Rohullah Abed**, at far left, executive director of Afghanistan's Anti-Corruption Justice Center, with visitors (left to right) Josie Stewart, UK Department for International Development; Carl Walker, CSTC-A; Hamidullah Hamidi, CSTC-A; Capt. Matthew Karchaske, CSTC-A; Col. John Siemietkowski, CSTC-A; Charles Hyacinthe, SIGAR (SIGAR photo).

# SIGAR OVERSIGHT ACTIVITIES

the conspirators filling two HEMTTs with fuel, which they then drove to a clandestine location on the FOB where four jingle trucks had been prepositioned. Agents videotaped Ware, Emmons, and Dixon filling three of the four jingle trucks. The following morning, February 17, the conspirators were videotaped filling the fourth truck. That same morning, Ware escorted the three Afghan drivers to the jingle trucks and the Afghans attempted to drive the trucks from FOB Fenty's entry control point, prior to the fourth driver arriving.

At the entry control point, agents intercepted the jingle trucks and seized from each driver a transportation movement request (TMR) authorizing a fuel delivery mission. Each driver denied knowing the TMRs were fake, and said they had received them directly from Ware. The U.S. Army captain accountable for fuel reviewed the TMRs and confirmed they were fraudulent: no authorized fuel missions were scheduled to depart FOB Fenty on February 17, 2012.

Approximately 180,000 gallons of fuel were stolen from FOB Fenty during the course of the conspiracy. Replacing the fuel cost the United States government on average approximately \$4.25 per gallon, resulting in a combined loss of at least \$765,000. According to documents seized from the conspirators during this investigation, fuel on the open market in Afghanistan at that time sold for approximately \$11 per gallon, resulting in a profit of approximately \$2 million to the local Afghan conspirators.

In June 2012, in U.S. District Court Honolulu, Hawaii, Dixon and Emmons entered guilty pleas to one count each for bribery. In May 2015, also in U.S. District Court Honolulu, Hawaii, Ware was indicted on charges of conspiracy, bribery, and money laundering. He was subsequently arrested. In March 2016, Ware entered a guilty plea to one count of conspiracy and one count of bribery.

## **Investigation Results in \$99 Million Contract Award Termination**

In 2015, the Afghan Ministry of Public Works (MOPW) used a sole-source selection process for a planned contract to construct sections 1 and 2 of the Qaisar to Laman Ring Road Project. The sole-source entity selected ASM JV, a joint venture comprising three companies: Aziz Wali Construction Company (AWCC), Shamshad Baden CC and Megayapi. The planned contract, funded by grants from the Asian Development Bank (ADB), with major contributions from the U.S. government, was budgeted by the Afghan Ministry of Public Works (MOPW) with a final bid amount of \$99 million by ASM JV. (According to ADB's website, the U.S. government has contributed \$27 billion to the ADB since 1966 and is ADB's largest contributor. The ADB also claims to have awarded more than \$3.3 billion in grants to Afghanistan.)

SIGAR initiated a criminal investigation in May 2016 based on allegations that ASM JV was paying bribes and secretly enlisting the help of officials



# SIGAR OVERSIGHT ACTIVITIES

at both the ADB and MOPW in order to secure the contract award; that ASM JV lacked the technical and financial capacity to competently perform this large, complex project; and, that it had failed a December 2015 pre-qualification evaluation conducted by Hill International (Hill), an American engineering consultant firm MOPW had hired to help administer the project. Despite this, elements in ADB and MOPW continued advocating for ASM JV to be awarded the contract. In July of 2016, ASM JV was given a request for proposal (RFP) for the contract; the two companies who scored higher in pre-qualification were not given an RFP.

In August 2016, after an extensive investigation involving numerous interviews and reviews of emails and official records associated with MOPW, ADB, and Hill, SIGAR officials notified Afghan President Ghani, via official letter, of the investigative findings, including evidence indicating corruption surrounding the award selection process.

After submitting the written notice to President Ghani, SIGAR held meetings with relevant high level officials at the palace, including members of the National Procurement Authority (NPA) and presidential advisors at the palace. All the officials expressed appreciation for SIGAR's investigative work and pledged to work closely with SIGAR to root out the corruption in the contracting process.

Officials of the NPA worked closely with SIGAR special agents. Their expertise and knowledge provided useful information which greatly assisted in identifying the issues of corruption and other irregularities in the matter. Advisors to President Ghani stated that SIGAR's investigation confirmed their suspicions that there was something "fishy" about the contract process and subsequent sole-source selection of ASM JV. They said SIGAR's investigative findings and continued support would prove helpful toward addressing the allegations of corruption and toward recommending a new open bidding for the project.

Afghan officials acknowledged they were facing extreme, high-level political pressure in this matter and that SIGAR's findings would help in responding to it. Officials at the MOPW stated that the award process could not move forward as planned and that ASM JV appeared to have an inappropriate relationship with individuals representing ADB.

In October 2016, SIGAR was notified that the presidential palace had terminated the sole-source selection process of ASM JV. The palace determined that the contract for Ring Road Project sections 1 and 2 would go to an open tender in which any company could bid and compete in a transparent and honest process.

As a result of SIGAR's investigation and subsequent close coordination with officials of the NPA and the Palace, the process to award a \$99 million sole-source contract was terminated prior to award, avoiding excessive costs to the financing entity, to which the United States is a lead contributor.

## **U.S. Army Captain Sentenced**

On December 8, 2016, in the Eastern District of North Carolina, U.S. Army Captain David A. Kline, was sentenced to 10 months' incarceration and 12 months' supervised probation. Kline's sentencing was based on his guilty plea to one count of solicitation and receipt of gratuity, and aiding and abetting the same.

Kline, while serving as a first lieutenant in the U.S. Army and stationed at Kandahar Airfield, Afghanistan, sought and accepted \$50,000 in U.S. currency from a contractor for the U.S. military. From January 2008 to April 2009, Kline was deployed as a member of the 189th Combat Sustainment Support Battalion, and served as the officer in charge of the Movement Control Team. As officer in charge, Kline oversaw the handling of TMRs for the transport of military items, to include fuel and equipment, food, and other supplies.

Although contracting procedures technically did not permit the authorization officer to specify the particular Afghan trucking company that would perform the transportation, in practice, Kline and others were able to designate the Afghan company of their choice. Kline admitted he sought and accepted \$50,000 in U.S. currency from an Afghan national who owned a trucking company doing business on government contracts at Kandahar Airfield, in return for Kline's facilitation of the award and payment of numerous transportation contracts. The case was investigated by SIGAR, DCIS, Army Criminal Investigation Command (USCID), and the FBI.

## **U.S. Contractor Convicted for Tax Evasion**

On October 14, 2016, in the Northern District of Florida, Panama City Division, Patrick Shawn Kelley pled guilty to evading approximately \$109,735 in taxes on approximately \$521,120 of taxable income for calendar year 2010, and to evading approximately \$74,380 in taxes on approximately \$434,886 of taxable income for calendar year 2011.

An investigation was initiated after a SIGAR financial analysis of transactions conducted by individuals who are deployed or have business interests in Afghanistan. The analysis uncovered suspicious information concerning Kelley, the owner of Florida-based construction company, American Construction Logistics Services (ACLS), which operated in Kabul, Afghanistan, beginning in 2008. The company managed various contracts in Afghanistan, performing construction work at the Kabul airport, the American embassy and various outlying bases.

## **Former U.S. Army Contracting Official Sentenced**

On December 13, 2016, in the Northern District of Alabama, Willis Epps was sentenced to five months' incarceration and five months' home detention while on a year's supervised release, and was ordered to pay \$16,470 in

restitution. On June 8, 2016, following a two-and-a-half-day trial, a federal jury convicted Epps on one count of signing a false tax return.

The evidence at trial revealed that Epps, a former contracting official for the U.S. Army Contract Command who handled contract matters for the Non-Standard Rotary Wing Program (NSRWA) at Redstone Arsenal, knowingly signed and filed a false income tax return for calendar year 2013, in which he failed to report \$56,250 of income he received in 2013.

After retiring from the U.S. Army in January 2013, Epps and two other individuals were awarded a consulting contract under the business name of BioTech from a helicopter manufacturing firm, MD Helicopters, in the amount of \$250,000. During this time frame, former NSRWA project manager Norbert Vergez, with whom Epps had previously worked during his assignment with the NSRWA, was serving as executive vice president for Patriarch Partners, the parent company for MD Helicopters, and influenced MD Helicopters to issue the contract to BioTech. MD Helicopters paid BioTech, which then paid Epps with a cashier's check that he failed to report as income on his 2013 tax return.

The investigation was jointly conducted by SIGAR, the FBI, DCIS, USCID and the Internal Revenue Service (IRS).

## **U.S. Military Member Sentenced for Bribery Conspiracy**

On October 21, 2016, after pleading guilty to conspiracy to commit bribery in U.S. District Court, Fairbanks, Alaska, Sheldon J. Morgan was sentenced to four months' imprisonment and two years' supervised release, and was ordered to pay \$37,300 in restitution, forfeit \$10,020 in bribe money, and pay a special assessment of \$100.

From May 2010 until May 2011, Morgan, then a specialist in the U.S. Army, was deployed at FOB Fenty near Jalalabad, Afghanistan, which served as a hub for distribution of fuel to nearby military bases. Fuel would be brought to FOB Fenty in large trucks, downloaded for storage, and then transported to other bases as needed in smaller trucks. Morgan's duties included assisting in overseeing the distribution of fuel to the bases.

A translator employed by an Afghan trucking company at FOB Fenty asked Morgan to allow him to steal fuel in exchange for money. On two occasions in December 2010, Morgan arranged for the Afghan translator to steal a truckload of fuel, accomplished by inserting an extra 5,000 gallon tanker truck into an already scheduled mission without proper paperwork. In return, the translator promised Morgan \$5,000 per truck. Morgan had his wife, residing in the Philippines, open an account in her name so that the Afghan could wire the money to it. Morgan and his wife used the money, totaling \$10,000, during a rest and relaxation period in the Philippines. The loss the U.S. government occasioned by the conspiracy was approximately \$37,300.

## GALLERY OF GREED

U.S. reconstruction activities in Afghanistan, or any other conflict zone, face the constant threat of criminal conspiracies among personnel who rotate in and out of theater, infecting their successors with the virus of corruption.

Over the past five years, SIGAR's Investigations Directorate has uncovered and detailed a classic example of this threat—an extended, widespread, and intricate pattern of criminality involving U.S. military personnel and Afghan contractors at the Humanitarian Assistance Yard (the Yard) at Bagram Airfield near Kabul, Afghanistan.

In June 2012, SIGAR investigators following leads uncovered an unusual pattern of suspect criminal activity at the Yard. They found traces of criminal activity affecting inventories, accounting, issuance of supplies, payments, and contract oversight at the Yard, which serves as a storage-and-distribution facility for millions of dollars' worth of clothing, food, school supplies, and other items purchased from local Afghan vendors. U.S. military commanders provided those supplies to displaced Afghans as part of the Commander's Emergency Response Program (CERP) to meet urgent humanitarian relief needs for the Afghan people.

As the SIGAR investigators, conducted interviews, checked records, and scrutinized other evidence, they confirmed that U.S. military personnel, stateside contacts, and local Afghans had conspired in bribery, fraud, kickbacks, and money laundering. Among other improper acts, U.S. personnel took bribes from vendors or from Afghan interpreters who wanted to steer supply-purchase business to favored vendors.

The conspiracies pervaded activities at the Yard, and persisted for years as new personnel were assigned there and, in some cases, adopted the corrupt practices of their predecessors or their new colleagues. Some of the participants stayed involved remotely after they returning to the United States.

The SIGAR investigation, whether conducted independently or in cooperation with the International Contract Corruption Task Force, focused on suspect

paying agents and project purchasing officers responsible for administering the replenishment contracts and on military members responsible for paying vendors.

The assembled evidence of corruption from this investigation led to a series of guilty pleas, prison terms, and forfeiture agreements as offenders were held accountable for their deeds and their dereliction of duty. The following gallery presents summaries of cases resolved or in progress as a result of the work performed by SIGAR Investigations Directorate. The stories illustrate the reality that no matter how well designed a procurement system may be, it requires strict oversight and accountability for the people who operate the mechanism.



**Timothy H. Albright:** An enlisted specialist with the Pennsylvania National Guard, Albright served at Bagram Airfield between January and October 2008 processing Afghan vendors' invoices for resupplying goods at the Yard. During that time, according to court

documents, Albright accepted several payments, ranging from \$200 to \$10,000, for accelerating payments on an Afghan vendor's invoices. Albright's supervisor and an Afghan interpreter allegedly were also involved in the scheme. About \$25,000 from the payments was deposited into Albright's and his wife's bank account; they used \$18,000 of it to buy a car. Albright pled guilty to conspiracy to receive bribes, and on January 27, 2016, was sentenced to a year and a day in prison. He was also ordered to forfeit \$16,200 and the car, a 2008 Nissan Maxima. Noting Albright's previous military service, his post-traumatic stress disorder, and his family's support, Judge John E. Jones III told Albright during his sentencing, "This case is the proverbial dog's breakfast. It's a lousy, lousy deal for everybody involved, but it's a situation that you caused [by repeatedly taking bribes] and you know it."

# QUARTERLY HIGHLIGHT



**Louis M. Bailly:** Between October 2011 and October 2012, Army Staff Sergeant Bailly served at the Yard, and was a project purchasing officer for part of that time. In 2015, the U.S. government filed charges that Bailly had conspired with two Afghan contractors, accepting about \$12,000

in bribes for influencing supply-replenishment contracts. Bailly pled guilty to one count of conspiracy to commit an offense or to defraud the United States, and was sentenced to a year and a day in federal prison, followed by a year of supervised release, and forfeiture of \$10,000.



**Donald P. Bunch:** A U.S. Navy senior chief, Bunch served from February to August 2009 as yard boss at the Yard, and was responsible for resupplying supplies like rice, beans, and clothing, and overseeing truck loading in support of the Commander's Emergency Response Program.

Federal authorities charged that he took some \$25,000 in payments from multiple Afghan vendors in return for moving their firms up in the normal rotation of suppliers, and for giving them larger and more lucrative contracts. Bunch pled guilty to one count of bribery, that is, of accepting something of value by a public official to influence the performance of an official act. In March 2016, he was sentenced to 24 months in federal prison and then 24 months of supervised release, fined \$5,000, and agreed to forfeit \$25,000.

The presiding judge at Bunch's trial told him, "This is not only a disgrace to the uniform that you wear and a disgrace to the country . . . , but also [serves] to encourage this type of corruption and allow it to become more widespread. . . . It undermines the authority and the position of those in government, it undermines the government itself, and it certainly, in Afghanistan and the Middle East, it undermines our efforts at trying to help those people and promote the causes that we're trying to defend."



**Jerry W. Dennis:** Dennis was a resident of Horn Lake, Mississippi, whose son Jimmy was a U.S. Army first sergeant serving as a paying agent at the Yard. The federal criminal information document filed against Jerry Dennis charged that for a period extending up to about

January 2010, Dennis conspired with his son and with landscaper friend James C. Pittman to have containers of cash from bribes shipped out of Afghanistan and handled in ways that would disguise their nature, ownership, and location. In July 2014, Jerry Dennis pled guilty to one count of conspiracy to commit money laundering. He was placed on probation for two years, including six months' home confinement, and forfeited \$110,000 per a court-approved agreement.



**Jimmy W. Dennis:** The son of Jerry Dennis (above), Jimmy W. Dennis was a U.S. Army first sergeant serving as a paying agent at the Yard from March 2008 to March 2009. Federal authorities charged him with conspiring with his father and a Chattanooga, Tennessee,

landscaping-company owner, James C. Pittman, to move about \$250,000 in bribes from Afghanistan to the United States. Dennis and Pittman knew each other from serving together at Fort Campbell, Kentucky, previous to Dennis's deployment to Afghanistan. Jimmy Dennis pled guilty to one count of conspiracy to commit money laundering. In January 2015, he was sentenced to 41 months' imprisonment, followed by two years' supervised release. He also agreed to and has forfeited \$115,000 and a Rolex watch.



**Ramiro Pena Jr.:** Between January 2008 and September 2009, Army Sergeant First Class Pena served as a project purchasing officer at the Yard, maintaining supply orders and inventory levels. His supervisor was First Sergeant Jimmy Dennis (see above). The men processed

more than 200 contracts with Afghan vendors worth about \$30.7 million total. The federal charge against Pena said Dennis gave him about \$100,000 and a Rolex watch from vendor bribes received, and that Pena had shipped money home to his wife. Pena pled guilty to one count of conspiracy to defraud the United States, and in December 2015 was sentenced to 24 months in prison, followed by a year's supervised release. He agreed to forfeit \$100,000 and has forfeited a Harley-Davidson motorcycle and Rolex watch.



**James C. Pittman:** Proprietor of a Chattanooga, Tennessee, landscaping company, Pittman was charged with conspiring with Jerry and Jimmy Dennis (see above) to transfer and launder funds received as bribes in Afghanistan. Pittman had left the military before Jimmy Dennis

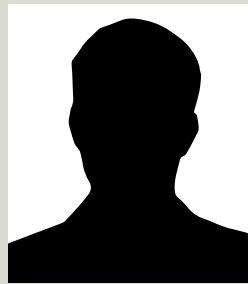
worked at the Yard, but was still in contact. The charge was that “on numerous occasions,” Pittman received containers of cash from Afghanistan via the Dennises, passed it through his business, and returned most of it to Jerry and Jimmy Dennis as checks for “salary.” Having pled guilty to conspiring to commit money laundering, Pittman was sentenced to a year and a day in prison, followed by a year's supervised release. He also consented to and has forfeited \$25,000.

The judge at Pittman's trial noted that “There's others out there that find themselves in a similar situation to you that would be tempted . . . to do what you did. That is going to be a large part of the sentence I impose today.”

Pittman marveled that “the Government can track your butt down after five years—”

“It's pretty impressive, isn't it?” the judge interjected.

Pittman continued. “Old friends and acquaintances from, you know, nearly 14 years in and, you know, text me . . . or whatever and be like, holy crap, you know, they caught you? . . . And I was like . . . they can find you anywhere.”



**David A. Turcios:** A U.S. Air Force staff sergeant who worked at the Yard, Turcios is awaiting court proceedings. Acting on a complaint filed by a special agent in SIGAR's Investigations Directorate, the U.S. District Court for the Eastern District of California issued a warrant on

May 12, 2015, for Turcios's arrest. The alleged offenses were conspiracy to violate federal law and defraud the United States, receipt of bribes and gratuities by a public official, and wire fraud.

Turcios began working at the Yard in November 2010 as a paying agent and contracting officer representative, and was involved with nine CERP supply contracts worth more than \$2 million.

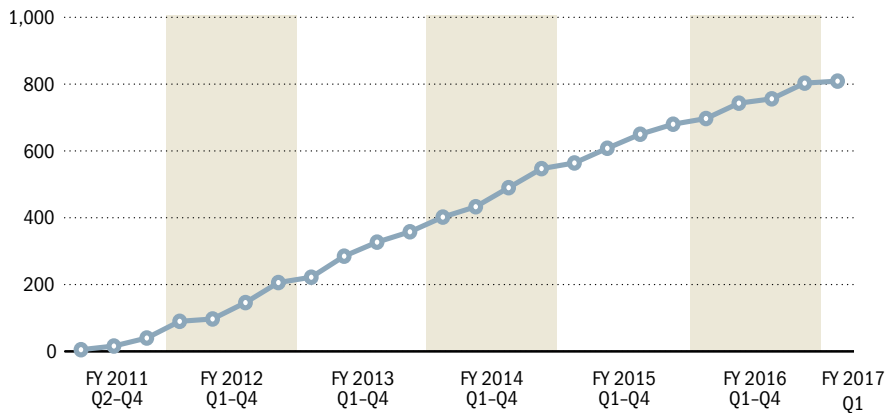
The complaint alleges that Turcios worked closely with two Afghan interpreters who gave him names of vendors they were proposing for contracts; they allegedly also gave Turcios gifts, jewelry, and thousands of dollars, some of which was not paid until after Turcios returned to the United States. The complaint quotes e-mails written during and after Turcios's tour at the Yard that include references to “refunds” and instructions for wiring funds to a Bank of America account.

Turcios was arrested on August 17, 2015, and released on his own recognizance pending trial.

# SIGAR OVERSIGHT ACTIVITIES

FIGURE 2.2

**SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q1 FY 2017**



Source: SIGAR Investigations Directorate, 1/10/2017.

## Suspensions and Debarments

This quarter, SIGAR’s suspension and debarment program referred six individuals for debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 809, encompassing 453 individuals and 356 companies to date, see Figure 2.2.

As of the end of December 2016, the efforts of SIGAR to utilize suspension and debarment to address fraud, corruption and poor performance in Afghanistan have resulted in a total of 133 suspensions, 495 finalized debarments and 28 special entity designations 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 fourth quarter of 2016, SIGAR’s referrals resulted in 52 finalized debarments of individuals and entities by agency Suspension and Debarment Officials. An additional eight individuals and companies are currently in proposed-debarment status, awaiting final adjudication.

Suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct—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

# SIGAR OVERSIGHT ACTIVITIES

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 based on its completed investigations. In most cases, a SIGAR referral is the only remedy for contractor misconduct occurring after a contracting office fails to criminally prosecute or take remedial action against an allegation. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision, as well as all of the supporting documentation needed 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, SIGAR has occasionally 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 809 referrals for suspension and debarment that have been made by the agency to date, 782 have been made since the second quarter of 2011. During the 12-month period prior to January 1, 2017, referrals by SIGAR's suspension-and-debarment program resulted in the exclusion of 64 individuals and companies from contracting with the government. SIGAR's referrals over this period represent allegations of theft, fraud, poor performance, financial support to insurgents and mismanagement as part of reconstruction contracts valued at approximately \$137,978,701.62.

## OTHER SIGAR OVERSIGHT ACTIVITIES

### OTHER SIGAR OVERSIGHT ACTIVITIES

· High-Risk List 17-25-HRL

### SIGAR Publishes Updated High-Risk List

SIGAR published an updated version of the High-Risk List in January 2017. SIGAR initially published the High-Risk List in December 2014 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. This High-Risk List has been updated to identify and address systemic problems facing U.S.-funded reconstruction efforts in Afghanistan.

The report highlights program areas where SIGAR believes implementing agencies need to focus. It also discusses how specific agencies are failing to mitigate risks in areas that involve their operations. The current report differs from the 2014 report in that it has separated contract management and oversight into two areas in recognition of the increased risk to both. The eight current high-risk areas are:



## Suspensions and Debarments: An Important Tool to Safeguard America's Investment in Afghanistan

Since its inception, SIGAR has recognized that fraud committed by contractors and other recipients of government funding has been a major threat to the success of reconstruction efforts in Afghanistan. The inability to address fraudulent conduct by individuals and organizations, whether through shoddy performance, false claims, diversion of resources, or, in many cases outright theft, puts military personnel, contractors, and their employees at risk.

The best-known remedies for fraud or other misconduct are criminal prosecution or civil litigation. These remedies are often unavailable in Afghanistan, so SIGAR also uses a lesser-known, but effective, option—suspensions and debarments.

Suspensions and debarments are actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct. They are important tools for ensuring that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges facing U.S. policy and contingency contracting in Afghanistan:

- the need to act quickly
- limited U.S. jurisdiction over Afghan nationals and Afghan companies
- difficulty in vetting multiple tiers of subcontractors

SIGAR makes referrals for suspensions and debarments based on its completed investigations. In most cases, a referral is the only remedy for contractor misconduct after a contracting office fails to prosecute or take remedial action in response to an allegation. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision, as well as supporting documentation in case the contractor challenges the decision. SIGAR has found it necessary to refer some individuals or companies on multiple occasions for misconduct or poor performance.

## How it Works

SIGAR's mission is to conduct audits and investigations of all U.S. government agencies engaged in Afghanistan reconstruction. Operating in a foreign legal jurisdiction makes that challenging. Other complications include the presence of third-country civilians, foreign corporations, NATO military and civilian personnel, nongovernmental organizations, and an active and ongoing insurgency. Criminal prosecutions and civil cases often encounter significant difficulties in developing sufficient evidence or establishing the jurisdiction required to bring a criminal or civil case in a U.S. District Court.

SIGAR initiated its suspension and debarment program because many instances of fraud were not being addressed due to lack of a means to impose criminal or civil remedies, or lack of a mechanism to ensure referral to agency suspension and debarment officials. SIGAR found, however, that recipients of government funding in Afghanistan considered the financial consequences and social stigma of being excluded from contracts, grants, and other programs to as great or greater punishment as criminal sanctions. In response, SIGAR developed a program to ensure that referrals for suspensions and debarments took place in a timely manner and not as afterthoughts to criminal and civil remedies.

In contingency contracting, there are often barriers between the agent or auditor gathering information on a contractor and the agency attorney assembling the case for review by the suspension and debarment official. Agencies' agents or auditors typically have minimal contact with the attorney conducting the suspension or debarment, and the attorney has no oversight over the conduct of the investigation. This is especially true in contingency-contracting environments that are geographically remote, and where there is no preexisting relationship between the agent or auditor and the attorney. The result can be misunderstanding about how, when, and why suspension and debarment may be applied.



**Afghan fuel trucks** like these were used in multi-million-dollar fuel thefts that SIGAR investigated. (SIGAR photo by Special Agent Kyushik “Danny” Min)

SIGAR’s Suspension and Debarment Program is unique because it embeds two attorneys, experienced with suspensions and debarments, within the Investigations Directorate to provide oversight over case development and guidance on the use of the suspensions and debarments. This integration enables them to track individuals, organizations, and companies accused of criminal activity or poor performance at an early stage of an investigation, resulting in the development of detailed referral packages.

Integration within the Investigations Directorate also allows attorneys to assess whether follow-up actions, using suspension and debarment remedies, are needed when other targets are identified during an investigation or audit. It also allows for regular travel by SIGAR suspension and debarment attorneys to Afghanistan to conduct training, provide guidance for investigations, and to meet with counterparts in the Afghan government. SIGAR’s program has another unique element: unlike other criminal investigative organizations, all of SIGAR’s investigations are required to be reviewed for potential suspension and debarment action immediately prior to closing. This

maximizes the number of cases referred for suspension and debarment.

In addition, because SIGAR is not attached to an agency involved in contracting, SIGAR does not need its own suspension and debarment official. Instead, SIGAR refers all suspensions and debarments to other agencies for adjudication, resulting in a high degree of interagency coordination. This operational necessity to work with other agencies fosters information-sharing and coordination, enhancing SIGAR’s program.

Agencies typically maintain their suspension and debarment function at the headquarters/management level, so there is the potential for agency interests to influence the development of a suspension or debarment case. SIGAR’s independent standing makes for referrals not affected by considerations of impacts on the agency or a particular program. The need to go outside of SIGAR for a suspension or debarment also requires that SIGAR’s referrals be of high quality with well-supported allegations.

Once it refers a case, SIGAR has no influence over the adjudication process, yet it has been remarkably successful. Not a single individual or organization has successfully

appealed a suspension and debarment official's decision on a SIGAR-referred case to federal courts.

## **Suspension and Debarment in Action**

A recent example of SIGAR's suspension and debarment program effect on the contracting environment involves Operating Base Fenty in Nangarhar Province. Based on a SIGAR referral, the Department of the Army debarred Fayaz Afghan Logistics Services, its owner, and 44 employees. The issue was the theft of more than 500,000 gallons of fuel, valued at nearly \$1.9 million, over a two-year period while the contractor was providing septic tank, laborer, laundry, water, and portable toilet services. Due to the close relationship between SIGAR investigators in Afghanistan and attorneys at SIGAR headquarters in Virginia, SIGAR completed its investigation and referred the matter to the Army on September 12, 2016, 102 days after the discovery of the loss of fuel by the contracting officer.

Acting on that referral, the Army excluded Fayaz Afghan Logistics Services, its owner, and all 44 employees within 48 hours. The contracting officer and installation commander immediately terminated the contract, prevented further loss of fuel, and addressed the issues associated with the contractor's conduct. The Army debarred all of the offenders for a period of three years. In addition, the CENTCOM Expeditionary Contracting Command-Afghanistan terminated all of Fayaz Afghan Logistics Services' contracts, valued at \$716,426, allowing them to be awarded to other contractors.

Another example involves the theft of containers and equipment by a transportation contractor at Kandahar Airfield. SIGAR's investigators determined that the contractor had stolen two containers that were being used to transport metal-frame fabrication equipment, valued at \$425,866, from Afghanistan to Denmark in November 2014. After receiving the notice of proposed debarment on August 23, 2016, the contractor offered to return the containers to their owner, resulting in the recovery of both containers and their contents on September 7, 2016.

## **SIGAR Protects the U.S. Taxpayer**

SIGAR's suspension and debarment program aggressively addresses misconduct in a manner not found elsewhere in the U.S. government. It thereby complements criminal prosecution and civil litigation by applying remedies to cases that would otherwise go unaddressed.

SIGAR's robust use of suspension and debarment has been recognized by the Council of Inspectors General on Integrity and Efficiency. The Council conferred a Special Act Award for Excellence in October 2014 on SIGAR's suspension and debarment program. SIGAR's work in this area has also won support from leading members of Congress.

SIGAR will continue to use suspension and debarment referral opportunities to maintain the integrity of the acquisition process and protect U.S. taxpayers' investment in Afghanistan from waste, fraud, and abuse.

# SIGAR OVERSIGHT ACTIVITIES

- **Afghan Security Forces Capacity and Capabilities**

Afghanistan needs a stable security environment to prevent it from again becoming a safe haven for al-Qaeda or other terrorists. More than half of all U.S. reconstruction dollars since 2002 have gone toward building, equipping, training, and sustaining the Afghan National Defense and Security Forces (ANDSF). However, the ANDSF has not yet been capable of securing all of Afghanistan and has lost territory to the insurgency. As of August 28, 2016, USFOR-A reported that only 63.4% of the country's districts were under Afghan government control or influence a reduction from the 72% as of November 27, 2015. Capability gaps in key areas such as intelligence, aviation, and logistics are improving, but still hinder effectiveness.

- **Corruption**

Corruption continues to be one of the most serious threats to the U.S.-funded Afghanistan reconstruction effort. Corruption has eroded state legitimacy, weakening the government's ability to enlist popular support against the insurgency, discouraging foreign investment and economic growth, as well as seriously diminishing Afghan military capability.

- **Sustainability**

Much of the funding the United States has committed to reconstruction projects and programs risks being wasted because the Afghans cannot sustain the investment—financially or functionally—without massive, continued donor support. Donors were expected to finance approximately 69% of Afghanistan's \$6.5 billion fiscal year (FY) 1395 national budget (December 22, 2015–December 21, 2016), mostly through grants. At 2016 conferences in Warsaw and Brussels, the United States and other donors pledged to maintain assistance to Afghanistan at or near current levels through 2020.

- **On-budget Support**

On-budget assistance includes direct assistance (also referred to as bilateral, government-to-government assistance) and assistance that travels through multi-donor trust funds before reaching the Afghan government. On-budget assistance is intended to reduce costs, increase Afghan government ownership, and build the Afghan institutional capacity for managing their own budget. However, on-budget assistance, whether delivered directly or through multilateral trust funds, leads to reduced U.S. control and visibility over these funds. Given the evidence that the Afghan government still cannot manage and protect these funds and may not use them appropriately, the Department of Defense is planning to reduce some of its on-budget assistance.

- **Counternarcotics**

The cultivation and trafficking of illicit drugs puts the entire U.S. investment in the reconstruction of Afghanistan at risk. Although

# SIGAR OVERSIGHT ACTIVITIES

the United States has committed more than \$8.5 billion to counternarcotics efforts in Afghanistan, the country still leads the world in opium production, and Afghan farmers are growing more opium than ever. The Afghan insurgency receives significant funding from participating in and taxing the illicit narcotics trade, raising the question of whether the Afghan government can ever prevail without tackling the narcotics problem.

- **Contract Management**

The scope of contracting in support of U.S. objectives in Afghanistan is enormous, but contracting represents a high risk to the success of Afghanistan reconstruction. The usual difficulties of contract management are magnified and aggravated by Afghanistan's remoteness, active insurgency, widespread corruption, limited ministerial capability, difficulties in collecting and verifying data, and other issues.

- **Oversight**

The ability for trained professionals to conduct site visits is a critical part of effective reconstruction oversight. Unfortunately, accessing reconstruction project sites and programs in Afghanistan has grown increasingly difficult with the U.S. and Coalition military drawdown. Oversight has also been weakened by instances of poor documentation, failure to monitor contract compliance and work quality, and inattention to holding contractors and grantees accountable for unsatisfactory performance.

- **Strategy and Planning**

A lack of emphasis on planning and developing related strategies means the U.S. military and civilian agencies are at risk of working at cross purposes, spending money on nonessential endeavors, or failing to coordinate efforts in Afghanistan.

For each high-risk area, SIGAR highlighted what has changed since the release of the last High-Risk List and identified questions for policymakers. The issues raised in this report have the potential to massively waste U.S. taxpayers' money and to frustrate national objectives. While some aspects of reconstruction in Afghanistan have continued to improve over the past two years, most of the issues highlighted in this report have not. SIGAR hopes that the High-Risk List report, in conjunction with SIGAR's other oversight work, will help guide Congress and the Administration to ensure a more effective reconstruction effort in what has become America's longest war.



**Inspector General John Sopko**, right, speaks at a Center for Strategic and International Studies event with Dr. Anthony Cordesman. (SIGAR photo by Robert Lawrence)

## **Inspector General Sopko Speaks at the Center for Strategic and International Studies**

On January 11, 2017, Inspector General (IG) Sopko spoke at the Center for Strategic and International Studies (CSIS) about Afghanistan's enduring challenges for the new Administration and Congress. During his speech, IG Sopko announced SIGAR's updated High-Risk List and its eight key areas of concern. IG Sopko also discussed some of Afghanistan's positive developments since the release of the initial High-Risk List, including a greater willingness among the Afghan government to fight corruption and the leadership and reform efforts of Resolute Support mission, the Combined Security Transition Command-Afghanistan, and the U.S. Embassy in Afghanistan.

Dr. Anthony Cordesman, the Arleigh A. Burke Chair at CSIS, also spoke at the event about U.S. policy in Afghanistan and highlighted his newly released report, *The Trump Transition and the Afghan War: The Need for Decisive Action*.

## **Deputy Inspector General Aloise Speaks at the National Defense University**

Deputy Inspector General (DIG) Gene Aloise spoke at the College of International Security Affairs of the National Defense University in December. In his speech, DIG Aloise discussed the scale of the Afghanistan reconstruction effort and SIGAR's mission to support this effort by

# SIGAR OVERSIGHT ACTIVITIES

identifying and preventing waste, fraud, and abuse to ensure U.S. taxpayer resources are put to good use in Afghanistan. Aloise's message focused on three topics. First, the state of Afghanistan and the reconstruction effort at the moment; second, the realities of facing corruption on the ground; and third, what the long-term lessons and legacies of both the Afghanistan reconstruction effort and SIGAR's oversight will be.

## Deputy Inspector General Aloise Speaks at the University of Denver

On October 31, 2016, DIG Gene Aloise spoke at the Korbel School of International Studies at the University of Denver on the challenges of post-conflict reconstruction in Afghanistan. During the discussion, DIG Aloise talked about SIGAR's mission to root out waste, fraud, and abuse and how lessons learned can be applied to other contingency operations around the world.

## SIGAR BUDGET

SIGAR is funded through April 28, 2017, under the Further Continuing and Security Assistance Appropriations Act, 2017, which provides the agency prorated funds based on the FY 2016 amount of \$56.9 million until the next appropriations law is signed. The budget supports SIGAR's oversight activities and products by funding SIGAR's (1) Audits and Inspections, (2) Investigations, (3) Management and Support, and (4) Research and Analysis Directorates, as well as the Special Projects Team and the Lessons Learned Program.

## SIGAR STAFF

SIGAR's staff count remained steady since the last report to Congress, with 196 employees on board at the end of the quarter: 27 SIGAR employees were at the U.S. Embassy Kabul and two others were at Bagram Airfield. SIGAR employed five Afghan nationals in its Kabul office to support the Investigations and Audits Directorates. In addition, SIGAR supplements its resident staff with personnel assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR had nine employees on temporary duty in Afghanistan for a total of 68 days.



**Genevieve Wilson** is retiring this year after serving many years in DOD positions and almost three years as SIGAR's security subject-matter expert.

“Afghanistan is far from perfect, and it will take sustained engagement and effort in the years ahead to protect the progress we’ve made. We have invested significant blood and treasure in Afghanistan’s future, and we must continue to support the Afghan people as they work to build a secure and peaceful future in the months and years ahead.”

—*Secretary John Kerry*



# 3 RECONSTRUCTION UPDATE



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**Photo on previous page**

An Afghan mason applies a layer of mortar to the brick wall he is building.  
(UN Assistance Mission in Afghanistan photo)

## RECONSTRUCTION UPDATE

### OVERVIEW

According to the United Nations Secretary-General, there was no substantive movement towards peace between the Afghan government and the Taliban this quarter. Taliban leaders reportedly believe that the 2016 fighting season was a success and, for the time being, see no incentive to enter into a strategic negotiation process. On December 23, 2016, the Taliban again publicly rejected peace talks, reiterating their long-held stance that talk of peace and reconciliation is “meaningless” as long as foreign forces remain in Afghanistan.

The same day, President Barack Obama signed the Fiscal Year (FY) 2017 National Defense Authorization Act, authorizing up to \$4.26 billion for the Afghanistan Security Forces Fund (ASFF.) The ASFF is the United States’ principal fund to build, train, equip, and sustain the Afghan National Defense and Security Forces (ANDSF). President Obama pledged to recommend to his successor that the United States continue to seek funding for the ANDSF at or near current levels through 2020. For its part, the international community pledged at the October 2016 NATO summit in Warsaw to provide more than \$800 million annually for the ANDSF from 2018 to 2020.

SIGAR’s analysis of the most recent data provided by U.S. Forces in Afghanistan (USFOR-A) suggests that the security situation in Afghanistan has not improved this quarter. The numbers of the Afghan security forces are decreasing, while both casualties and the number of districts under insurgent control or influence are increasing.

The Afghan government faced tensions within the executive branch over the actions of First Vice-President Abdul Rashid Dostum and conflict between the executive and parliament over the dismissal of seven government ministers.

In October, First Vice-President Dostum publicly accused President Ashraf Ghani and Chief Executive Abdullah Abdullah of nepotism and ethnic bias in government appointments. Both Ghani and Abdullah’s offices condemned Dostum’s statement.

Then on November 24, Dostum reportedly kidnapped a political rival, a former governor of Jowzjan Province. Once released, the victim accused Dostum on national television of ordering him to be beaten and raped with

# RECONSTRUCTION UPDATE



**Farmland creeps through** the rolling hills of Badakshan Province in northeastern Afghanistan. Only about 12% of the country is suitable for agriculture. (UN Assistance Mission in Afghanistan photo by Fardin Waezi)

the muzzle of a rifle while in Dostum's private custody. The U.S. Embassy and the European Union called for an investigation. On December 17, the Afghan attorney general's office announced it was investigating the matter. As of December 22, Dostum refused an attorney-general summons. Claiming the first vice-president has the same legal standing as the president, Dostum's chief of staff labeled the summons illegal, arguing that allegations of crimes against the president can only be made by a two-thirds vote by parliament. Chief Executive Abdullah's office called the handling of the Dostum investigation a significant test for the unity government.

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers after they were summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). Four of the seven ministers sanctioned by parliament were nominees of President Ghani, while the remaining three had been nominated by Chief Executive Abdullah. Parliament considers those who received votes of no confidence dismissed. On November 14, President Ghani ordered the ministers to continue working, referring the issue of the dismissal's legality to the Afghan Supreme Court.

Afghanistan began FY 1396, which runs from December 21, 2016, through December 20, 2017, without an approved budget. The lower house of parliament rejected the draft budget submitted by the executive twice, arguing

that project funds were not well balanced between provinces. Parliament rejected a draft FY 1395 budget with the same critique. On January 16, 2017, the parliament passed an AFN 429 billion budget (more than \$6.4 billion in current dollars) on its third attempt with only 57% of lower house members participating in the vote. Domestic revenues are to pay for 38% of the budget, with donor assistance covering the rest.

Domestic revenues collected in the first 11 months of FY 1395 rose 32.0% above the same period in the previous year, but still covered only about 46.4% of total government expenditures, leaving a \$2.4 billion fiscal gap. Recurrent revenue streams like taxation and customs revenues increased more modestly. Revenue from the sale of government-owned land and buildings saw the biggest percentage increase compared to the same period last year, but it is questionable whether revenue inflows from such finite sources are sustainable. Increased revenue, while positive in light of Afghanistan's persistent fiscal gap, had no appreciable benefit for Afghanistan's economy.

The World Bank projected Afghanistan's real (net of inflation) gross domestic product (GDP), excluding opium, to grow 1.2% in 2016, marginally higher than 0.8% in 2015. The IMF said current economic growth—which is not keeping pace with the growth in population—remains far below what is necessary to increase employment and improve living standards.

Final approval of the U.S. government's revised counternarcotics strategy has been postponed until the new U.S. Administration takes office. The United States has provided \$8.5 billion for counternarcotic efforts in Afghanistan since 2002, but the area under poppy cultivation this year increased 10% to 201,000 hectares compared to last year's total.

The United Nations also reported that eradication results in 2016 were the lowest this decade at 355 hectares—a 91% decrease from 2015. Though cultivation decreased 7% in Helmand, the country's main opium poppy-cultivating province, it increased significantly in some provinces, such as Badghis (184%), while Jowzjan Province lost the poppy-free status it had regained in 2008. Additionally, Afghanistan has a severe and growing domestic addiction problem, with an estimated 11% of the adult population using drugs.

Cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$117.3 billion, as of December 31, 2016. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$98.8 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$8.4 billion of this amount remained available for potential disbursement.

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## STATUS OF FUNDS

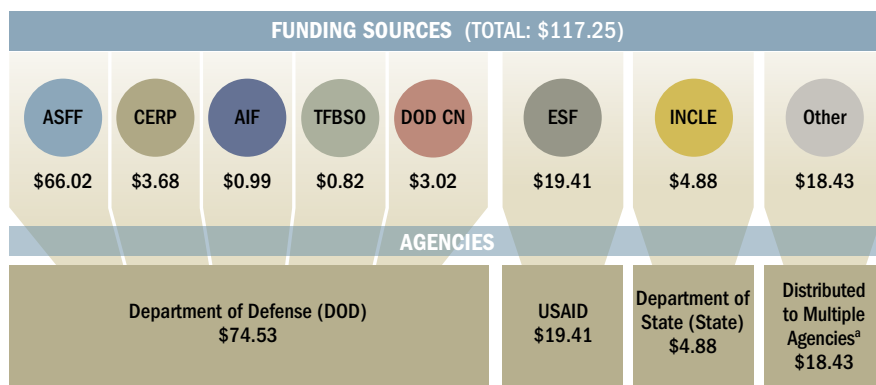
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of December 31, 2016, the United States had appropriated approximately \$117.25 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$70.55 billion for security (\$4.33 billion for counternarcotics initiatives)
- \$32.83 billion for governance and development (\$4.18 billion for counternarcotics initiatives)
- \$3.08 billion for humanitarian aid
- \$10.77 billion for civilian operations

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

FIGURE 3.1

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



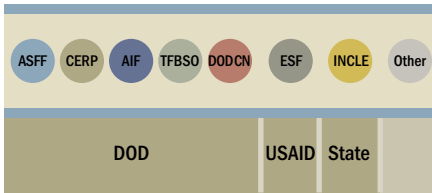
- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander’s Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-Drug Activities
- ESF:** Economic Support Fund
- INCLE:** International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

Note: Numbers have been rounded.

<sup>a</sup> Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, Broadcasting Board of Governors (BBG), and SIGAR.

Source: DOD, response to SIGAR data calls, 1/13/2017, 1/12/2017, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/18/2017, 1/6/2017, 10/18/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 1/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/16/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016,” 1/17/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS



## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of December 31, 2016, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$117.25 billion, as shown in Figure 3.2. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately \$8.50 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.33 billion) and governance and development (\$4.18 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

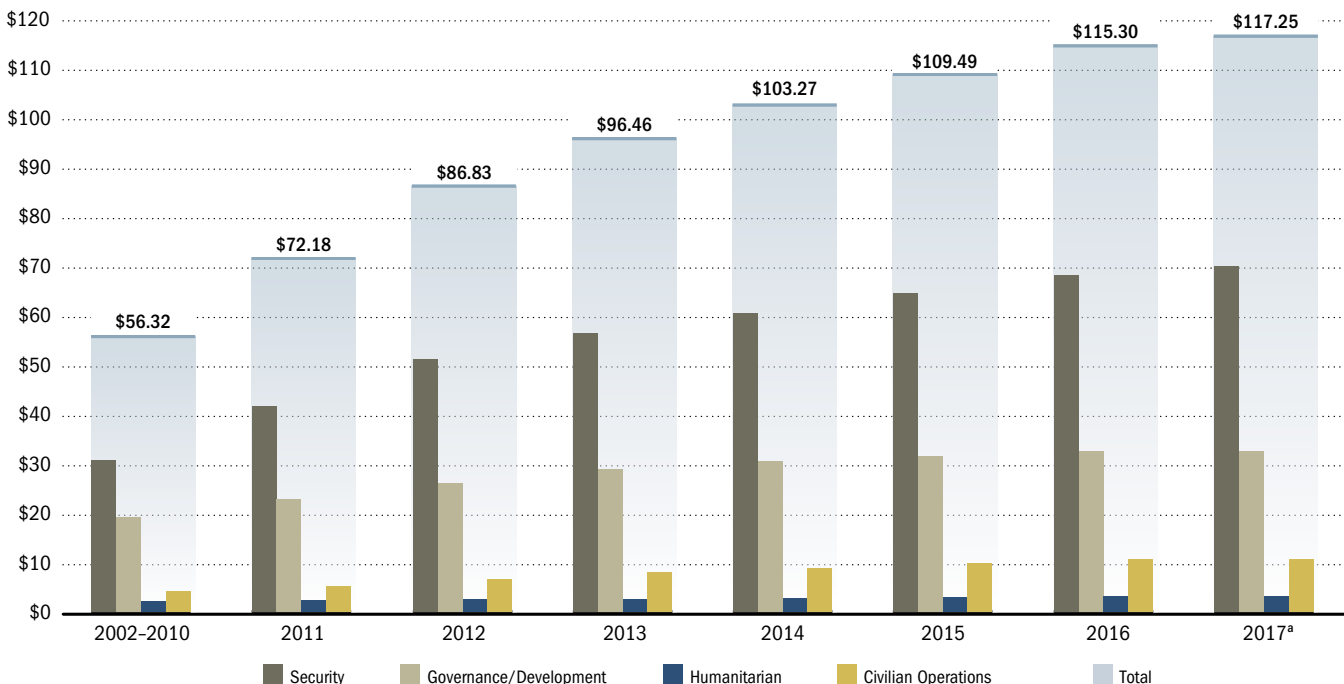
At the end of the fiscal quarter, the U.S. government was operating under a continuing resolution for FY 2017. As a result, Figure 3.3 shows the amount of FY 2017 funding made available for obligation under continuing resolutions, as of December 31, 2016.

On November 10, President Barack Obama released an amended FY 2017 budget for Overseas Contingency Operations (OCO). For Afghanistan, the amendment increases the amount requested for the Afghanistan

The amount provided to the seven major U.S. funds represents nearly 84.3% (over \$98.82 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 92.1% (over \$91.02 billion) has been obligated, and over 86.9% (nearly \$85.92 billion) has been disbursed. An estimated \$4.53 billion of the amount appropriated these funds has expired.

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF DECEMBER 31, 2016 (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD reprogrammed \$230 million into FY 2015 ASFF. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID. <sup>a</sup> FY 2017 figures reflect amounts made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data calls, 1/13/2017, 1/12/2017, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/18/2017, 1/6/2017, 10/18/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 1/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/16/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.



# STATUS OF FUNDS

Security Forces Fund by \$814.5 million to \$4.26 billion. The additional funding is primarily intended to begin transitioning the Afghan National Defense and Security Forces (ANDSF) from Russian-manufactured to U.S.-manufactured helicopters.<sup>53</sup>

The United States aims to channel at least 50% of its development assistance on-budget to the Government of Afghanistan.<sup>54</sup> This assistance is provided either directly to Afghan government entities or via contributions to multilateral trust funds that also support the Afghan government's budget.<sup>55</sup> Since 2002, the United States has provided more than \$10.25 billion in on-budget assistance. This includes about \$5.66 billion to Afghan government ministries and institutions, and nearly \$4.60 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 (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance disbursed to the Afghan government and multilateral trust funds.

TABLE 3.1

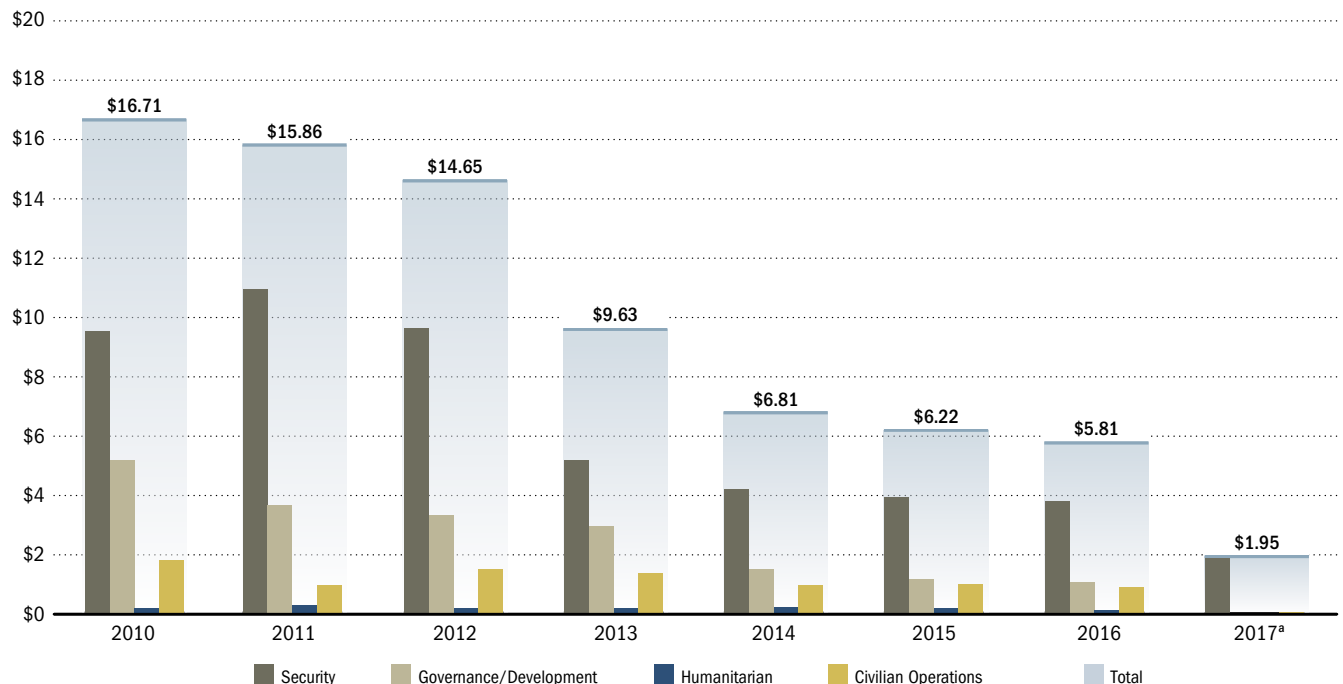
U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
<b>Government-to-Government</b>	
DOD	\$4,946
State	92
USAID	619
<b>Multilateral Trust Funds</b>	
LOTFA	\$1,641
ARTF	2,842
AITF	113

Note: Numbers have been rounded. Figures reflect amounts the United States has disbursed in on-budget assistance to Afghan government entities and multilateral trust funds. As of December 31, 2016, USAID had obligated approximately \$1.3 billion for government-to-government assistance.

Source: USAID, response to SIGAR data call, 1/18/2017; DOD, response to SIGAR data call, 6/25/2015; World Bank, "ARTF: Administrator's Report on Financial Status as of November 20, 2016 (end of 11th month of FY 1395)", p. 4; UNDP, response to SIGAR data call, 1/19/2017.

FIGURE 3.3

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



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD reprogrammed \$230 million into FY 2015 ASFF. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID. <sup>a</sup> FY 2017 figures reflect amounts made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data calls, 1/13/2017, 1/12/2017, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/18/2017, 1/6/2017, 10/18/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 1/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/16/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# STATUS OF FUNDS

## AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated nearly \$117.25 billion for Afghanistan relief and reconstruction. Of this amount, \$98.82 billion (84.3%) was appropriated to the seven major reconstruction funds, as shown in Table 3.3.

FIGURE 3.4

### CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

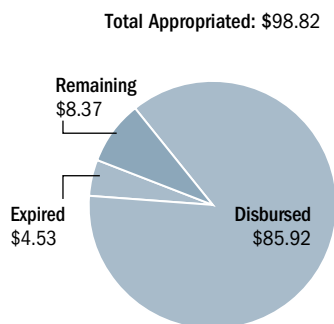


TABLE 3.3

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2016 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$66.02	\$61.75	\$60.71	\$3.32
Commander's Emergency Response Program (CERP)	3.68	2.29	2.27	0.01
Afghanistan Infrastructure Fund (AIF)	0.99	0.79	0.60	0.19
Task Force for Business & Stability Operations (TFBSO)	0.82	0.75	0.64	0.11
DOD Drug Interdiction and Counter-Drug Activities (DOD CN)	3.02	3.02	3.02	0.00
Economic Support Fund (ESF)	19.41	17.87	14.81	3.87
International Narcotics Control & Law Enforcement (INCLE)	4.88	4.55	3.87	0.87
<b>Total Major Funds</b>	<b>\$98.82</b>	<b>\$91.02</b>	<b>\$85.92</b>	<b>\$8.37</b>
Other Reconstruction Funds	7.66			
Civilian Operations	10.77			
<b>Total</b>	<b>\$117.25</b>			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.5 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/18/2017.

TABLE 3.2

FY 2016 AMOUNTS APPROPRIATED (\$ MILLIONS)	
	Appropriated
ASFF	\$3,652.26
CERP	5.00
DOD CN	138.76
ESF	812.27
INCLE	185.00
<b>Total Major Funds</b>	<b>\$4,793.29</b>

As of December 31, 2016, approximately \$8.37 billion of the amount appropriated to the seven major reconstruction funds remained for possible disbursement, as shown in Figure 3.4. These funds will be used to train, equip, and sustain the ANDSF; complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; combat narcotics production and trafficking; and advance the rule of law, strengthen the justice sector, and promote human rights.

The major reconstruction accounts were appropriated \$4.79 billion for FY 2016. Of this amount, almost \$3.17 billion had been obligated from ASFF, and \$138.76 million had been transferred from DOD CN to the military services and defense agencies for obligation and disbursement, as of December 31, 2016. Nearly \$1.83 billion remained for possible disbursement. Table 3.2 shows amounts appropriated the major reconstruction funds for FY 2016.

# STATUS OF FUNDS

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$954.65 million remained for possible disbursement, as of December 31, 2016, as shown in Table 3.4 and Figure 3.5.

TABLE 3.4

FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,962.34	\$3,947.50	\$3,860.32	\$87.17
CERP	30.00	6.62	6.44	0.18
AIF	144.00	130.46	15.97	114.48
TFBSO	122.24	106.77	85.84	20.93
DOD CN	238.96	238.96	238.96	0.00
ESF	907.00	835.71	244.20	591.51
INCLE	225.00	224.74	84.37	140.37
<b>Total Major Funds</b>	<b>\$5,629.54</b>	<b>\$5,490.75</b>	<b>\$4,536.10</b>	<b>\$954.65</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$139 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/18/2017.

Congress appropriated more than \$5.03 billion to four of the seven major reconstruction funds for FY 2015. Of that amount, more than \$1.28 billion remained for possible disbursement, as of December 31, 2016, as shown in Table 3.5 and Figure 3.6.

TABLE 3.5

FY 2015 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,939.33	\$3,935.19	\$3,663.22	\$271.98
CERP	10.00	3.37	1.60	1.77
ESF	831.90	790.40	4.96	785.44
INCLE	250.00	249.95	27.30	222.66
<b>Total Major Funds</b>	<b>\$5,031.23</b>	<b>\$4,978.91</b>	<b>\$3,697.07</b>	<b>\$1,281.84</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$52 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 1/18/2017.

FIGURE 3.5

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

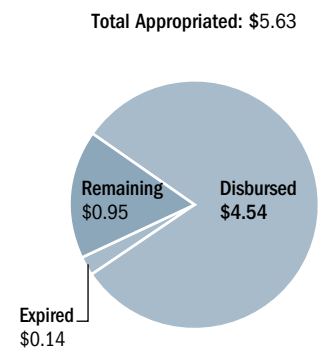
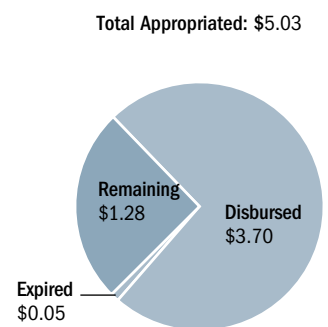
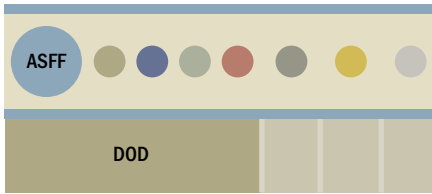


FIGURE 3.6

FY 2015 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



# STATUS OF FUNDS



## ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANDSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.<sup>56</sup> The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.<sup>57</sup>

DOD reported that nearly \$1.87 billion had been made available for obligation under FY 2017 continuing resolutions, as of December 31, 2016, increasing total cumulative funding to more than \$66.02 billion since 2005.<sup>58</sup> On November 10, President Barack Obama released an amended FY 2017 OCO budget request, which sought and an additional \$814.5 million for the ASFF, increasing the FY 2017 request from \$3.45 billion to \$4.26 billion. The additional funding is primarily intended to begin transitioning the ANDSF from Russian-manufactured to U.S.-manufactured helicopters.<sup>59</sup>

As of December 31, 2016, more than \$61.75 billion of total ASFF funding had been obligated, of which nearly \$60.71 billion had been disbursed.<sup>60</sup> Figure 3.7 displays the amounts made available for the ASFF by fiscal year, and Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR  
(\$ BILLIONS)

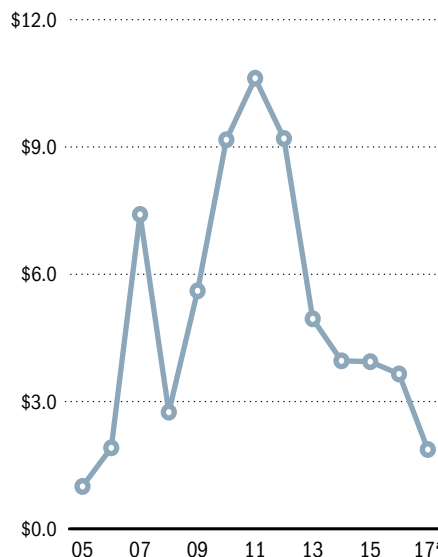
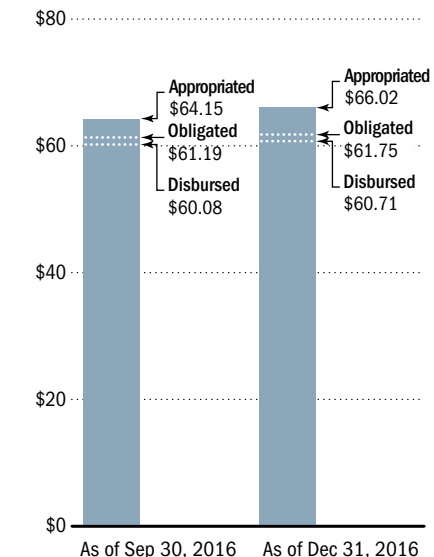


FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded. Data reflects reprogramming actions and rescissions. DOD reprogrammed \$1 billion of FY 2011, \$1 billion of FY 2012, and \$178 million of FY 2013 out of the ASFF to fund other DOD requirements. Pub. L. No. 113-6 rescinded \$1 billion from FY 2012. Pub. L. No. 113-235 rescinded \$764.38 million from FY 2014. Pub. L. No. 114-113 rescinded \$400 million from FY 2015. DOD reprogrammed \$230 million into FY 2015 ASFF.

<sup>a</sup> FY 2017 appropriation amount has not been determined. Figure reflects amount made available for obligation under continuing resolutions.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/19/2016; Pub. L. Nos. 114-113, 113-235, 113-76, and 113-6; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016.

## ASFF BUDGET ACTIVITIES

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

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

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.<sup>61</sup> 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.<sup>62</sup>

As of December 31, 2016, DOD had disbursed nearly \$60.72 billion for ANDSF initiatives. Of this amount, nearly \$40.55 billion was disbursed for the ANA, and nearly \$19.78 billion was disbursed for the ANP; the remaining \$388.63 million was directed to related activities such as detainee operations. This total is about \$9.34 million higher than the cumulative total disbursed due to an accounting adjustment which arises when there's a difference between the amount of disbursements or collections reported to the Defense Finance and Accounting Service and the Department of the Treasury.<sup>63</sup>

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$17.63 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$8.50 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.<sup>64</sup>

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

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

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

FIGURE 3.9

**ASFF DISBURSEMENTS FOR THE ANA BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2016 (\$ BILLIONS)**

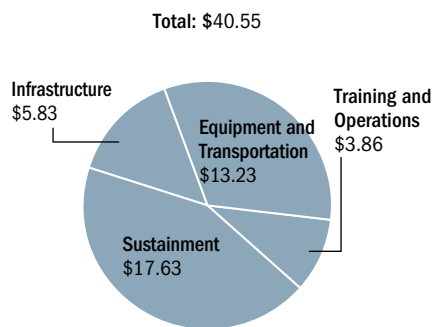
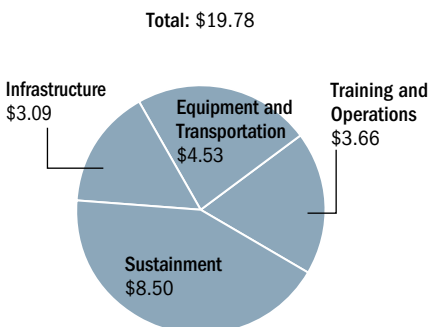


FIGURE 3.10

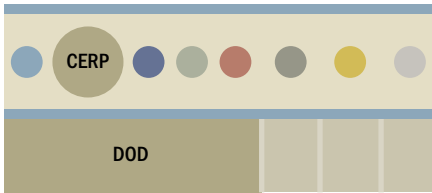
**ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005-DEC 31, 2016 (\$ BILLIONS)**



Note: Numbers have been rounded.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017.

# STATUS OF FUNDS



## CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.<sup>65</sup> CERP-funded projects may not exceed \$2 million each.<sup>66</sup>

DOD reported that \$500,671 had been obligated from CERP under the FY 2017 continuing resolution, as of December 31, 2016.<sup>67</sup> Figure 3.11 displays the amounts made available for CERP by fiscal year.

Total cumulative funding for CERP amounted to more than \$3.68 billion. Of this amount, nearly \$2.29 billion had been obligated, of which more than \$2.27 billion had been disbursed. DOD reported that cumulative obligations increased by \$320,214 over the quarter, and cumulative disbursements increased by \$946,086.<sup>68</sup> Figure 3.12 provides a cumulative comparison of amounts made available, obligated, and disbursed for CERP.

FIGURE 3.11

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

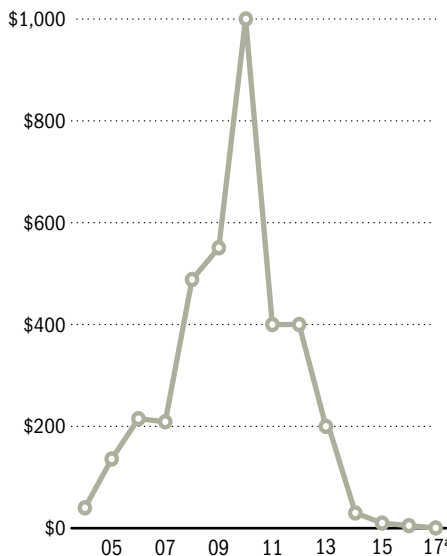
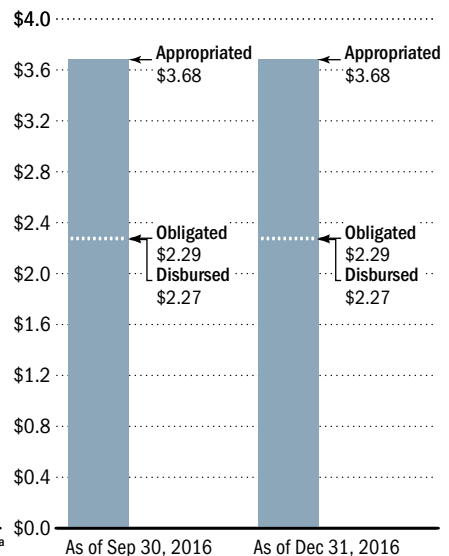


FIGURE 3.12

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



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

<sup>a</sup> FY 17 appropriation amount has not been determined. Figure reflects amount obligated under continuing resolutions.

Source: DOD, response to SIGAR data calls, 1/12/2017 and 10/18/2016; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10.

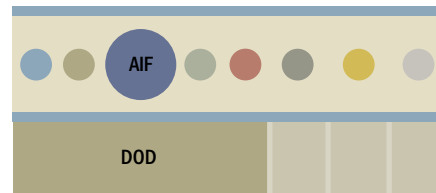
## AFGHANISTAN INFRASTRUCTURE FUND

The AIF was established in FY 2011 to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort.

Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. Each AIF-funded project is required to have a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.<sup>69</sup> The AIF received appropriations from FY 2011 through FY 2014. Although the AIF no longer receives appropriations, many projects remain in progress, and DOD may obligate up to \$50 million from the ASFF to complete existing AIF projects.<sup>70</sup>

The AIF received cumulative appropriations of over \$1.32 billion; however, \$335.50 million of these funds were transferred to the Economic Support Fund (ESF) for USAID's power transmission lines projects, bringing the cumulative amount remaining in the AIF to \$988.50 million.<sup>71</sup> Figure 3.13 shows AIF appropriations by fiscal year. Figure 3.14 shows AIF appropriations by fiscal year.

As of December 31, 2016, nearly \$788.00 million of total AIF funding had been obligated, and more than \$601.87 million had been disbursed, as shown in Figure 3.14.<sup>72</sup>



### AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

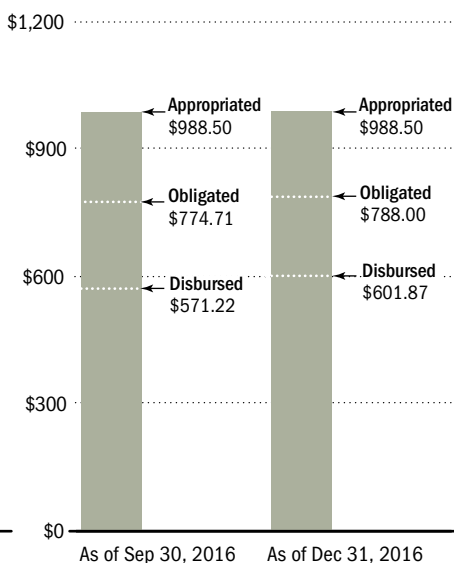
FIGURE 3.13

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



FIGURE 3.14

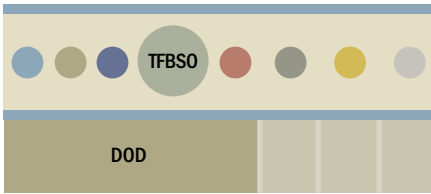
**AIF FUNDS, CUMULATIVE COMPARISON**  
(\$ MILLIONS)



Note: Numbers have been rounded. Data reflects the following transfers from AIF to USAID's Economic Support Fund: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/15/2016; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

# STATUS OF FUNDS



## TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the 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 concluded its operations on March 31, 2015. TFBSO projects included activities intended to facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.<sup>73</sup>

Through December 31, 2016, the TFBSO had been appropriated more than \$822.85 million since FY 2009. Of this amount, more than \$754.36 million had been obligated and more than \$640.60 million had been disbursed.<sup>74</sup> 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.

FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR (\$ MILLIONS)

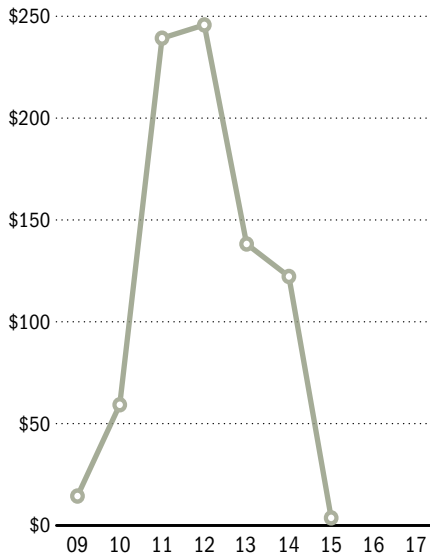
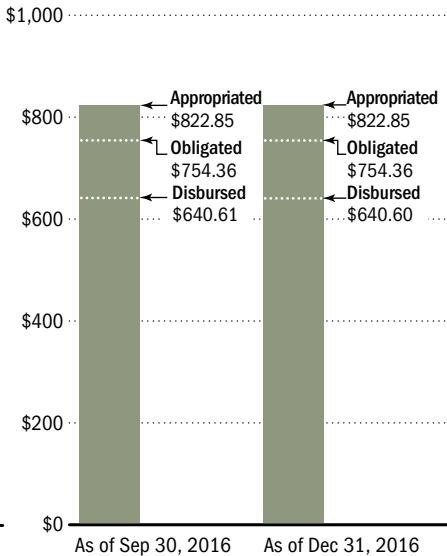


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON (\$ MILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower disbursed figure than reported last quarter. Of the \$822.85 million appropriated the TFBSO, \$366.05 million was from the Operations and Maintenance, Army, account to pay for the sustainment of U.S. assets, civilian employees, travel, security, and other operational costs; all FY 2015 funding was from this account.

Source: DOD, response to SIGAR data calls, 1/13/2017, 10/11/2016, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, 112-10.

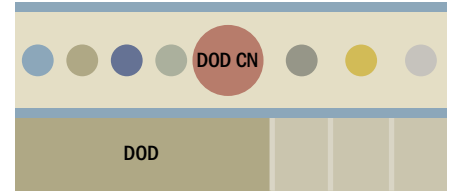


## DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

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

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.<sup>76</sup>

DOD reported that nearly \$18.43 billion had been transferred from the DOD CN CTA to the military services and defense agencies for obligation under FY 2017 continuing resolutions, bringing cumulative funding for DOD CN to nearly \$3.02 billion since FY 2004, all of which had been transferred to the military services and defense agencies for DOD CN projects, as of December 31, 2016.<sup>77</sup> Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



### DOD CN FUNDS TERMINOLOGY

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

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

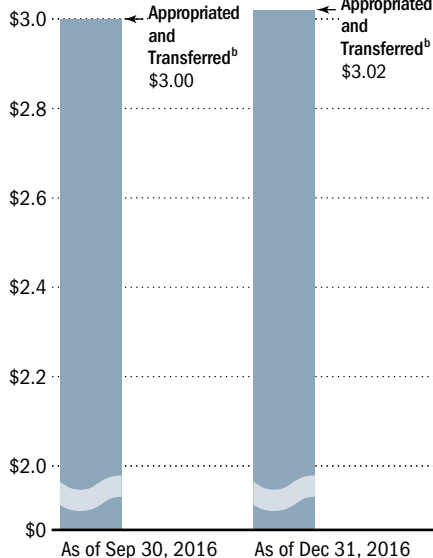
FIGURE 3.17

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



FIGURE 3.18

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



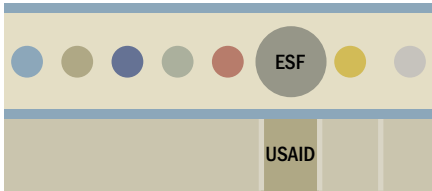
Note: Numbers have been rounded. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

<sup>a</sup> FY 2017 appropriation amount has not been determined. Figure reflects amount transferred to the military services and defense agencies for obligation under continuing resolution.

<sup>b</sup> DOD reprograms all DOD CN funds to the military services and defense agencies for obligation and disbursement.

Source: DOD, response to SIGAR data calls, 1/13/2017 and 10/12/2016; OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

# STATUS OF FUNDS



## ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

## ECONOMIC SUPPORT FUND

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

The ESF was appropriated \$812.27 million for FY 2016, and USAID reported no obligations under FY 2017 continuing resolutions, resulting in no change to ESF's cumulative funding of \$19.41 billion, which includes amounts transferred from AIF to ESF for USAID's power transmission lines projects. Of this amount, nearly \$17.87 billion had been obligated, of which more than \$14.81 billion had been disbursed.<sup>79</sup> Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of December 31, 2016, decreased by \$993,229 and cumulative disbursements increased by nearly \$246.83 million from the amounts reported last quarter.<sup>80</sup> Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR  
(\$ BILLIONS)

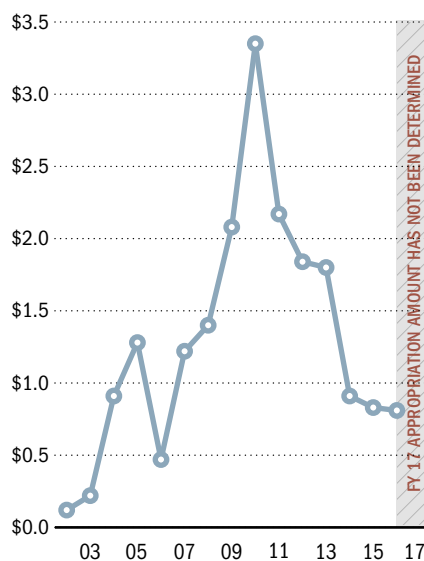
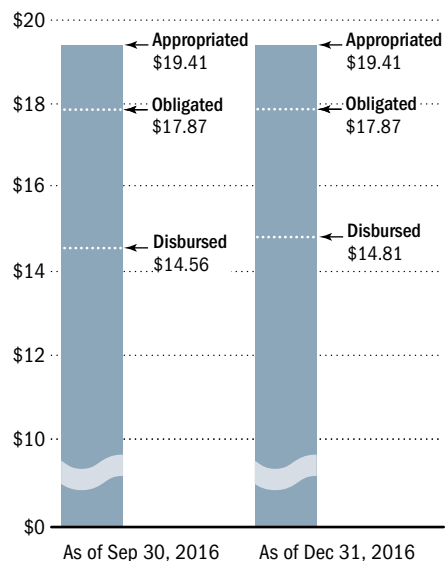


FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON  
(\$ BILLIONS)



Note: Numbers have been rounded. Data reflects the following transfers from AIF to the ESF: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

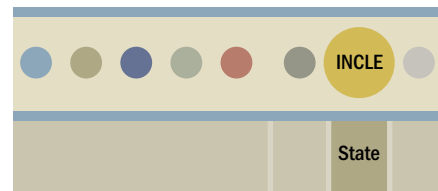
Source: USAID, response to SIGAR data calls, 1/10/2017 and 10/19/2016; State, response to SIGAR data calls, 5/4/2016, 10/20/2015, 4/15/2015 and 4/15/2014.

## INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the International Narcotics Control and Law Enforcement (INCLE) account which funds projects and programs for advancing rule of law and combating narcotics production and trafficking. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.<sup>81</sup>

State reported that INCLE was appropriated \$185 million for FY 2016 and reported no obligations under FY 2017 continuing resolutions, resulting in no change to INCLE's cumulative funding of \$4.88 billion. Of this amount, more than \$4.55 billion had been obligated, of which, nearly \$3.87 billion had been disbursed.<sup>82</sup> Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of December 31, 2016, decreased by roughly \$34,000, and cumulative disbursements increased more than \$35.91 million over amounts reported last quarter.<sup>83</sup> Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



### INL FUNDS TERMINOLOGY

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

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

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

FIGURE 3.21

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

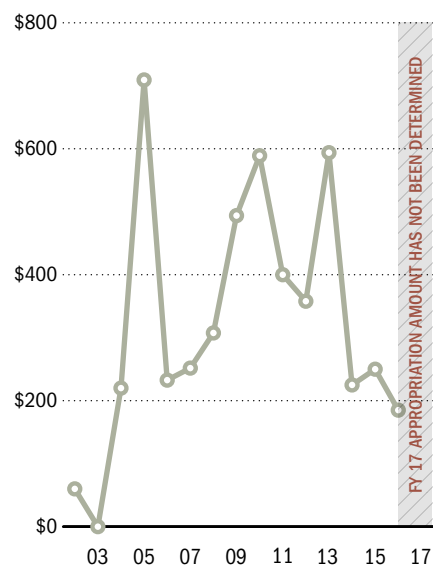
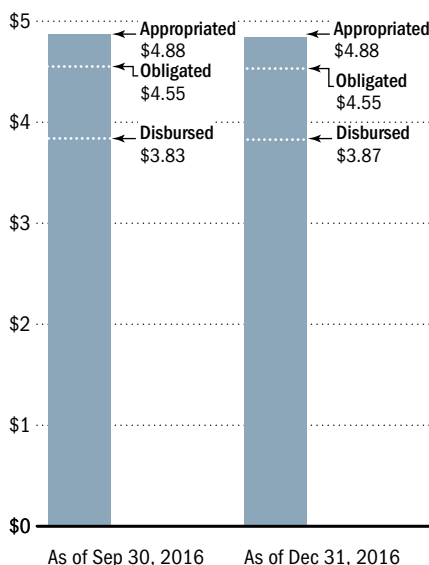


FIGURE 3.22

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



Note: Numbers have been rounded. Data may include inter-agency transfers.  
Source: State, response to SIGAR data calls, 1/6/2017, 10/12/2016, and 4/7/2016.

# STATUS OF FUNDS

## 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. Most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).<sup>84</sup>

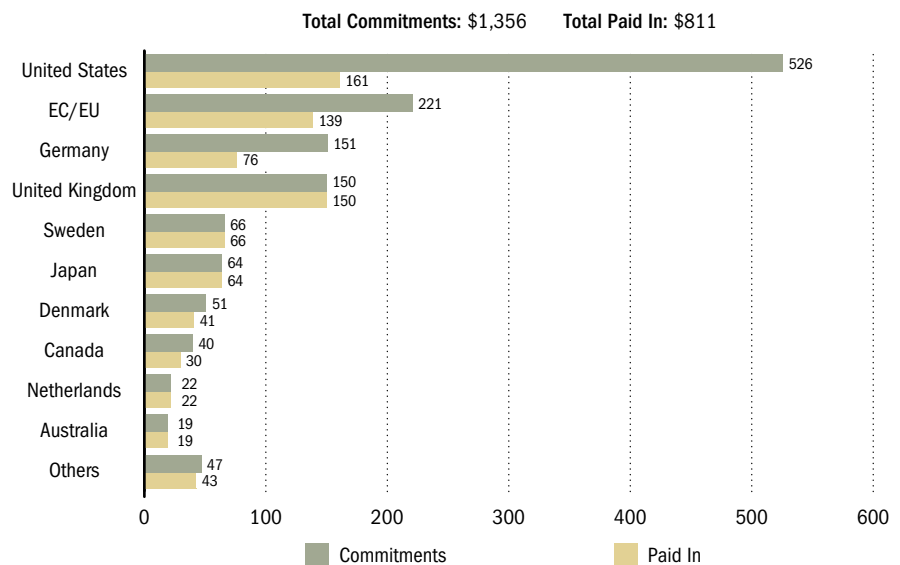
### Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to November 20, 2016, the World Bank reported that 34 donors had pledged more than \$10.01 billion, of which nearly \$9.40 billion had been paid in.<sup>85</sup> According to the World Bank, donors had pledged nearly \$1.36 billion to the ARTF for Afghan fiscal year 1395, which runs from December 22, 2015, to December 21, 2016.<sup>86</sup> Figure 3.23 shows the 10 largest donors to the ARTF for FY 1395.

As of November 20, 2016, the United States had pledged nearly \$3.21 billion and paid in more than \$2.84 billion since 2002.<sup>87</sup> The United States and

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1395 BY DONOR, AS OF NOVEMBER 20, 2016 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1395 = 12/22/2015–12/21/2016.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of November 20, 2016 (end of 11th month of FY1395)," p. 1.

# STATUS OF FUNDS

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.<sup>88</sup> As of November 20, 2016, according to the World Bank, nearly \$4.08 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.<sup>89</sup> The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.<sup>90</sup>

The Investment Window supports the costs of development programs. As of November 20, 2016, according to the World Bank, nearly \$4.54 billion had been committed for projects funded through the Investment Window, of which more than \$3.61 billion had been disbursed. The World Bank reported 26 active projects with a combined commitment value of nearly \$3.20 billion, of which more than \$2.27 billion had been disbursed.<sup>91</sup>

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

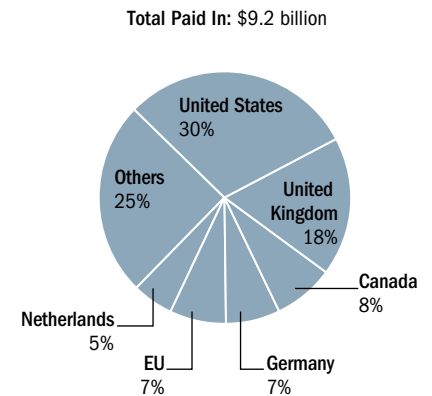
The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior (MOI).<sup>92</sup> Since 2002, donors have pledged nearly \$5.18 billion to the LOTFA, of which nearly \$4.90 billion had been paid in, as of December 31, 2016. UNDP reported that the United States had committed and paid in more than \$1.64 billion since the fund’s inception.<sup>93</sup> Figure 3.25 shows the four largest donors to the LOTFA since 2002.

The LOTFA’s eighth phase began on July 1, 2015. The phase has an initial estimated budget of \$883.56 million and has been extended past December 31, 2016. The Phase VIII budget is divided between two individual projects. Over \$850.56 million is for the Support to Payroll Management (SPM) project that aims to develop the capacity of the Afghan government to independently manage all non-fiduciary aspects of its pay budget for the ANP and Central Prisons Directorate (CPD) staff by December 31, 2016.<sup>94</sup> While capacity building is an important aspect of the project, most SPM project funding—nearly \$842.44 million—will be transferred from the UNDP Country Office to the Ministry of Finance (MOF) for ANP and CPD staff remunerations.<sup>95</sup> The MOI and Police Development (MPD) project is budgeted the remaining \$33 million. The MPD project focuses on institutional development of the MOI and police professionalization of the ANP.<sup>96</sup>

From July 1, 2015, through September 30, 2016, UNDP had expended nearly \$552.88 million on the SPM project for Phase VIII. Of this amount, nearly \$548.04 million was transferred to the MOF to pay for ANP and CPD staff. In addition, nearly \$11.63 million was expended on the MPD project.<sup>97</sup>

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–NOVEMBER 20, 2016

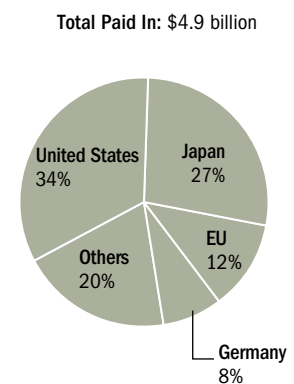


Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of November 20, 2016 (end of 11th month of FY1395),” p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF DECEMBER 31, 2016



Note: Numbers have been rounded. EU = European Union. “Others” includes 26 donors.

Source: UNDP, response to SIGAR data call, 1/19/2017.

# SECURITY CONTENTS

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## SECURITY

### KEY ISSUES AND EVENTS

SIGAR's analysis of the most recent data provided by U.S. Forces in Afghanistan (USFOR-A) suggests that the security situation in Afghanistan has not improved this quarter. The numbers of the Afghan security forces are decreasing, while both casualties and the number of districts under insurgent control or influence are increasing.<sup>98</sup>

During his nomination hearing before the Senate Armed Services Committee in January 2016, then-Lieutenant General John W. Nicholson Jr., commander of U.S. and NATO troops in Afghanistan, said Afghanistan had an air-power shortfall.<sup>99</sup> General Nicholson, in a press conference on December 2, provided details of Department of Defense (DOD) plans to replace Afghanistan's aging Russian-made Mi-17 helicopter fleet with U.S.-made UH-60 "Black Hawk" helicopters.<sup>100</sup> DOD reported that the current Mi-17 fleet in Afghanistan is in a state of steady decline due to higher-than-anticipated utilization rates and accelerating attrition that need to be addressed in the coming years.<sup>101</sup> General Nicholson also stated that Afghan requests for Russian technical assistance for the Mi-17s had not been fruitful.<sup>102</sup>

In November 2016, DOD requested \$814.5 million from Congress as part of an amendment to the fiscal year (FY) 2017 Overseas Contingency Operation Budget to purchase and upgrade obsolete U.S. Army UH-60A Black Hawk helicopters for Afghanistan. The budget request, still awaiting congressional approval, would also fund additional A-29 Super Tucano light attack aircraft, MD-530 helicopters, and an armed variant of the single-turboprop C-208 utility aircraft.<sup>103</sup>

On December 23, 2016, President Obama signed the Fiscal Year (FY) 2017 National Defense Authorization Act, authorizing up to \$4.26 billion for the Afghanistan Security Forces Fund (ASFF). The ASFF is the United States' principal fund to build, train, equip, and sustain the Afghan National Defense and Security Forces (ANDSF). President Obama pledged to recommend to his successor that the United States continue to seek funding for the ANDSF at or near current levels through 2020. For its part, the international community pledged at the October 2016 NATO summit in Warsaw to provide more than \$800 million annually for the ANDSF from



**General John Nicholson** briefs reporters on the security situation in Afghanistan at the Pentagon in Washington, DC, in December 2016. (DOD photo by U.S. Air Force SSG Jette Carr)

2018 to 2020.<sup>104</sup> NATO's mission in Afghanistan is the largest and longest operation in the alliance's history.<sup>105</sup>

After nearly a decade, the European Union Police Mission in Afghanistan ended on December 31, 2016, in accordance with a December 2014 Council of the European Union decision, as planned for the expected (now extended) end of the Resolute Support (RS) mission. The EU will, however, continue a smaller mission beginning in March 2017 that will have a narrower focus on ministry-level advising.<sup>106</sup>

## U.S. RECONSTRUCTION FUNDING FOR SECURITY

As of December 31, 2016, the U.S. Congress had appropriated nearly \$70.6 billion to support the ANDSF. This accounts for 60% of all U.S. reconstruction funding for Afghanistan since FY 2002.

In 2005, Congress established the ASFF to build, equip, train, and sustain the ANDSF, which comprises all security forces under the Ministry of Defense (MOD) and the Ministry of Interior (MOI). Additionally, ASFF is used to support the Afghan Local Police (ALP), which falls under the authority of the MOI although it is not considered part of the ANDSF. Most U.S.-provided funds were channeled through the ASFF and obligated by either the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. According to DOD, ASFF funds are transferred to Da Afghanistan Bank, similar to the U.S. Federal Reserve, and then the Ministry of Finance sends treasury checks to fund the MOD and MOI based on submitted funding requests.<sup>107</sup> Of the \$66 billion appropriated for the ASFF, \$61.8 billion had been obligated and \$60.7 billion disbursed.<sup>108</sup>

This section discusses assessments of the Afghan National Army (ANA), Afghan National Police (ANP), and the Ministries of Defense and Interior; and gives an overview of how U.S. funds are used to build, equip, train, and sustain the Afghan security forces.

## UN Reports Afghan Security Deteriorating

The United Nations (UN) Secretary-General reported in December that Afghanistan's security situation further deteriorated between January and October 2016, with intensifying armed clashes between the Afghan security forces and the Taliban. Armed clashes reached their highest level since UN reporting began in 2007, and marked a 22% increase over the same period in 2015.<sup>109</sup> The Taliban continued to challenge government control in key districts and attempted to cut off strategically important highways and supply routes.<sup>110</sup>

The UN recorded 6,261 **security incidents** between August 16 and November 17, 2016, as reflected in Figure 3.26, representing a 9% increase from the same period in 2015, and an 18% decrease from the same period

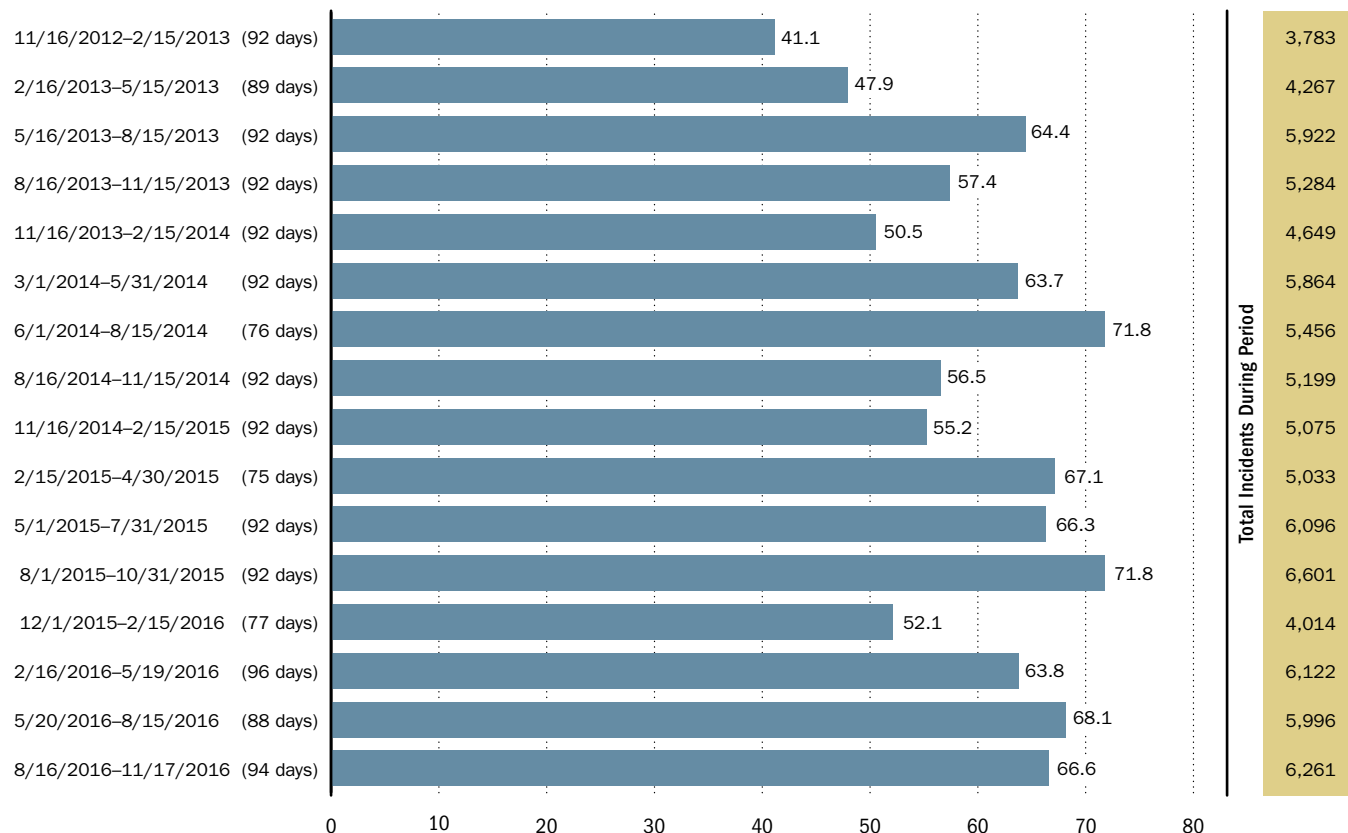
**Security incidents:** reported incidents that include armed clashes, improvised-explosive devices, targeted killings, abductions, suicide attacks, criminal acts, and intimidation. Reported incidents are not necessarily actual incidents.

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



FIGURE 3.26

## AVERAGE NUMBER OF REPORTED SECURITY INCIDENTS PER DAY



Note: Security incidents were not reported for the month of November 2015.

Source: UN, reports of the Secretary-General, *The situation in Afghanistan and its implications for International peace and security*, 9/7/2016, p. 5; 6/10/2016, p. 4; 3/7/2016, p. 6; 12/10/2015, p. 5; 9/1/2015, p. 4; 6/10/2015, p. 4; 2/27/2015, p. 4; 12/9/2014, p. 5; 9/9/2014, p. 6; 6/18/2014, p. 5; 3/7/2014, p. 5; 12/6/2013, p. 6; 9/6/2013, p. 6; 6/13/2013, p. 5; 3/5/2013, p. 5; and 12/13/2016, p. 4.

in 2014.<sup>111</sup> As in past UN reporting, armed clashes account for the majority of the security incidents (65%), followed by those involving improvised-explosive devices (18%). During the period, the majority of the recorded security incidents (66%) continued to occur in the southern, southeastern, and eastern regions.<sup>112</sup>

According to DOD, there were 5,271 enemy-initiated attacks which resulted in at least one non-insurgent being killed or wounded between June 1 and November 30, 2016, less than the 5,822 during the same period in 2015, for monthly averages of 879 and 971 respectively.<sup>113</sup> Direct fire remains the most common form of effective enemy-initiated attacks, followed by improvised-explosive device (IED) explosions and mine strikes. DOD reported the number of direct-fire attacks has grown dramatically as the Taliban increased attacks on ANA and ANP.<sup>114</sup>

“[ISIL] still poses, obviously, a threat to Afghanistan [and] the people of Afghanistan.

We’ll continue to stay very, very focused on ISIL wherever it rears its head, whether it’s Afghanistan, whether it’s Iraq and Syria, whether it’s other parts of the world.”

– Peter Cook, *Pentagon Press Secretary*

Source: Peter Cook, Department of Defense, in the Pentagon Briefing Room, 11/22/2016.

As the year ended, the ANDSF were fighting insurgents in areas such as Helmand, Uruzgan, Kandahar, Kunduz, Laghman, Zabul, Wardak, and Faryab Provinces.<sup>115</sup>

DOD reported that discord between various political, ethnic, and tribal factions within the Afghan government, as well as delays in or fallouts from potential parliamentary elections, could contribute to a degradation of the security situation.<sup>116</sup> DOD predicted the insurgency will continue to exploit ANDSF vulnerabilities. As Afghan Air Force (AAF) capabilities grow, DOD predicted the Taliban are likely to use smaller groupings of fighters. They will likely use harassing attacks against lightly defended checkpoints, challenge the ANDSF in rural areas, and impede ground lines of communication to isolate district and provincial centers prior to attacking them.<sup>117</sup>

DOD assessed Islamic State of Iraq and the Levant (ISIL) numbers will not present a security impact outside isolated provinces in eastern Afghanistan.<sup>118</sup> Nevertheless, General Nicholson reported a concern that any of the 20 terrorist groups in the Afghanistan-Pakistan region—13 in Afghanistan and seven in Pakistan—could morph into “a more virulent strain” wherein “the whole becomes greater than the sum of the parts.”<sup>119</sup>

## Civilian Casualties

The United Nations Assistance Mission in Afghanistan (UNAMA) reported that 8,397 conflict-related civilian casualties occurred between January 1 and September 30, 2016, a 1% decrease compared to the same period in 2015.<sup>120</sup> UNAMA found that antigovernment elements, responsible for 61% of the civilian casualties, were perpetrating illegal and indiscriminate attacks and were deliberately targeting civilians.<sup>121</sup> A Nangarhar provincial spokesperson reported on December 23, 2016, that ISIL destroyed 230 homes, two mosques, a 10-bed hospital, and three schools during a nearly 45-day period after seizing the Pachir Agam district. In addition, more than 200 acres of farm land were destroyed, about 5,000 livestock were killed, and 63 men were still being held captive.<sup>122</sup>

UNAMA reported a 67% increase in the number of casualties caused by unexploded ordnance; 84% of the 510 casualties were children.<sup>123</sup> On October 18, 2016, UNAMA concluded that a July 23 ISIL attack on ethnic-Hazara demonstrators—the deadliest single incident recorded by the UN in Afghanistan since 2001—deliberately targeted civilians.<sup>124</sup> UNAMA called on all parties to abide by international humanitarian law reiterating that attacks directly targeting civilians may constitute war crimes.<sup>125</sup> Of the civilian casualties, some 23% were attributed to pro-government forces (which includes the ANDSF and Coalition forces).<sup>126</sup> UNAMA also raised concerns about a 72% increase in civilian casualties caused by aerial strikes (292).<sup>127</sup>

On January 12, American and Afghan media outlets reported the results of USFOR-A’s investigation into a joint U.S.-Afghan special forces airstrike against Taliban insurgents in Kunduz Province in early November. The

investigation concluded that 33 civilians were killed, 27 civilians were wounded, and two U.S. military personnel and three Afghan commandos were killed. USFOR-A said the operation was conducted to capture Taliban leaders deemed responsible for violence in Kunduz in October. Their investigation found that U.S. forces used the minimum force necessary to successfully neutralize the threats posed by the enemy from civilian buildings, and the civilian casualties were likely a result of those civilians having been inside buildings the Taliban were occupying. Having determined that U.S. forces were acting in self-defense in accordance with all applicable laws and policies, USFOR-A plans no further action.<sup>128</sup>

High-profile attacks continue. At least six people were killed and 128 wounded when Taliban attackers drove an explosive-laden truck into the German consulate in Mazar-e Sharif on November 10, 2016. The Taliban claimed the attack was retaliation for Germany's support of the above-mentioned airstrike in Kunduz.<sup>129</sup> A Taliban attack on a Helmand parliamentarian's home in Kabul on December 21, 2016, left the MP injured and eight people dead, including the MP's two grandsons and the son of an Uruzgan MP.<sup>130</sup> Two days later, unidentified gunmen fired on the home of a former Taliban leader who had reintegrated into Afghan society and was active in efforts to revive peace talks.<sup>131</sup> On December 28, a Bamiyan parliamentarian was wounded and his bodyguard killed when a roadside bomb detonated.<sup>132</sup>

On January 10, a suicide bomber followed by a vehicle-borne explosion rocked Kabul, killing at least 50 people and wounding 150 near government and legislative offices.<sup>133</sup> Later that day, an explosion in the Kandahar governor's compound killed at least 10 people, including five United Arab Emirates (UAE) diplomats and the deputy governor. The Taliban denied responsibility, saying the blast, which also wounded the governor and the UAE ambassador, stemmed from "internal" local government disputes. The attack was the deadliest on UAE's diplomatic corps in the country's 45-year history.<sup>134</sup>

## DISTRICT CONTROL CONTINUES TO DECLINE

U.S. Forces Afghanistan (USFOR-A) reported that approximately 57.2% of the country's 407 districts are under Afghan government control or influence as of November 15, 2016, a 6.2% decrease from the 63.4% reported last quarter in late August, and a nearly 15% decrease since November 2015.<sup>135</sup> As reflected in Table 3.6 on page 90, of the 407 districts of Afghanistan's 34 provinces, 233 districts were under government control (83 districts) or influence (150), 41 districts (in 15 provinces) were under insurgent control (9) or influence (32), and 133 districts were "contested."<sup>136</sup> According to USFOR-A, the number of districts under insurgent control or influence rose 2% from August 30 to November 15, 2016, to 10.1% of the country's total districts, and the number of

"This is an insurgency that still enjoys sanctuary and support from outside the country; that's very difficult for the Afghans to defeat."

—General John Nicholson,  
Commander, Resolute Support and  
U.S. Forces-Afghanistan

Source: General John Nicholson, Department of Defense, Press Briefing in the Pentagon Briefing Room, 12/2/2016.

TABLE 3.6

<b>DISTRICT CONTROL WITHIN THE 34 AFGHANISTAN PROVINCES AS OF NOVEMBER 26, 2016</b>						
Control Status	Districts		Population		Area	
	Number	%	In millions	%	Sq Km	%
GIROA			20.4	63.6%	367,638	57.1%
Control	83	20.4%				
Influence	150	36.9%				
CONTESTED	133	32.7%	9.2	28.7%	172,088	26.7%
INSURGENT			2.5	7.8%	104,063	16.2%
Control	9	2.2%				
Influence	32	7.9%				
<b>Total</b>	<b>407</b>	<b>100%</b>	<b>32.1</b>	<b>100%</b>	<b>643,789</b>	<b>100%</b>

Note: GIROA = Government of the Islamic Republic of Afghanistan, sq km = square kilometers.

Source: USFOR-A, response to SIGAR data call, 11/26/2016.

contested districts rose 4.2% over the same period to 32.7% of all districts.<sup>137</sup> Previously USFOR-A has described contested districts as having “negligible meaningful impact from insurgents,” contending that neither the insurgency nor the Afghan government maintains significant control over these areas.<sup>138</sup>

USFOR-A identified the regions/provinces with the largest percentage of insurgent-controlled or -influenced districts as Uruzgan Province, with five out of six (83.3%) of its districts under insurgent control or influence, and Helmand with eight out of 14 (57.1%) of its districts under insurgent control or influence.<sup>139</sup> The region with the most districts under insurgent control or influence is centered on northeast Helmand Province and northwestern Kandahar Province, and includes the Helmand/Kandahar border area, Uruzgan Province, and northwestern Zabul. This region alone accounts for 16 of the 41 districts (or 31.7%) under insurgent control or influence.<sup>140</sup> The NATO-led Resolute Support (RS) mission determines district status by assessing five indicators of stability: governance, security, infrastructure, economy, and communications.<sup>141</sup>

USFOR-A attributes the loss of government control or influence over territory to the ANDSF’s strategic approach to security prioritization, identifying the most important areas that the ANDSF must hold to prevent defeat, and focusing less on areas with less strategic importance.<sup>142</sup>

Under its new Sustainable Security Strategy, the ANDSF targets “disrupt” districts for clearance operations when the opportunity arises, but will give first priority to protecting “hold” and “fight” districts under its control.<sup>143</sup> USFOR-A determined that from August to November 2016, all the districts that moved under insurgent control or influence were located in “disrupt” areas and that the ANDSF actually increased the Afghan government’s influence over the population in districts prioritized as “fight” and “hold” areas.<sup>144</sup>

USFOR-A noted that the insurgents failed in their eight attempts to capture a provincial capital this year.<sup>145</sup> Although the insurgents gained some ground,

USFOR-A determined that “the amount of population that the insurgency influences or controls decreased from 2.9 million to 2.5 million (a decrease of 1.2%)” in the last three months.<sup>146</sup> As reflected in Table 3.6, of the 32.1 million people living in Afghanistan, USFOR-A has assessed that the majority, 20.4 million (63.5%), live in areas controlled or influenced by the government, while another 9.2 million people (28.7%) live in areas that are contested.<sup>147</sup>

## U.S. FORCES IN AFGHANISTAN

According to DOD, the RS train, advise, and assist mission consisted of 13,332 U.S. and Coalition personnel as of December 2016. Of that number, 6,941 were U.S. forces and 6,391 were from 26 NATO allies and 12 non-NATO partners. The number of U.S. forces conducting or supporting counterterrorism operations is reported in this report’s classified annex; however, the total number of U.S. forces in Afghanistan was reported to be “approximately 9,000,” decreasing more recently to no more than 8,448.<sup>148</sup>

Between the start of Operation Freedom’s Sentinel (OFS) on January 1, 2015, through December 29, 2016, 19 U.S. military personnel assigned to OFS were killed in action, in addition to 12 non-hostile deaths, for a total of 31 U.S. military deaths. During this period, 145 U.S. military personnel assigned to OFS were wounded in action.<sup>149</sup> Since January 1, 2015, through the last update on March 7, 2016, seven U.S. civilians or contractors were killed due to hostile actions in addition to nine deaths due to non-hostile causes. Nine DOD, U.S. civilian, or contractor personnel were wounded during this period.<sup>150</sup> Last quarter, DOD noted that some of the contractors may have been involved in missions other than Resolute Support’s train, advise, and assist mission.<sup>151</sup> From January 1, 2016, through November 12, 2016, a total of three “insider” attacks—ANDSF personnel turning weapons on U.S. or allied military personnel—were directed against U.S. forces.<sup>152</sup> A suicide-bombing attack on U.S. personnel at Bagram airfield in November killed three people (one U.S. military and two U.S. civilians) and injured 17 U.S. military personnel (one of whom later died).<sup>153</sup>

After the attack at Bagram, General Nicholson said nothing is more important than U.S. force protection, so a complete force-protection review was performed, including re-vetting and rescreening of all local-national contractors.<sup>154</sup> From January 1, 2016, through November 12, 2016, there were 56 insider attacks in which ANDSF personnel turned on fellow ANDSF security forces. These attacks killed 151 Afghan personnel and wounded 79.<sup>155</sup> In one incident, an Afghan policeman killed one person and wounded two, including an Afghan soldier, at a checkpoint for the Karzai International Airport in Kabul on December 14, 2016.<sup>156</sup> USFOR-A warned that their numbers may differ from official Afghan government casualty figures, which could be subject to some degree of error.<sup>157</sup>



**A U.S. Air Force F-16** supports an Operation Freedom’s Sentinel mission over Afghanistan on December 21, 2016. U.S. forces are helping Afghans build close-air-support capability. (U.S. Air Force photo by SSG Matthew B. Fredericks)

## FIVE STRATEGIC GOALS OF THE MINISTER OF INTERIOR AFFAIRS:

Goal 1: Strengthen public order and security and prevent and combat destructive and riotous activities

Goal 2: Enforce the rule of law and fight against crimes including narcotics and corruption

Goal 3: Strengthen strategic management and communications systems through institutional development, respect human rights and gender, and implement structural reforms

Goal 4: Improve professionalism and civilianization in the Ministry of Interior, provide quality security services to the public and strengthen public trust toward the police

Goal 5: Improve the quality and effectiveness of infrastructure, resources, and support services to the MOI

Source: USFOR-A, response to SIGAR data call, 11/26/2016.

The **Common Policy Agreement**, signed by the Afghan Defense Minister on September 16, 2016, is a set of guidelines to help the ANDSF improve internal behaviors, professionalize the force, and generate combat power. Coalition advisors provide monthly reports to Afghan leadership on the policy agreement implementation progress and compliance, which triggers both rewards and penalties.

Source: DOD, *Enhancing Security and Stability in Afghanistan*, 12/2016, p. 47.

## Updates in Developing the Essential Functions of the ANDSF, MOD, and MOI

Key areas of the RS mission are organized under eight Essential Functions (EF). The highlights of each function reported to SIGAR this quarter include:

- **EF-1 (Multi-Year Budgeting and Execution):** While the Afghan ministries' abilities to account for personnel and pay remains a challenge, this quarter the Afghan Human Resources Information Management System (AHRIMS) was integrated with both ministries' identification (ID) card systems, to allow AHRIMS to automatically download personnel ID card information.<sup>158</sup>
- **EF-2 (Transparency, Accountability, and Oversight):** The MOI Inspector General (MOI IG) selected three zone IG officers for each of the seven zones outside Kabul. To maintain independence, the new IG officers report directly to the MOI IG, not to their zone commanders. This quarter 17 of the 21 new officers reported for duty.<sup>159</sup> The MOI IG completed the first monthly plan-of-action priority report, which listed 110 findings.<sup>160</sup>
- **EF-3 (Civilian Governance of Afghan Security Institutions):** This quarter the number of gross violations of human rights (GVHR) cases identified by the MOD increased from four to 16, the number of MOI cases from 24 to 30. Additionally, the investigations were completed for 11 of the MOD cases and 10 of the MOI cases.<sup>161</sup>
- **EF-4 (Force Generation):** EF-4 reported the Afghan Command Staff Academy's plan to increase the number of pre-command courses makes it "more likely" that the ANA will have the required number of kandak (battalion) and brigade commanders trained per the **Common Policy Agreement**. See Table 3.7 for more information about Afghan Army terminology. As of November 2016, six of 36 brigade commanders and 18 of 257 kandak commanders have completed the pre-command course.<sup>162</sup> During testimony to the Senate Armed Services Committee (SASC) in February 2016, then RS and USFOR-A commander General John F. Campbell attributed at least 70% of the Afghan security forces' problems to poor leadership.<sup>163</sup> Officer training such as the pre-command courses attempt to close that critical shortfall. Regular meetings with the MOD General Staff, the ANA Training and Education Directorate, and the Marshal Fahim National Defense University commander were established to address common issues and synchronize efforts.<sup>164</sup>
- **EF-5 (Sustainment):** Over the past several months, EF-5 established an expeditionary sustainment advisory team (eSAT) to assess ANA corps logistics capabilities. In November, in a joint eSAT with the MOD and ANA, the EF-5 conducted an assessment of the 209th Corps focusing on winter requirements and logistics capabilities.<sup>165</sup> EF-5, along with EF-6, is assessing the first use of the Afghan National Tracking

System for the ANA's National Transportation Brigade during a convoy mission to the 209th Corps and what effects having better real-time visibility of the brigade provides.<sup>166</sup> In addition, the MOI was able to cancel a \$16 million annual contract by using existing radio systems to provide a similar service.<sup>167</sup>

- EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** EF-6 has two missions: (1) strategic planning and policy and the (2) execution and employment of the force. For the execution and employment mission, EF-6 oversees execution of operations to ensure forces are used correctly.<sup>168</sup> This quarter EF-6 reported on the efforts to finalize the Afghan winter campaign plan. In November, the ANDSF corps and zone commanders presented their implementation plans to political, military, and police leadership. A week following the conference, the Chief of General Staff met with the commanders to address specific concerns.<sup>169</sup>
- EF-7 (Intelligence):** EF-7 reported on the improvements to battle-damage-assessment reporting into the national intelligence-based system. The AAF submission of battle-damage results into the system allows the ANA to assess the effectiveness of the air strikes and to reattack targets as necessary. ANA corps now submit proposed targets into the system electronically rather than using paper. According to EF-7, the standardized targeting checklist and coordination process is helping to reduce civilian casualties and collateral damage.<sup>170</sup> Under the leadership of the Assistant Minister of Defense for Strategic Intelligence 1,883 persons were identified as being on the MOD and ANA payrolls improperly, 260 vehicles were being illegally used, and ANA personnel were being improperly equipped, paid, or housed.<sup>171</sup>
- EF-8 (Strategic Communications):** Afghan communication capabilities were deemed successful at the European Union's Brussels Conference, according to EF-8.<sup>172</sup> The MOI Media and Public Affairs Directorate partnered with the European Union Police Mission in Afghanistan on a "code of conduct" information-awareness campaign throughout the country to increase Afghan citizens' perceptions of the ANP.<sup>173</sup> EF-8 reported the ANA has improved in the area of conducting media operations independently from the MOD, but some ANA corps commanders are still slow to engage the media without direction from Kabul.<sup>174</sup>
- Gender Office:** While several factors affect EF advisors' ability to promote women, RS reports the most significant factor is Afghan receptivity to and acceptance of more women in the workplace.<sup>175</sup> The Gender Advisor Office noted that collaboration across the EFs helped them achieve several gender-related outcomes this quarter, including appointing six women into new MOD oversight positions and one into a gender-focused subject-matter-expert position at the MOI.<sup>176</sup>

TABLE 3.7

COMPARISON OF U.S. AND AFGHAN ARMY TERMINOLOGY		
United States	Afghan	Approximate Afghan Size
Corps	Corps	14,000–22,000
Division	Division*	8,500
Brigade	Brigade	4,000
Battalion	Kandak	670
Company	Tolay	80

Note: \* The Afghan National Army has one division, the 111th (Capital) Division in the Kabul area; most personnel serve in the six corps organizations, each of which comprises three brigades plus support units. U.S. and Afghan units are not identical in strength or equipment. This table shows the equivalent terms in each organizational hierarchy.

Source: ISAF/SFA, RS Security Force Assistance Guide 3.1, pp. 44, A-5, 7/1/2014; CSTC-A, response to SIGAR data call, 1/13/2016; for division, www.globalsecurity.org, accessed 1/14/2017.

According to Afghan media reports, close to 160 contractors claim the MOI has not paid them nearly 3 billion afghanis for work completed. The ministry is reportedly investigating the claims, some nearly two years old.<sup>177</sup> Shortly after the media reporting, the DOD Inspector General released an audit that found Afghan provincial leaders, though lacking authority to obligate the MOI, were making informal agreements with contractors to provide goods and services. CSTC-A is now working with the MOI to review and either accept or reject the claims from Afghan fiscal year 1394 (2015) valued at approximately \$142 million.<sup>178</sup> For more information, refer to Section 4 of this report.

“When you look at the performance of the Afghan forces this year, it was a tough year. They were tested, but they prevailed.”

—General John Nicholson,  
Commander, Resolute Support and  
U.S. Forces-Afghanistan

Source: General John Nicholson, Department of Defense, Press Conference, 12/9/2016.

## ANDSF HEADQUARTERS ELEMENTS DEMONSTRATED MIXED RESULTS

According to DOD, the ANDSF are generally performing better than at the same point last year, although ANP development continues to lag behind the ANA. The Taliban experienced some small-scale success against the ANDSF, but the summer campaign also offered genuine operational-level experience that Afghan forces intend to build upon.<sup>179</sup> In a December 2, 2016, press briefing, General Nicholson reported the ANDSF thwarted eight Taliban attempts to seize key cities during 2016—three times in Kunduz; twice in Lashkar Gar, Helmand; twice in Tarin Kowt, Uruzgan; and Farah City. On October 6, 2016, the ANDSF prevailed against four simultaneous attacks on different cities. General Nicholson said the ANDSF’s ability to deal with simultaneous crises reflects their growing capability and maturity.<sup>180</sup>

However, with the exception of Afghan special-operations and aviation units, DOD says U.S. advisors have little or no direct contact with ANDSF units below ANA corps- and ANP zone-headquarters levels. Figure 3.27 shows the areas of responsibility for the RS train, advise, and assist commands and the ANDSF’s corps and zones. On a case-specific basis, RS will deploy an expeditionary advisory team to work at those lower echelons for a limited period of time.<sup>181</sup> In addition to USFOR-A advisor observations and TAA activities, the advisors rely on data provided by the Afghan ministries to evaluate the operational readiness and effectiveness of the ANDSF. The consistency, comprehensiveness, and credibility of this data varies and cannot be independently verified by U.S. officials.<sup>182</sup>

General Nicholson said a review of the NATO advising mission and its requirements is performed every six months.<sup>183</sup> According to General Nicholson, training and sustainment teams will be added to each of the ANA corps in the American zones of responsibility.<sup>184</sup>

USFOR-A said the ANDSF headquarters elements demonstrated mixed results across the area of operations due to:<sup>185</sup>

- **Training**—Corps and zones significantly challenged by enemy activity are slow to implement training cycles for their units.
- **Reporting**—The quality of ANP reporting results in zone headquarters rarely having acceptable situational awareness of units’ status.
- **Corruption**—Small but positive steps against corruption have been demonstrated by corps and zone commanders who have initiated investigations of leaders acting suspiciously.
- **Overuse of the Afghan Special Security Forces (ASSF)**—Overuse of the ASSF continues despite both the MOD and MOI having signed a formal agreement to curb such overuse.
- **Operational Planning**—This year’s planning efforts were the best to date, according to ANDSF leaders. The MOD Chief of General Staff requested input on operational designs and objectives and for training and operational priorities after the ANDSF corps and zone

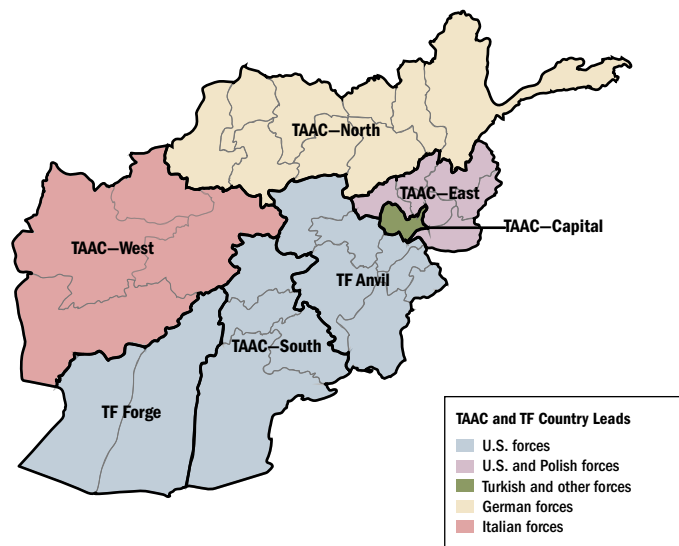


**EF-1 officials train** Afghan MOD employees at a financial management seminar on December 18, 2016. (U.S. Navy photo by LTJG Egdanis Torres Sierra)



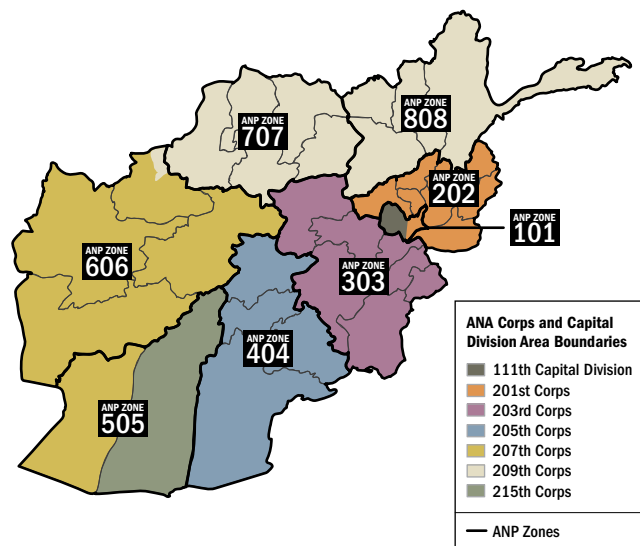
FIGURE 3.27

## RS TRAIN, ADVISE, AND ASSIST COMMANDS (TAAC) AND TASK FORCES (TF)



Source: DOD, *Enhancing Security and Stability in Afghanistan*, December 2016, pp. 15–17; Resolute Support website, "TAAC-East," September 3, 2016.

## ANP ZONES VS. ANA CORPS AREA BOUNDARIES



Source: DOD, *Enhancing Security and Stability in Afghanistan*, June 2016, pp. 63, 95.

commanders' winter campaign implementation plans focused on their limitations and equipment requests.

- **Conduct of operations**—The ANDSF headquarters elements demonstrated improved ability to conduct combined-arms operations, executed several successful summer campaign operations, and prevented the Taliban from achieving any of their stated operational goals.

The Coalition continues to focus train-advise-assist efforts on combat-enabler capabilities such as intelligence, surveillance, and reconnaissance (ISR), artillery, aerial fires, and counter-IED capabilities. DOD reported the ANDSF has demonstrated increased operational capabilities such as independently planning intelligence-driven operations and integrating air power, as they have with the A-29 and the MD-530 aircraft, into operations planning.<sup>186</sup> According to DOD, AAF close air attack and armed overwatch capabilities are still developing; nonetheless, their increasing close-air-attack capability has bolstered ANDSF ground forces' motivation and enhanced their will to fight.<sup>187</sup> DOD attributes the improving integration of ISR and aerial fires as a key factor contributing to ANDSF successes across the country as compared with 2015 when these capabilities were nascent.<sup>188</sup>



**ANA Soldiers** from the 201st Corps return from winter training near Camp Torah in Sarobi District, December 27, 2016. (U.S. Army photo by Capt. Grace Geiger)

## **SIGAR Provides Requestors an Update on its Investigation of Child Sexual Assault Allegations**

In December, SIGAR provided an update to its requestors on the status of its ongoing inquiry into the U.S. government's experience with allegations of sexual abuse of children committed by members of the Afghan security forces. This ongoing work is from a bipartisan, bicameral group led by Senator Patrick Leahy (D-VT) and Representative Thomas J. Rooney (R-FL) and 91 other members of Congress. The inquiry is reviewing the manner in which the Leahy amendment prohibiting DOD and the State Department from providing assistance to units of foreign security forces that have committed gross violations of human rights is implemented in Afghanistan. See *SIGAR Quarterly Report to the United States Congress*, January 2016, page 40, for more information.

In his December 2 press briefing, General Nicholson addressed the tough fight the ANA 215th Corps endured this year in Helmand Province and the process to regenerate the forces over the coming winter months, as occurred last winter. He said six of the 215th's kandaks will be withdrawn from the battlefield, issued new weapons, have equipment refurbished, and receive replacement troops.<sup>189</sup>

DOD reported the inability of ANDSF leaders across the force to effectively command and control operations, coupled with poor discipline of junior leaders in some units, hinders effectiveness in nearly every ministry functional and ANDSF capability area. Leadership at the ANP zone, ANA corps, brigade, and kandak level is a key factor in ANDSF unit success, but it is uneven across the force, according to DOD, and required more robust leadership development to build and retain a professional force.<sup>190</sup> General Nicholson said the ANDSF is making progress transitioning to a merit-based selection process with the selection of the new sergeant major of the army.<sup>191</sup> A senior RS official told SIGAR that President Ashraf Ghani had ordered the entire AAF chain-of-command replaced after learning of corruption and ineffectiveness in the senior leadership ranks and the potential for U.S. funding to halt if more effective AAF leaders were not found.<sup>192</sup> The official also told SIGAR that Ghani had ordered all ANA supply-system personnel currently in position to be replaced over three years. RS predicted this move will significantly reduce the “entrenched criminal patronage networks” within the supply system. CSTC-A will likely train the new personnel.<sup>193</sup>

DOD reported the ASSF in both the MOD and MOI continue to be more proficient than conventional forces, leading the Afghan government to rely heavily on the ASSF for conventional operations where the ANA or ANP would be more appropriate.<sup>194</sup> The 17,000-member special forces currently conducts nearly 70% of the ANA's offensive operations, and it operates independently of U.S. forces about 80% of the time.<sup>195</sup> As they represent only a small fraction of the 300,000-strong ANDSF, General Nicholson expressed concern for the specially selected and trained forces and discussed the plan to regenerate the force over the winter and to increase their numbers. The Afghan Interior minister noted that ANP commandos conducted 1,482 special operations in the past nine months, killing at least 1,551 insurgents (including 400 key commanders), wounding 653, and confiscating 487 kg of explosives and 863 weapons.<sup>196</sup>

The ANDSF's counter-improvised explosive device (C-IED) capability continues to improve, according to the DOD. Since June, more than 500 personnel completed various C-IED courses. The primary ANDSF C-IED training facilities are sufficiently resourced but lack experienced staff, according to the DOD.<sup>197</sup>

DOD assessed in December that the ANSDF are effective when conducting deliberate, offensive operations but are less so when assigned to checkpoints. The smaller ANP checkpoints are vulnerable to attacks, while their large numbers can limit combat maneuverability and create challenges for resupply and troop replacement. Local officials, however, continue to exert political pressure for the ANDSF to maintain a protective presence against insurgents in their area.<sup>198</sup>

The Common Policy Agreement requires the ANA to reduce checkpoints, staff each remaining checkpoint with at least a platoon-sized force, and state the operational purpose of each checkpoint in writing. Under the terms of the agreement, Coalition advisors can use incentives and impose penalties to encourage the ANDSF to reduce checkpoints. In addition, Coalition advisers are training one corps on the use of mobile checkpoints to increase their offensive maneuverability.<sup>199</sup>

Coordination between the MOD and the MOI also remains a challenge, according to DOD. Generally the regional **Operations Coordination Centers (OCC)** are effective at integrating ANA and ANP activities, while the provincial OCCs are not as effective, and a lack of tactical coordination at the district level commonly results in confusion as to which organization is in charge. DOD reported the provincial OCCs suffer from insufficient manning, equipment, and ministerial-level guidance, and from conflicts with existing local and informal command-and-control channels.<sup>200</sup> Additionally, DOD reported MOI senior leaders often bypass the zone-headquarters commanders to contact the provincial level directly.<sup>201</sup> However, in an example of improved cooperation between the ministries, the MOD included the MOI in winter campaign planning.<sup>202</sup>

## Operations Coordination Centers

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

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

**SIGAR will report additional ANDSF assessment details in a classified annex to this report.**

Although the ANDSF's strategic communications operations are strong at the national level, DOD reported challenges remain in provincial and local level operations because they do not effectively synchronize and coordinate messages. The MOD and MOI are mitigating this through national-level deployable media centers that travel where needed to manage messaging.<sup>203</sup>

Last quarter, USFOR-A reported the ANDSF lacked a risk-management system and relied heavily on U.S. forces to prevent strategic failure. This quarter USFOR-A explained that risk-management personnel are identifying the risks to the mission and to the force in both current and future operations, as well as identifying mitigating measures. Coalition advisors are instructing ANDSF mission planners to identify and mitigate risks.<sup>204</sup>

## ANDSF Strength

As of November 26, 2016, ANDSF assigned force strength was 315,962 (not including civilians), according to USFOR-A.<sup>205</sup> As reflected in Table 3.8, the ANA is at 86.3% and the ANP at 94% of authorized strength, not including civilian employees.<sup>206</sup> The November 2016 assigned-strength number reflects a decrease of 1,295 personnel over the same period last year.<sup>207</sup>

Compared to last quarter, the ANP had a decrease of 845 personnel, the first time it has decreased in strength in a year. The ANA (including Afghan Air Force and civilians) decreased by 1,108 personnel, as shown in Table 3.9.<sup>208</sup> However, when ANA civilians are excluded, the decrease in ANA military strength was 902 personnel.<sup>209</sup>

According to DOD, attrition remains a larger problem for the ANA than for the ANP, in part because ANA soldiers enlist for limited lengths of duty and have more widespread deployments across the country, while police view their careers as longer-term endeavors.<sup>210</sup> The ANA does not allow soldiers to serve in their home areas to decrease the potential for local influence. DOD observed that the policy results in increased transportation costs and obstacles for soldiers attempting to take leave, contributing to some soldiers going absent without leave. However, the ANP historically suffers significantly more casualties than the ANA.<sup>211</sup>

According to DOD, the Coalition is no longer encouraging pay incentives or salary to address retention, as they have not been shown to be effective.<sup>212</sup> SIGAR has an ongoing Special Project on the Afghan military students who go missing while attending U.S.-funded training in the United States.

## ANDSF Casualties

From January 1, 2016, through November 12, 2016, according to figures provided by the Afghan government to USFOR-A, 6,785 ANDSF service members were killed and an additional 11,777 members were wounded.<sup>213</sup> DOD reported the majority of ANDSF casualties continue to be the result of direct-fire attacks, with IED explosions and mine strikes accounting for much lower levels of casualties.<sup>214</sup>

TABLE 3.8

<b>ANDSF ASSIGNED FORCE STRENGTH, NOVEMBER 2016</b>						
<b>ANDSF Component</b>	<b>Approved End-Strength Goal</b>	<b>Target Date</b>	<b>Assigned as of November 2016</b>	<b>% of Goal</b>	<b>Difference Between Current Assigned Strength and Goals</b>	<b>Difference (%)</b>
ANA including AAF	195,000	December 2014	168,327	86.3%	(26,673)	(13.7%)
ANA Civilians including AAF Civilians	8,474	-	6,623	78.2%	(1,851)	(21.8%)
<b>ANA + AAF Total</b>	<b>203,474</b>		<b>174,950</b>	<b>86.0%</b>	<b>(28,524)</b>	<b>(14.0%)</b>
ANP*	157,000	February 2013	147,635	94.0%	(9,365)	(6.0%)
<b>ANDSF Total with Civilians</b>	<b>360,474</b>		<b>322,585</b>	<b>89.5%</b>	<b>(37,889)</b>	<b>(10.5%)</b>

Note: ANDSF = Afghan National Defense and Security Forces; ANA = Afghan National Army; AAF = Afghan Air Force.

\*NISTA (Not In Service for Training), generally students, and Standby personnel, generally reservists, are not included in the above "Total ANDSF" figures. The 11/2016 assigned strength does not include the 4,894 NISTA or 2,048 Standby personnel.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; USFOR-A, response to SIGAR data call, 11/20/2016; USFOR-A, response to SIGAR vetting, 1/12/2017.

TABLE 3.9

<b>ANDSF ASSIGNED FORCE STRENGTH, JANUARY 2016–NOVEMBER 2016</b>				
	<b>1/2016</b>	<b>5/2016*</b>	<b>7/2016</b>	<b>11/2016</b>
ANA including AAF	179,511	171,428	176,058	174,950
ANP*	146,304	148,167	148,480	147,635
<b>Total ANDSF*</b>	<b>325,815</b>	<b>319,595</b>	<b>324,538</b>	<b>322,585</b>

Note: ANA = Afghan National Army; AAF = Afghan Air Force; ANP = Afghan National Police; ANDSF = Afghan National Defense and Security Forces. ANA and AAF numbers include civilians except for the May 2016 numbers; available data for ANP do not indicate whether civilians are included.

\*ANA data as of 5/20/2016; ANP data as of 4/19/2016.

\*NISTA (Not In Service for Training), generally students, and Standby personnel, generally reservists, are not included in the above "Total ANDSF" figures. The 11/2016 assigned strength does not include the 4,894 NISTA or 2,048 Standby personnel.

Source: CSTC-A response to SIGAR data calls, 3/31/2014, 7/1/2014, and 10/6/2014; RSM, response to SIGAR request for clarification, 3/14/2015; USFOR-A, response to SIGAR vetting, 4/10/2015, 7/12/2015, 1/29/2016, 4/12/2016, 10/9/2016, and 10/11/2016; USFOR-A, response to SIGAR data calls, 12/28/2014, 3/24/2015, 6/29/2015, 9/11/2015, 12/14/2015, 3/4/2016, 6/3/2016, 8/30/2016, and 11/20/2016.

## AHRIMS and APPS

The Afghan Human Resource Information Management system (AHRIMS) contains data that includes the name, rank, education level, identification-card number, and current position of ANDSF personnel. AHRIMS also contains all the approved positions within the MOD and the MOI along with information such as unit, location, and duty title. The Afghan Personnel Pay System (APPS) is under development and when implemented will integrate the data in AHRIMS with compensation and payroll data to process authorizations, record unit-level time and attendance data, and calculate payroll amounts.<sup>215</sup>

Two other systems round out the effort to manage personnel: the Afghan Automated Biometric Identification System (AABIS) and the ANDSF Identification Card System (ID). APPS, AABIS, and ID will contain unique biometric-registration numbers. Only those ANDSF members registered in AABIS will be issued an ID, and only those members both registered and with a linked ID will be authorized to have an APPS record. AABIS will

electronically update the ID system and APPS, eliminating the error-prone manual process of inputting 40-digit numbers into the ID system.<sup>216</sup>

CSTC-A is currently overseeing the integration of the biometrically linked ID into the APPS to ensure the employee exists and that payments are sent directly into the employee's bank account.<sup>217</sup> According to CSTC-A, this structure will dramatically reduce the potential for nonexistent personnel to be entered into APPS, although it will not completely eliminate the risk of paying for "ghost" personnel. Routine checks will still be required to determine that personnel are properly accounted for and are still actively serving in the ANDSF.<sup>218</sup>

USFOR-A reported in November that the two ongoing efforts to ensure that accurate personnel data exist in AHRIMS to migrate into APPS are: slotting, matching a person to an authorized position; and data cleansing, correcting and completing key personnel data.<sup>219</sup> A Personnel Asset Inventory (PAI) is also ongoing to correct the employment status of personnel retired, separated, or killed in action.<sup>220</sup> USFOR-A reported that the PAI's review and updating of personnel records for the ANA and ANP will continue until April 2017.<sup>221</sup> MOI leadership has agreed to automate this process where possible, replacing the current paper-based process and reducing the time it takes to slot personnel into assigned positions and the potential for repetitions.<sup>222</sup>

As of January 1, 2017, USFOR-A reported that 80% of ANA personnel (a five percentage-point increase since late August)<sup>223</sup> and 88% of ANP personnel<sup>224</sup> were "slotted" to authorized positions, against a goal of 95% slotted in both forces.<sup>225</sup> A senior CSTC-A official told SIGAR that as of January 1, 2017, ANDSF salaries will be paid only to those MOD and MOI personnel who are correctly registered in AHRIMS.<sup>226</sup> According to the Wall Street Journal, Major General Richard Kaiser of CSTC-A said by mid-January, more than 30,000 names of suspected "ghost" soldiers have been taken off the ANA payroll, and the Afghans have until the summer of 2017 to prove that these names belong to actual soldiers. Top U.S. military officials estimate that this will save the U.S. millions of dollars each month.<sup>227</sup>

## Ministries of Defense and Interior Progress Projections Released for Fiscal Year 2017

The RS Essential Function (EF) directorates and the Gender Advisor Office use the Essential Function Program of Actions and Milestones (POAM) to assess the essential-function capabilities of the offices in the ministries of Defense (MOD) and Interior (MOI).<sup>228</sup> Milestone assessments are combined to determine the overall assessment of a department. Department assessments are then combined to determine the overall assessment of the ministry.<sup>229</sup> The five ratings reflect the degree to which Afghan systems are in place, functioning, and being used effectively. The highest rating, "sustaining capability," indicates an Afghan ministry can perform a specific

**SIGAR cannot verify the accuracy of ministry-assessment data provided by the RS mission.**

function without Coalition advising or involvement.<sup>230</sup> This quarter, RS classified the overall assessments of the MOD and MOI; SIGAR will report on them in a classified annex to this report.

However, this quarter, RS provided projected ratings for each ministry's essential-function achievements by the end of FY 2017. The MOD is estimated to achieve seven POAM at the highest, "sustaining capability" rating, 21 at "fully effective," and 14 at "partially effective" of a total of 44.<sup>231</sup> The MOI is estimated to achieve five POAM at the "sustaining capability" rating, 12 at "fully effective," and seven at "partially effective" of a total of 31.<sup>232</sup> Comparatively, in last year's projected ratings of POAM achieved by the end of FY 2016, both ministries were estimated to have achieved a higher number of "sustaining capability" POAM (nine for MOD and seven for MOI) but a lower number of "fully effective" POAM (19 for MOD and 12 for MOI).<sup>233</sup>

## Afghan Local Police

Afghan Local Police members, known as "guardians," are usually local citizens selected by village elders or local leaders to protect their communities against insurgent attack, guard facilities, and conduct local counterinsurgency missions.<sup>234</sup> While the ANP is paid via the UN Development Programme's multilateral Law and Order Trust Fund for Afghanistan (LOTFA), the ALP is paid with U.S.-provided ASFF on-budget assistance to the Afghan government.<sup>235</sup> Although the ALP is overseen by the MOI, it is not counted as part of the ANDSF's 352,000 authorized end strength.<sup>236</sup>

As of November 9, 2016, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A), the ALP has 27,623 guardians, 23,865 of whom are trained; 3,557 remain untrained, and 201 are currently in training.<sup>237</sup> The ALP has incurred a 954-person force reduction since late August.<sup>238</sup> Consistent with advising the Afghan security forces at the ANA corps and ANP zone-headquarters level, NSOCC-A advises the ALP at the ALP staff-directorate level; it does not track ALP retention, attrition, or losses.<sup>239</sup> However, the Afghan government reported that 192 ALP guardians were killed in action from September to October 2016, and 550 were wounded between June and October 2016.<sup>240</sup>

NSOCC-A reported the estimated FY 2016 cost to support the ALP at its authorized end strength of 30,000 is \$97.5 million, the same as last quarter. The United States expects to fund approximately \$93 million, with the Afghan government contributing the remaining \$4.5 million.<sup>241</sup>

This quarter, NSOCC-A reported efforts continue to enroll ALP personnel into the Afghan Human Resources Information Management System (AHRIMS), to transition ALP salary payments to an electronic-funds-transfer (EFT) process, and to inventory materiel. These processes are expected to help track and train ALP personnel.<sup>242</sup> According to NSOCC-A, 79.4% of ALP personnel are now enrolled with biometrically linked identification cards, 85% are registered to receive salary payments via EFT, and 57.9% are now "actively

slotted” into AHRIMS, meaning that each ALP guardian has a biometric transaction control number, an ID card number, and an AHRIMS tashkil number.<sup>243</sup>

These reform requirements to identify and pay ALP personnel are intended to eliminate the existence of “ghost,” or nonexistent, personnel within the ALP. The MOI’s 1395 Bilateral Financial Commitment letter laid out clear goals for the completion of ALP registration for biometric IDs (100% of the ALP) and EFT salary payments (90% of the ALP) as well as slotting ALP personnel in AHRIMS (95% of ALP) by December 20, 2016.<sup>244</sup> This quarter, NSOCC-A reported that while the ALP will not reach these goals, NSOCC-A has recommended no penalties given the efforts of the ALP Staff Directorate and the Deputy, Deputy Minister for Security (DDM SEC) to complete the requirements. They noted that from September to October 2016, the DDM SEC dispatched teams to each of the police zones specifically to oversee and assist with biometric and ARHIMS enrollment.<sup>245</sup> For more information about AHRIMS and the Afghan Personnel Payment System (APPS), see pages 99–100 of this section.

NSOCC-A reported this quarter that the new DDM SEC, a former AUP Commander, will maintain supervisory oversight of the ALP and is said to be a major proponent of ALP reform, including reassigning ALP personnel discovered working for local powerbrokers.<sup>246</sup>

## AFGHAN NATIONAL ARMY

As of December 31, 2016, the United States had obligated \$41.1 billion and disbursed \$40.5 billion of ASFF funds to build, train, equip, and sustain the ANA.<sup>247</sup>

### Troop Strength Declined for Third Consecutive Quarter

As of November 20, 2016, the overall assigned strength of the ANA, including the Afghan Air Force (AAF) but not including civilians, was 168,327 personnel.<sup>248</sup> Compared to last quarter, ANA strength including AAF and civilians decreased by 1,108 personnel, as shown in Table 3.9 on page 99 of this section.<sup>249</sup> When ANA civilians are not included, however, the ANA military strength decreased by 902 personnel, an improvement from last quarter’s decrease of 2,199 personnel.<sup>250</sup> ANA assigned military personnel are at 86.3% of the authorized end strength.<sup>251</sup> The number of ANA civilians reported this quarter was 6,623.<sup>252</sup>

USFOR-A reported overall ANA attrition over the autumn months at 2.9% during August, 2.3% during September, and 3.1% during October.<sup>253</sup> Corps-level attrition figures have been classified this quarter and will be reported in the classified annex of this report.

The Ministry of Labor, Social Affairs, Martyrs, and Disabled (MOLSAMD) is responsible for providing services such as pensions and working with other Afghan ministries to distribute land and apartments, healthcare,



international scholarships, and the *hajj* benefit (for an Islamic pilgrimage to Mecca) to wounded ANDSF members and the families of those killed. According to USFOR-A, of the 12,322 ANA killed since 2003, the MOLSAMD has received documentation for only 4,600. While some funding has been provided to those families that have not submitted the proper documentation, that practice may soon end without an extension of the MOD agreement to continue benefits for those without documentation. According to USFOR-A, although insufficient to meet the entire martyr and disabled requirements, international donations have provided funding indirectly to the MOLSAMD (via the Ministry of Finance).<sup>254</sup>

DOD reported on the establishment of the National Mission Brigade, scheduled to be fully operational in 2018. The brigade will provide ASSF with command-and-control capabilities for contingency operations.<sup>255</sup> According to DOD, the ANA have created reserve kandaks for the 201st and 209th Corps, and for the 111th Capital Division, within the authorized 195,000 ANA tashkil level. Former ANA soldiers have been brought back to man the reserve kandaks and will serve in support functions such as providing base security and manning checkpoints. A reserve kandak for the 207th Corps is planned.<sup>256</sup>

### **ANA Sustainment, Salaries, and Incentives**

As of December 31, 2016, the United States had obligated \$18 billion and disbursed \$17.6 billion of ASFF funds for ANA sustainment.<sup>257</sup> The majority of ASFF sustainment funding is for salaries and incentive payments, but other uses include procuring items such as fuel, ammunition, organizational clothing and individual equipment, aviation sustainment, and vehicle maintenance.<sup>258</sup>

CSTC-A reported the total amount expended for all payroll and non-payroll sustainment requirements in Afghan FY 1395 (2016) was \$595.3 million through September 19, 2016.<sup>259</sup> Aside from salaries and incentives, the largest uses of sustainment funding were for fuel (\$93.1 million), energy operating equipment (\$10.5 million), and building sustainment (\$6.2 million).<sup>260</sup>

CSTC-A reported that the funding required for ANA base salaries, bonuses, and incentives will average \$544.1 million annually over the next five years.<sup>261</sup> In vetting comments, DOD noted that these forecasted numbers are for planning purposes only and are not definitive indicators of future DOD support, which will depend on Afghan progress toward reconciliation and reducing corruption, security conditions, and other factors.<sup>262</sup>

Of the \$595.3 million spent on ANA sustainment in FY 1395 through September 19, 2016, \$191.4 million was spent on salaries and incentives for ANA (MOD) officers, noncommissioned officers and soldiers, civilians, and contractors.<sup>263</sup> According to CSTC-A, there has been no significant change in the funding provided for ANA (MOD) salaries and incentives from last fiscal year to this fiscal year.<sup>264</sup>

## ANA Equipment and Transportation

As of December 31, 2016, the United States had obligated \$13.3 billion and disbursed \$13.2 billion of ASFF funds for ANA equipment and transportation.<sup>265</sup> Most of these funds were used to purchase vehicles, aircraft, ammunition, communication equipment, weapons, and other related equipment. Approximately 48.1% of U.S. funding in this category was for vehicles and related parts, as shown in Table 3.10.<sup>266</sup>

Since last quarter, the total cost of equipment and related services procured for the ANA increased by over \$52.3 million.<sup>267</sup> The majority of the increase was from \$23 million in aircraft and related equipment procurements, followed by \$15.9 million in communication equipment and \$13.5 million in transportation-services equipment procurements.<sup>268</sup> Additionally, CSTC-A reported increases of \$41.9 million for vehicles and related equipment, and \$43.1 million for ammunition procured and fielded to the ANA. CSTC-A is coordinating with the ANA Trust Fund to procure approximately \$9 million in C-IED equipment for the ANA, which will fulfill 100% of the ANA's C-IED organizational equipment requirements.<sup>269</sup> According to CSTC-A, this quarter the MOD also established 26 radio-repair workshops.<sup>270</sup>

As of October 31, 2016, CSTC-A reported the ANA's corps-level equipment operational readiness rates (OR) as 64% for the 201st, 62% for the 203rd, 63% for the 205th, 80% for the 207th, 53% for the 209th, and 34% for the 215th.<sup>271</sup> CSTC-A calculates OR by determining the ratio of fully mission-capable equipment against total authorization. However, some equipment categorized as non-mission capable may still be serviceable for a static location or checkpoint.<sup>272</sup> The OR ratings for this quarter show an average 2% decline across all ANA corps when compared to July 2016, which CSTC-A has previously attributed to heavy fighting and the demanding operational tempo of the summer fighting season.<sup>273</sup> However, CSTC-A expects a steady rise in OR across all ANA corps throughout the winter campaign as the ANA focuses on implementing an operational-readiness cycle in order to prepare for spring 2017 operations.<sup>274</sup>

According to CSTC-A, if the contracting officer representative concurs with an ANA Technical Equipment Maintenance Program maintenance-site determination that a vehicle cannot be economically repaired, the usable parts can be removed before the vehicle is demilitarized (removing functional capabilities or removing and destroying inherently military features). After that, the ANDSF sends unusable armored and unarmored vehicles provided by the United States to a U.S. Defense Logistics Agency disposition facility.<sup>275</sup>

## Core Information Management System

CSTC-A also provided an update on the implementation status of the Core Information Management System (CoreIMS). CoreIMS is part of

TABLE 3.10

<b>COST OF U.S.-FUNDED ANA EQUIPMENT, AS OF NOVEMBER 20, 2016</b>			
<b>Type of Equipment</b>	<b>Procured</b>	<b>Remaining to be Procured</b>	<b>Procured and Fielded to the ANA</b>
Vehicles	\$7,360,979,333	\$530,527,599	\$6,690,648,928
Aircraft	2,477,929,896	312,253,892	1,526,849,750
Ammunition	2,469,192,205	272,551,597	2,267,087,634
Communications	886,857,106	62,334,497	745,480,497
Other	884,304,375	0	801,295,177
Weapons	642,851,434	30,824,415	545,320,095
C-IEDs	455,211,247	128,411,186	354,772,214
Transportation Services	134,262,169	0	13,459,569
<b>Total</b>	<b>\$15,311,587,765</b>	<b>\$1,336,903,186</b>	<b>\$12,944,913,864</b>

Note: C-IED = Counter-improvised-explosive devices. Equipment category amounts include the cost of related spare parts. Procured and Fielded to the ANA = Title transfer of equipment is initially from the applicable U.S. Military Department/Defense Agency to CSTC-A; title to the equipment is later transferred to the MOD/ANA.

Source: CSTC-A, response to SIGAR data call, 11/20/2016.

the solution to address the Afghan supply-chain logistical capability gap. Since 2012, efforts have been under way to develop and implement an automated system within both ministries to replace their paper-based process.

CoreIMS is a proprietary inventory-management system that is being enhanced to provide visibility of basic items like vehicles, weapons, night-vision devices, and repair parts, both in stock and on order. The system will provide information to help allocate material and analyze usage to predict future item and budget requirements, while reducing opportunities for fraud.<sup>276</sup> The Web-based CoreIMS is available at MOD and MOI national logistic locations, forward-support depots, and regional logistic centers.<sup>277</sup> The goal for the system is to improve Afghan sustainment processes by providing managers and decision makers with the current status of assets.<sup>278</sup> In addition, CSTC-A has provided advanced CoreIMS training for Afghan logistic specialists who are posted throughout the country to train, mentor, and assist other ANA and ANP personnel in logistics operations and CoreIMS functionality.<sup>279</sup>

As of January 2017, DOD reports that the effort to record the repair parts (Class IX) inventory for the ANDSF is well under way, with all major commodities loaded into CoreIMS.<sup>280</sup> With this task completed, CSTC-A said the focus will shift to reconciling the ANDSF's physical inventory with CoreIMS inventory, as well as managing incoming and outgoing transactional capabilities of CoreIMS such as tracking requested parts, completed orders, and time to fulfill a supply request.<sup>281</sup> Using this data, CoreIMS will provide a predictive analysis capability to identify parts for re-order.<sup>282</sup> Future modules of CoreIMS will account for serial-numbered items and their maintenance records.<sup>283</sup>



**A demilitarized ANDSF vehicle** is lifted with a forklift at Bagram Airfield in Afghanistan. (U.S. Army photo by Cpl. Michael Smith)

Part of this analytical capability will include integrating CoreIMS with the Security Cooperation Information Portal (SCIP), a database of information about the sale and provision of U.S. military materiel, services, and training to foreign countries and international organizations.<sup>284</sup> According to CSTC-A, their trainers and ANDSF personnel have begun that process by auto-populating the SCIP's foreign military sales (FMS) materiel into CoreIMS.<sup>285</sup> CSTC-A believes that SCIP integration is vital for improved asset visibility.<sup>286</sup>

CSTC-A reports that the SCIP integration began on September 29, 2016, and thus far, the process has achieved auto-population of 98% of the materiel coming into Afghanistan as FMS. CSTC-A explained that this decreases the time and labor required for ANDSF personnel to manually input materiel receipts into CoreIMS, decreases the chance of human error, and ensures incoming orders that are due are visible in CoreIMS 90 days prior to their arrival.<sup>287</sup>

The SCIP-integration process improvement was initiated in conjunction with CSTC-A mandating on October 8, 2016, that the ANDSF use a Transfer Functionality, another process which provides material visibility through its distribution to the ANDSF. CSTC-A believes that SCIP integration of weapons and ammunition data into a "virtual depot" on CoreIMS while leveraging the Transfer Functionality to transfer weapons and ammunition to Afghanistan's national storage depots will provide 100% visibility of weapons and ammunition being provided to the ANA and ANP.<sup>288</sup> The CoreIMS Transfer Functionality allows for the recording of materiel transferred between the warehouses and depots and creates a notice for the receiving site to expect the materiel.<sup>289</sup>

## ANA Infrastructure

As of December 31, 2016, the United States had obligated \$5.9 billion and disbursed \$5.8 billion of ASFF funds for ANA infrastructure such as military-headquarter facilities, schoolhouses, barracks, maintenance facilities, air fields, and roads.<sup>290</sup>

As of November 30, 2016, the United States had completed 390 infrastructure projects valued at \$5.2 billion, with another 24 ongoing projects valued at \$136.3 million, according to CSTC-A.<sup>291</sup> The largest ongoing ANA infrastructure projects this quarter are: the second phase of the Marshal Fahim National Defense University (MFNDU) in Kabul (with an estimated cost of \$72.5 million) to be completed in December 2017, a Northern Electrical Interconnect (NEI) substation project in Balkh Province (\$27.7 million), and an NEI substation in Kunduz (\$9.5 million).<sup>292</sup>

Four projects valued at \$4.7 million were completed, the three largest of which are a hangar for AAF aircraft in Kabul (\$3.8 million), an ANA Regional Logistics Supply Center in Herat Province (\$436,776), and upgrades to the Presidential Information Coordination Center (PICC)

Utility in Kabul (\$314,325).<sup>293</sup> The PICC, started in 2014, is a central operations hub on the presidential palace grounds housing Afghanistan's national intelligence functions (ANA, ANP, National Directorate of Security, and the Independent Directorate of Local Governance) that enables the Afghan government to provide coordinated responses to special national security events.<sup>294</sup>

Four contracts with a total value of \$6.8 million were awarded this quarter. They included the \$3.5 million gym complex at MFNDU in Kabul, a \$2.5 million sprung-fabric shelter for AAF aircraft maintenance in Kabul, and a munitions storage facility for the AAF's A-29 Super Tucano aircraft (\$474,951).<sup>295</sup> Among the 19 projects (\$217 million) in the planning phase, six projects worth \$48.1 million are part of the construction of the Kabul National Military Hospital, four valued at \$28.1 million are part of the projects building the Afghan Electrical Interconnect, six are ANA Special Operations Command projects costing around \$19.3 million, two are AAF projects at \$2.7 million, and the remaining five projects valued at \$119.3M are a combination of other ANA sustainment projects supporting the new MOD headquarters and other security facilities.<sup>296</sup>

CSTC-A reported that several infrastructure-related train, advise, and assist activities are ongoing. CSTC-A engineering advisors mentor the MOD's Construction and Property Management Department (CPMD) leadership and ANA facility engineers to increase their ability to operate, sustain, and maintain their infrastructure. CSTC-A also assisted and advised CPMD specifically on developing requirements packages for generators and facilities-repair task orders. In addition, they advised CPMD leadership on developing procurement packages to ensure proper awarding of repair contracts. CSTC-A is focused on pursuing regional level facility-sustainment issues for the ANA with the CPMD. Advisors provide substantial training and mentorship to the CPMD leadership and engineers during three to four advising engagements per week focused on operations and maintenance, sustainment, and construction-program-management issues.<sup>297</sup>

In October, CSTC-A began executing a facility-maintenance training program, under the National Operations and Maintenance Contract, to train ANDSF facility engineers in the skills and trades needed to operate and maintain power plants, HVAC systems, water treatment plants, and waste-water treatment plants, as well as to perform adequate quality control and quality assurance in their work. These training courses are offered at the MOD and MOI headquarters facilities. The program is set to continue to March 2017.<sup>298</sup>

## ANA and MOD Training and Operations

As of December 31, 2016, the United States had obligated and disbursed \$3.9 billion of ASFF funds for ANA and MOD training and operations.<sup>299</sup>



**The new IT building**, part of the second phase of Marshal Fahim National Defense University in Kabul. (U.S. Army Corps of Engineers photo)

In addition to directly contracting for specialized training, DOD reported on the use of open-ended training agreements with the U.S. military to provide Afghan training or professional development.<sup>300</sup> According to DOD, FY 2016 funding was used mainly for pilot, special forces, and MOD training and advisors, alongside these open-ended training agreements.<sup>301</sup> The largest of these projects are multiyear contracts that include an \$80.9 million project to train Afghan Air Force pilots, another \$41.8 million project for out-of-country training for AAF pilots, and a \$65.3 million project to train Afghan special forces. A recently completed \$30.5 million project trained MOD advisors.<sup>302</sup>

During this quarter, MOD train-the-trainers completed radio encryption training.<sup>303</sup> According to Afghan media, 1,200 cadets graduated from a 10-month program at the Kabul Military Training Academy.<sup>304</sup> According to CSTC-A, for every month of International Military Education Training funded training, the ANA cadet is required to complete three months of extra service.<sup>305</sup>

## Afghan Air Force and the Special Mission Wing

As of November 20, 2016, the overall assigned strength of the Afghan Air Force (AAF) including civilians was 7,912 personnel.<sup>306</sup> Compared to the same reporting period last year, AAF strength has increased by 11.6%, or 820 personnel.<sup>307</sup>

As of November 15, 2016, the United States has appropriated more than \$4.2 billion to support and develop the AAF since FY 2010. Additionally, DOD requested over \$508 million—mostly for AAF sustainment costs—in the FY 2017 budget justification document.<sup>308</sup> Since FY 2010, just over \$3 billion has been obligated for the AAF, with roughly \$26.6 million of FY 2017 funds obligated as of November 15, 2016. The majority of the funding since FY 2010 has been dedicated to sustainment items, which account for 46.8% of obligated funds, followed by equipment and aircraft at 36.5%.<sup>309</sup> However, with the exception of FY 2015, training costs in recent years have exceeded or been similar to the equipment and aircraft costs.<sup>310</sup>

The AAF's current inventory of aircraft includes:<sup>311</sup>

- 3 Mi-35 helicopters
- 46 Mi-17 helicopters
- 27 MD-350 helicopters
- 24 C-208 utility airplanes
- 4 C-130 transport airplanes
- 20 A-29 light attack airplanes (12 are in the United States supporting AAF pilot training)<sup>312</sup>

This quarter, USFOR-A reported two Mi-17 helicopters had been lost in combat: one, attributed to technical problems, occurred on November 29 in Badghis and killed the 207th Corps commander; and the other, on



**An AAF specialist** adjusts a bomb on an A-29 Super Tucano with U.S. advisors present in Mazar-e Sharif. (U.S. Air Force photo by Tech. Sgt. Christopher Holmes)

December 26, happened during a landing attempt at Shindand Airport, with the cause still under investigation.<sup>313</sup>

Ten Mi-17s are currently in for overhaul or heavy repair; five Mi-17s are awaiting extraction for heavy repair or overhaul; and one C-130 is in depot.<sup>314</sup> As Mi-17 availability declines, DOD reports some Mi-17s are flying over 80 hours monthly versus the 25 hours they are programmed to fly. In addition, C-208 and C-130 aircraft are increasingly carrying more cargo than before.<sup>315</sup>

The eight A-29 Super Tucano light attack aircraft are the newest addition to the AAF and have already proven to be valuable assets.<sup>316</sup> Over the next two years, the AAF will receive 12 more A-29s once their pilots complete their training at Moody AFB in the United States and operational weapons testing and cockpit upgrades are completed.<sup>317</sup> According to DOD, the second class of eight A-29 pilots is scheduled to complete training by March 2017.<sup>318</sup>

General Nicholson praised the Afghan special forces and the Afghan Air Force in his December 2 press briefing.<sup>319</sup> The AAF are now conducting most of the ANA escort and resupply missions that U.S. or Coalition forces once performed exclusively. Since April 2016, the AAF has added nearly 20 air crews and 120 tactical air controllers.<sup>320</sup> General Nicholson predicted the nature of the fight will “really begin to change” with a combination of additional special forces and with growth in AAF size and capability.<sup>321</sup>

The Special Missions Wing (SMW) is the aviation branch of the MOD’s Afghan Special Security Forces (ASSF) alongside the special operations command ANASOC and the Ktah Khas (KKA) counterterrorism unit. Two SMW squadrons are located in Kabul, one in Kandahar Airfield, and one in Mazar-e Sharif, providing the ASSF with operational reach



**ANP Staff** at the National Logistics Center in Wardak hosted Maj. Gen. Richard Kaiser, commander of CSTC-A, as he reviewed the facility and supply levels in preparation for the winter season. (CSTC-A photo)

across Afghanistan.<sup>322</sup> The night-vision capable SMW provides all the Afghan special forces helicopter support.<sup>323</sup>

SIGAR will report on the details of the SMW budget, manpower, and capabilities in a classified annex to this report.

## AFGHAN NATIONAL POLICE

As of December 31, 2016, the United States had obligated \$20.2 billion and disbursed \$19.8 billion of ASFF funds to build, train, equip, and sustain the ANP.<sup>324</sup>

### ANP Strength Decreases for the First Time in a Year

As of November 20, 2016, the overall assigned end strength of the ANP, including the Afghan Uniform Police (AUP), Afghan Border Police (ABP), Afghan National Civil Order Police (ANCOP), and MOI Headquarters and Institutional Support (MOI HQ & IS), was 147,635, according to USFOR-A.<sup>325</sup> This is a decrease of 845 ANP personnel since last quarter, which marks the first time in a year that ANP end strength has decreased.<sup>326</sup> However, this quarter's figure is 1,609 personnel more than at this time in 2015, and the ANP are currently at 94% of their authorized end strength.<sup>327</sup>

Patrol personnel represent the largest subset of the ANP this quarter with 69,749 members; noncommissioned officers numbered 50,551, while officer ranks stood at 27,335.<sup>328</sup> Notably, the largest decrease in personnel this quarter occurred within the smallest subset of the ANP, 395 fewer officers, followed by 346 fewer patrol personnel.<sup>329</sup>

Table 3.11 provides the six-month change in the strength of the ANP's components (e.g. AUP, ABP, ANCOP) from April 2016 to October 2016. During that time, the ANP suffered a loss of 1,578 personnel.<sup>330</sup>

TABLE 3.11

ANP Component	Authorized		6-Month Change	Assigned		6-Month Change
	Q2 2016	Q4 2016		Q2 2016	Q4 2016	
	AUP	88,031	88,014	(17)	86,234	85,188
ABP	25,015	23,322	(1,693)	21,654	20,982	(672)
ANCOP	17,061	17,060	(1)	15,458	15,460	2
MOI HQs & IS	28,593	28,604	11	25,867	26,005	138
<b>ANP Total<sup>1</sup> (as reported)</b>	<b>158,700</b>	<b>157,000</b>	<b>(1,700)</b>	<b>149,213</b>	<b>147,635</b>	<b>(1,578)</b>

Note: Quarters are calendar-year; Q2 2016 data as of 6/2016; Q1 2016 data as of 11/2016. AUP = Afghan Uniform Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; IS = Institutional Support personnel. \*NISTA (Not In Service for Training), generally students, and standby personnel, generally reservists, are not included in the above "ANP Total" figures. The Q4 2016 assigned strength does not include the 4,894 NISTA or 2,048 standby personnel.

Source: USFOR-A, response to SIGAR data calls, 6/3/2016 and 11/20/2016.



According to USFOR-A, the overall ANP monthly attrition rate for the last quarter was:<sup>331</sup>

- August 2016            2.34%
- September 2016       2.32%
- October 2016          2.5%

Without replacement of losses, 12 months of 2% attrition would reduce a unit to less than 79% of its original strength.

## ANP Sustainment

As of December 31, 2016, the United States had obligated \$8.8 billion and disbursed \$8.5 billion of ASFF funds for ANP sustainment.<sup>332</sup> This includes ASFF contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries, the largest use of sustainment funding. Other uses include ammunition and ordnance, information technology, organizational clothing and individual equipment, electricity, and fuel.<sup>333</sup>

According to CSTC-A, \$470.5 million has been provided for ANP sustainment during Afghan FY 1395 (which began in December 2015) through November 20, 2016.<sup>334</sup> Of that amount, \$340.3 million was expended on ANP payroll and incentives.<sup>335</sup> Of the payroll amount, \$85.8 million represents the U.S. contribution to LOTFA to fund salaries and the United Nations Development Programme management fee.<sup>336</sup> In addition to LOTFA, CSTC-A has provided \$155.7 million for ANP incentives and \$43.8 million for ANP salaries and incentives (an increase from the \$32 million reported last quarter) as of late November.<sup>337</sup> CSTC-A reported that aside from salaries, the majority of ASFF ANP sustainment funding for Afghan FY1395 (nearly \$78 million) has been used for vehicle fuel, which comprises 60% of expenditures.<sup>338</sup>

Last quarter, CSTC-A reported that ANP sustainment expenditure estimates were \$611.9 million for FY 2017 and \$614.3 million for FY 2018. This was consistent with their earlier projected FY 2016–2020 annual average of \$613.2 million. Future U.S. contributions to LOTFA remain to be determined.<sup>339</sup>

## ANP Equipment and Transportation

As of December 31, 2016, the United States had obligated and disbursed \$4.5 billion of ASFF funds for ANP equipment and transportation.<sup>340</sup> Most of these funds were used to purchase vehicles, ammunition, weapons, and communication equipment, as shown in Table 3.12 on the following page, with approximately 67% going to purchase vehicles and vehicle-related equipment.<sup>341</sup>

Since last quarter, the total cost of equipment procured for the ANP increased by over \$18.7 million, approximately 41.5% of which was for transportation services, followed by 35.4% for C-IEDs and related

### SIGAR AUDIT

An ongoing SIGAR audit will review DOD's procurement, maintenance, and oversight of organizational clothing and individual-equipment purchases for the ANDSF.

TABLE 3.12

<b>COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF NOVEMBER 20, 2016</b>			
<b>Type of Equipment</b>	<b>Procured</b>	<b>Remaining to be Procured</b>	<b>Procured and Fielded to the ANP</b>
Vehicles <sup>a</sup>	\$3,582,760,677	\$377,477,433	\$3,309,262,242
Ammunition	738,345,136	35,579,885	473,454,971
Weapons	309,685,463	85,598,839	220,924,486
Communications	249,464,891	2,370,956	231,735,291
Other	243,097,382	0	91,438,300
C-IEDs	131,840,216	51,483,982	118,418,138
Transportation Services	80,598,054	54,354,329	7,770,471
<b>Total</b>	<b>\$5,335,791,819</b>	<b>\$606,865,424</b>	<b>\$4,453,003,899</b>

Note: C-IED = Counter-improvised explosive devices. Procured and Fielded to the ANP = Title transfer of equipment is initially from the applicable U.S. Military Department/Defense Agency to CSTC-A; title to the equipment is later transferred to the MOI/ANP

<sup>a</sup> Vehicle costs include vehicles and parts.

Source: CSTC-A, response to SIGAR data call, 11/20/2016.

equipment, followed by 23.1% for communications equipment.<sup>342</sup> The amount remaining to be procured for weapons increased by \$45.2 million, and there was a \$99.4 million increase in vehicles and related equipment procured and fielded to the ANP.<sup>343</sup> CSTC-A is coordinating with the ANA Trust Fund to procure approximately \$13 million in C-IED equipment for the ANP, which will fulfill 100% of the ANP's C-IED organizational equipment requirements.<sup>344</sup>

This quarter, the General Command of Police Special Unit (GCPSU), a major directorate in the MOI that oversees all MOI special police units as well as serving as a rapid-response force, failed to submit a serialized equipment inventory as required by the MOI.<sup>345</sup> NSOCC-A reported that even though the GCPSU made a genuine attempt to complete their inventory, they failed to do so, even with a 30-day extension. NSOCC-A recommended that CSTC-A impose a penalty and withhold up to 5% of GCPSU's annual operation and maintenance budget. However, following discussions between MOI and CSTC-A, as of November 20, 2016, no penalty had been imposed on GCPSU for its lack of equipment accountability.<sup>346</sup>

**Women's Participation Program:** An initiative which seeks to advance and promote women's participation in Afghan security institutions. The program promotes safe and secure facilities, proper equipment, training, and opportunities for women to increase female membership within the ANSDF.

## ANP Infrastructure

As of December 31, 2016, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF funds for ANP infrastructure.<sup>347</sup>

According to CSTC-A, as of November 30, 2016, the United States had completed 741 infrastructure projects valued at \$3.6 billion, with another 23 ongoing projects valued at roughly \$75.4 million ongoing.<sup>348</sup> The largest ongoing ANP infrastructure project this quarter is the installation of an information-technology server at the MOI Headquarters Network Operations Center in Kabul (with an estimated cost of \$34 million). This is followed by two **Women's Participation Program** projects: compounds for

Source: OSD-Policy, response to SIGAR vetting, 4/15/2016.



**A Women's Participation Program compound** is near completion at ANA Camp Shaheen in Mazar-e Sharif. (U.S. Army Corps of Engineers photo)

women at the Regional Training Center in Jalalabad (\$7.8 million, a \$1.4 million cost increase from last quarter) and compounds for women at the Kabul Police Academy (\$6.7 million).<sup>349</sup>

The one infrastructure project completed this quarter was a warehouse and gas-station project at the Regional Logistics Center at Jalalabad (\$283,896).<sup>350</sup> Additionally, 13 contracts were awarded at a total of \$25.6 million, the majority and largest of which are Women's Participation Program projects: the previously mentioned \$6.7 million project for women's compounds at Kabul Police Academy, a training building for women in Police District 9 in Kabul (\$3.8 million), and women's facilities at the Paktiya Regional Training Center (\$3.7 million).<sup>351</sup>

## ANP Training and Operations

As of December 31, 2016, the United States had obligated and disbursed \$3.7 billion of ASFF funds for ANP and MOI training and operations.<sup>352</sup> According to DOD, FY 2016 funding is used to provide advisors to assist with MOI and police development.<sup>353</sup>

The largest U.S.-funded training projects in FY 2016 focused on the AAF and special forces. The largest MOI contract, a \$33.5 million, multi-year project to train advisors in the MOI (under which the ANP falls) recently ended in September. In October 2016, the United States began an \$18.3 million project for ANP training.<sup>354</sup> Other new projects include \$11.7 million project to develop the ANP's human intelligence-gathering capacity,<sup>355</sup> and a \$10.8 million contract for training MOI advisors and mentors.<sup>356</sup>

## WOMEN COMPRISE 1.4% OF ANDSF PERSONNEL

This quarter, the RS Headquarters Gender Affairs Office reported 4,406 women serving in the ANDSF, 461 more than last quarter.<sup>357</sup> Despite these gains in female recruits, the overall percentage of women in the ANDSF remains at only 1.4%.<sup>358</sup> Of the 4,406 women, 3,130 were in the ANP, 1,065 were in the ANA, 139 were in the ASSF, and 72 were in the AAF.<sup>359</sup> Of the women in the ANP, ANA, and AAF, 1,289 were officers, 1,387 were noncommissioned officers, 1,241 were enlisted, and 489 were cadets.<sup>360</sup> While the ANP has come more than half-way toward reaching its goal of 5,000 women, the ANA is still far from reaching the same goal.<sup>361</sup>

With the help of the eight Essential Function (EF) components of RS, Gender Affairs Office accomplishments in the past quarter included ensuring that incentive payments were made to women in the ANA and ANP. The Gender Affairs Office also conducted training, advising, and assisting (TAA) for the MOD to hire subject-matter experts on gender issues and worked with CSTC-A's engineers to ensure that all building projects for the ANDSF factor in gender considerations, such as including female bathrooms, changing rooms and separate accommodation, as well as other amenities like childcare facilities and gyms.<sup>362</sup>

The Gender Affairs Office worked with the EF office responsible for rule-of-law issues to develop and implement a training program on gender equality and gender-based violence that is ongoing for both male and female MOD and MOI personnel. They are also conducting TAA to deliver a training video for MOD and MOI on human rights violations and unacceptable workplace behavior that includes guidance on the respectful treatment of women at work.<sup>363</sup> With the assistance of the EF focused on force sustainment, equipment, and logistics, the Gender Affairs Office continued developing and implementing radio-maintenance training courses this quarter for ANA and ANP women, an area RS thinks could become an "important niche role" for women in the security forces.<sup>364</sup>

With the EF overseeing strategic communications, the Gender Affairs Office also provided MOI with a gender public affairs subject-matter expert, conducted ongoing TAA to ensure Afghan media covered key activities involving female soldiers and police, and developed marketing tools for recruiting women into the ANA that provide public awareness about gender equality and respect between genders in the MOD.<sup>365</sup> To develop a career path to the 83 MOD Intelligence positions open to women, junior-grade positions are being created.<sup>366</sup>

In late December, Captain Niloofar Rahmani, the first Afghan woman to become a fixed-wing pilot in the AAF, announced upon finishing training at various U.S. Air Force bases that she had applied for asylum in the United States and did not intend to return to Afghanistan. Captain Rahmani cited longstanding death threats and the contempt of male AAF colleagues due to her heightened notoriety as key reasons for seeking asylum.<sup>367</sup> Her

**Five female security screeners and their male driver, en route to Kandahar airport, were killed on December 17, 2016, by unidentified assailants. The airport director reported the contractors were concerned for their safety after receiving death threats. The Taliban denied any involvement in the killings.**

Source: *The Indian Awaaz*, "Afghanistan: 5 female security staff killed at Kandahar airport," 12/18/2016; *New York Times*, "Gunmen in Afghanistan Kill 5 Female Airport Employees," 12/17/2016.

announcement has provoked a strong backlash by Afghan officials and civil society alike. General Mohammad Radmanish, an MOD spokesman, accused Captain Rahmani of lying just to win her asylum case, saying that her “life isn’t at risk at all,” and entreating U.S. officials to reject her case.<sup>368</sup> Similarly, a group of Afghan activists called the White Assembly—self-described as a group of educated youths, policy makers, human-rights activists, and others across Afghanistan—wrote a letter to then-President Obama expressing outrage about Rahmani’s asylum request, asking him to deny it and deport her back to Afghanistan.<sup>369</sup>

In previous quarters, SIGAR has drawn attention to related issues facing the ANDSF. As a result of a fact-finding mission to Kabul, SIGAR reported on the challenges facing women in the ANDSF, which include sexual harassment and assault by their male colleagues, lack of equal pay and benefits, and gender-biased preclusion from promotions and other opportunities.<sup>370</sup> Additionally, MOD is reassessing its process for selecting personnel to train in the United States following several instances of trainees going missing.<sup>371</sup>

For more information, see pages 3–25 and 121–122 of SIGAR’s October 2016 *Quarterly Report*.

## ANDSF MEDICAL AND HEALTH CARE

There was no significant change in the number of medical personnel in the ANDSF since last quarter. As of November 21, 2016, there were 1,009 physicians and 2,734 other medical staff within the ANDSF healthcare system; 265 physician positions (20.8% of those required) and 465 other medical positions (14.5%) are vacant, according to CSTC-A.<sup>372</sup>

In December, CSTC-A’s Expeditionary Medical Advising Teams (eMAT) conducted site visits and reviewed ANDSF medical capabilities alongside the ANA’s Medical Logistics Command and the Afghan National Army Medical Command (MEDCOM) in Herat, Gamberi, Kandahar, and Mazar-e Sharif. Each visit included a joint medical logistic systems review and a warehouse inspection. In addition, both ANA medical personnel and eMATs taught classes in four areas: ANA medics taught classes on self-aid and combat lifesaving while eMATs taught damage-control surgery and trauma/ICU-stabilization care.<sup>373</sup>

## REMOVING UNEXPLODED ORDNANCE

The Department of State’s (State) Bureau of Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA) manages the conventional-weapons destruction program in Afghanistan. Since FY 2002, State has provided \$341.3 million in weapons-destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has two-year funding and has obligated approximately \$13 million of FY 2016 funds.<sup>374</sup>

# SECURITY

TABLE 3.13

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2010–2016						
Fiscal Year	Minefields Cleared (m <sup>2</sup> )	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Estimated Contaminated Area Remaining (m <sup>2</sup> )*
2010	39,337,557	13,879	663,162	1,602,267	4,339,235	650,662,000
2011	31,644,360	10,504	345,029	2,393,725	21,966,347	602,000,000
2012	46,783,527	11,830	344,363	1,058,760	22,912,702	550,000,000
2013	25,059,918	6,431	203,024	275,697	10,148,683	521,000,000
2014	22,071,212	12,397	287,331	346,484	9,415,712	511,600,000
2015	12,101,386	2,134	33,078	88,798	4,062,478	570,800,000
2016	27,856,346	6,493	6,289	91,563	9,616,485	607,600,000
<b>TOTAL</b>	<b>204,854,306</b>	<b>63,668</b>	<b>1,882,276</b>	<b>5,857,294</b>	<b>82,461,642</b>	<b>607,600,000</b>

Note: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition. Fragments are reported because their clearance requires the same care as for other objects until their nature is determined. There are about 4,047 square meters (m<sup>2</sup>) to an acre.

\* Total area of contaminated land fluctuates as clearance activities reduce hazardous areas while ongoing survey identifies and adds new contaminated land in the Information Management System for Mine Action (IMSMA) database.

Source: PM/WRA, response to SIGAR data call, 12/27/2016; PM/WRA, response to SIGAR vetting, 1/6/2017.

State directly funds five Afghan nongovernmental organizations (NGOs), four international NGOs, and one U.S. government contractor. These funds enable clearing areas contaminated by explosive remnants of war (ERW) and support clearing conventional weapons used by insurgents to construct roadside bombs and other improvised-explosive devices.

As of September 30, 2016, State-funded implementing partners have cleared approximately 205 million square meters of land (approximately 79 square miles) and removed or destroyed approximately 7.8 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and homemade explosives since 2002 (see Table 3.13).<sup>375</sup> In addition, survey and clearance are still needed on 63 firing ranges belonging to ISAF/NATO covering an area of 162.3 square kilometers (62.7 square miles). From December 2012 to June 2016, 40 hazards and a total area of 1,109 square kilometers (428.2 square miles) were cleared on ISAF/NATO firing ranges.<sup>376</sup>

The estimated total area of contaminated land continues to fluctuate as clearance activities reduce hazardous areas, while ongoing survey activities find new contaminated land. At the beginning of this quarter, there were 598 square kilometers (231 square miles) of contaminated minefields and battlefields. During the quarter, six square kilometers (2.3 square miles) were cleared though the discovery of additional hazardous areas brought the known contaminated area to 607 square kilometers (234.4 square miles) by the end of the quarter. PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.<sup>377</sup>

USAID, in partnership with the UN Mine Action Centre for Afghanistan (UNMACA), provides services for victims and survivors of mines and ERW,

as well as for civilians affected by conflict and persons with disabilities, through the Afghan Civilian Assistance Program (ACAP). The goal of this project is to mitigate the short-term and long-term impact of conflict on civilians, including victims of mines and ERW.<sup>378</sup>

UNMACA draws on its wider network under the Mine Action Programme of Afghanistan (MAPA), which consists of 50 international and national organizations, to access beneficiaries and communities. One of those organizations, the Mine Action Coordination Centre of Afghanistan (MACCA), collects casualty data on mine/ERW victims to help prioritize its clearance activities. According to USAID, ACAP funding will allow MACCA to expand its victim-assistance activities beyond service provision and data collection to include immediate assistance for individual survivors and their families.<sup>379</sup>

The number of deminers working in MAPA total around 9,700, of which 99% are Afghan nationals. The high number of individuals involved with demining makes Afghanistan one of the world's largest mine action programs, with the most coverage on the ground. Less than 1% of all security-related incidents targeted the demining community since 2009.<sup>380</sup>

Between July and September 2016, MAPA reports the over 5,300 civilian victims received assistance and disability support services. The total number of beneficiaries since 2007 is 421,856.<sup>381</sup> Since January, the UN and mine action partners have provided risk education regarding mines and ERW to over 466,000 returnees from Pakistan.<sup>382</sup> The \$30.2 million ACAP program has expended \$19.6 million to date and will conclude in February 2018.<sup>383</sup>

According to the UN, the security situation deteriorated significantly between January and October 2016, with incidents reaching the highest level since reporting began in 2007. Of nearly 6,300 security incidents between August 16 and November 17, 2016, 18% were improvised explosive devices (IEDs)—the second most prevalent form of attack after armed attacks.<sup>384</sup> Many of the IEDs used by today's insurgents are much more powerful and cause greater bodily harm than previous IEDs. Disabled war victims are more often double rather than single amputees, as was more common a decade ago.<sup>385</sup>

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## GOVERNANCE

### KEY ISSUES AND EVENTS

This quarter, the Afghan national government faced tensions within the executive branch over the actions of First Vice President Abdul Rashid Dostum and conflict between the executive and parliament over the dismissal of seven government ministers.

In October, First Vice President Dostum publicly accused President Ashraf Ghani and Chief Executive Abdullah Abdullah of nepotism and ethnic bias in government appointments. Both Ghani's and Abdullah's offices condemned Dostum's statement.<sup>386</sup>

On November 24, Dostum reportedly kidnapped a political rival, a former governor of Jowzjan Province. Once released, the victim accused Dostum on national television of ordering him to be beaten and raped with the muzzle of a rifle while in Dostum's private custody.<sup>387</sup> The U.S. Embassy and the European Union called for an investigation.<sup>388</sup> On December 17, the Afghan attorney general's office announced it was investigating the matter.<sup>389</sup> As of December 22, Dostum refused an attorney-general summons. Claiming the first vice president has the same legal standing as the president, Dostum's chief of staff labeled the summons illegal, arguing that allegations of crimes against the president can only be made by a two-thirds vote by parliament.<sup>390</sup> Chief Executive Abdullah's office called the handling of the Dostum investigation a significant test for the unity government.<sup>391</sup>

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers after they were summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). Four of the seven ministers sanctioned by parliament were Ghani nominees, while the remaining three had been nominated by Abdullah. Parliament considers those who received votes of no confidence dismissed. The Minister of Foreign Affairs, an Abdullah nominee and head of a major political party that backed Abdullah in the presidential election, was among those who received a vote of no confidence; however, the Ministry of Foreign Affairs insists it spent 73% of its development budget.<sup>392</sup>

In December, the Asia Foundation released their 2016 *Survey of the Afghan People*. The survey found that in 2016, 29.3% of respondents nationwide say their country is moving in the right direction, down from 36.7% in 2015. This represents the lowest level of optimism recorded since the survey began in 2004. Of the 65.9% of Afghans who say their country is moving in the wrong direction, the most frequently cited reason is insecurity (48.8%), followed by unemployment (27.5%), corruption (14.6%), a bad economy (10.4%), and bad government (8.7%).<sup>393</sup>

Despite government efforts to curb corruption, 89.2% of Afghans say that corruption is a problem in their daily lives, with 61% saying it is a major problem and 28.2% saying it is a minor problem. Among Afghans who had contact with police within the past year, 48% say they paid a bribe, down from 53% in 2015. Instances of respondents paying bribes to officials in the municipality/district office (59%), judiciary and courts (60%), customs office (55%), provincial governor's office (55%), state electricity supply (50%), public health services (46%), and the Afghan National Army (38%); when applying for a job (56%); and for admissions to school/university (39%) all decreased compared to the 2015 responses, but were higher than the results from 2014.<sup>394</sup>

Respondents who reported frequent bribe paying did not always rate the offending government authority poorly. For example, of the 604 respondents (representing 19% of those asked the question) who reported that in their interactions with municipal officials they had to pay a bribe all or most of the time, 43% rated the municipal officials as either very good or somewhat good at their job, while 44.4% rated municipal officials as either very bad or somewhat bad. Similarly, of the 1,631 respondents (representing 12.9% of those surveyed) who reported that in their interactions with Afghan police they had to pay a bribe all or most of the time, 75.5% strongly or somewhat agreed that the police are honest and fair, while only 24.3% strongly or somewhat disagreed.<sup>395</sup>

Also in December, Integrity Watch Afghanistan (IWA) issued the results of their biennial national corruption survey, funded in part by SIGAR. The majority of those surveyed (71%) felt corruption has worsened in the past two years. More than 26% of those interviewed reported having paid a bribe in the previous 12 months, an increase from the 21% who reported having paid a bribe in 2014. Extrapolating from the survey findings, IWA estimated that Afghans paid \$2.9 billion in bribes in 2016, an increase from the \$1.9 billion estimate for 2014. While a majority (51%) of IWA respondents nationwide agreed with the statement that corruption facilitates the expansion of the Taliban, majorities in the south (63%) and northeast (53%) disagreed with this statement, an interesting result given the strength of the insurgency in these regions.<sup>396</sup>

## U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE

As of December 31, 2016, the United States had provided nearly \$32.8 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$19.4 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department (State) and the U.S. Agency for International Development (USAID).

## MUTUAL ACCOUNTABILITY UPDATES

At the Senior Officials Meeting (SOM) in September 2015, the international community and the Afghan government agreed to the Self-Reliance through Mutual Accountability Framework (SMAF) to guide their activities at least to the end of the present government's term.<sup>397</sup>

The SMAF covers six areas: (1) improving security and political stability (with three associated indicators); (2) anticorruption, governance, rule of law, and human rights (14 indicators); (3) restoring fiscal sustainability and integrity of public finance and commercial banking (nine indicators); (4) reforming development planning and management, and ensuring citizens' development rights (three indicators); (5) private-sector development and inclusive growth and development (four indicators); and (6) development partnerships and aid effectiveness (eight indicators).<sup>398</sup> At the October 2016 Brussels Conference, international donors and the Afghan government also agreed to 24 new "SMART" (Specific, Measurable, Achievable, Realistic, and Time-bound) deliverables for 2017 and 2018.<sup>399</sup>

According to USAID, there were no notable updates for SMAF deliverable progress this quarter.<sup>400</sup>

## Electoral Reform Challenges

Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his former election rival, now Chief Executive Abdullah, after the troubled 2014 presidential elections. The September 2014 agreement that led to forming the national-unity government called for immediate establishment of a special commission for election reform. The intent was to implement reform before the 2015 parliamentary elections and to distribute electronic identity cards to all Afghan citizens as quickly as possible.<sup>401</sup>

At the October Brussels Conference, the Afghan government agreed to take concrete steps toward electoral reform and preparations in 2017.<sup>402</sup>

In November, the chief justice of the Afghan Supreme Court swore in a new slate of election commissioners including seven Independent Election Commission (IEC) commissioners—down from the previous nine commissioners—and five Independent Election Complaints Commission (IECC) commissioners. According to State, replacing the discredited incumbent commissioners is seen as the first step toward

electoral reform. The new election commissioners will be responsible for determining election schedules, identifying and implementing necessary reforms, and overseeing the hiring processes for hundreds of vacant electoral commission positions.<sup>403</sup>

On December 5, the IEC held its first working meeting following the new commissioners' short meeting to select their administrative board members on November 27. In a press statement, the IEC said it discussed expanding the number of polling centers, preventing the use of personal property as polling sites, ensuring equal voting rights, and other election-related issues.<sup>404</sup> In late December, an IEC commissioner told local media that the IEC had budget difficulties while donors continue to suspend their funding.<sup>405</sup> State reported last quarter that donors are waiting for a realistic elections timeline and Afghan government budget before making any determinations regarding election support.<sup>406</sup>

## U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

### Summary of Assistance Agreements

At the Brussels Conference in October 2016, the United States and other international participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities.<sup>407</sup> Although the United States did not commit to a specific amount, then-Secretary of State John Kerry promised to work with Congress to provide civilian assistance at or near the 2016 levels through 2020.<sup>408</sup>

At the 2010 Kabul Conference, the United States and other international donors supported an increase to 50% the proportion of civilian development aid delivered **on-budget** through the Afghan government to improve governance, cut costs, and align development efforts with Afghan priorities.<sup>409</sup> Donors, including the United States, reaffirmed this commitment at the July 2012 Tokyo Conference and again at both the December 2014 London Conference and the September 2015 SOM.<sup>410</sup> As of December 2016, USAID had not yet achieved the 50% on-budget target.<sup>411</sup> At the October 2016 Brussels Conference, the United States and other donors committed to channel a "higher share" of their development assistance via on-budget modalities in 2017 and 2018, but did not commit to a particular percentage of their overall assistance.<sup>412</sup> As shown in Table 3.14, USAID expected to spend \$842 million on direct bilateral-assistance programs that were active during the quarter. It also expects to contribute \$2.7 billion to the Afghanistan Reconstruction Trust Fund (ARTF) through 2020, in addition to \$1.37 billion disbursed under the previous grant agreement between USAID and the World Bank. USAID has disbursed \$113 million to the Afghanistan Infrastructure Trust Fund (AITF).<sup>413</sup>

**On-budget assistance:** encompasses donor funds that are aligned with Afghan government plans, included in Afghan government budget documents, and included in the budget approved by the parliament and managed by the Afghan treasury system. On-budget assistance is primarily delivered either through direct bilateral agreements between the donor and Afghan government entities, or through multidonor trust funds.

**Off-budget assistance:** encompasses donor funds that are excluded from the Afghan national budget and not managed through Afghan government systems.

Source: SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 130; Ministry of Finance, "Aid Management Policy for Transition and Beyond," 12/10/2012, p. 8; State, response to SIGAR vetting, 1/14/2016.

# GOVERNANCE

TABLE 3.14

<b>USAID ON-BUDGET PROGRAMS</b>						
<b>Project/Trust Fund Title</b>	<b>Afghan Government On-Budget Partner</b>	<b>Special Bank Account?</b>	<b>Start Date</b>	<b>End Date</b>	<b>Total Estimated Cost (\$)</b>	<b>Cumulative Disbursements, as of 12/31/2016 (\$)</b>
<b>Bilateral Government-to-Government Projects</b>						
Power Transmission Expansion and Connectivity Project (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	Yes	1/1/2013	12/31/2018	\$725,000,000	\$124,878,220
Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	DABS	Yes	4/22/2013	12/31/2016	75,000,000	56,714,535
Afghanistan Workforce Development Project (AWDP)	Ministry of Education (MOE)	Yes	9/18/2013	12/31/2016	11,500,000	4,832,843
Basic Education, Learning, and Training (BELT) - Textbooks Printing and Distribution	MOE	Yes	11/16/2011	12/31/2016	26,996,813	24,970,742
E-Government Resource Center (EGRC)	Ministry of Communications and Information Technology (MOCIT)	Yes	8/28/2013	12/1/2017	3,900,000	1,205,000
<b>Multi-Donor Trust Funds</b>						
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	3/31/2017	2,700,000,000	1,470,169,080
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	No	3/7/2013	3/6/2018	153,670,184	113,000,000

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 is currently \$2,842,160,275.

Source: USAID, response to SIGAR data calls, 1/17/2017, and 1/18/2017.

The U.S. government announced in March 2015 that it intended to seek funding to support the Afghan National Defense and Security Forces (ANDSF), including the army and police, at the level of 352,000 personnel through at least 2017.<sup>414</sup> The Department of Defense (DOD) was authorized \$4.26 billion to support the ANDSF for fiscal year (FY) 2017 (though the appropriation was not finalized before this report went to press).<sup>415</sup>

At the 2012 Chicago Conference, the United States and its allies affirmed commitments to support the Afghan security forces with an estimated annual budget of \$4.1 billion, to be reviewed regularly against the changing security environment.<sup>416</sup> At the September 2014 Wales Summit, NATO allies and partners reaffirmed their commitment to financial sustainment of the ANDSF through the end of 2017. The international community pledged an additional amount of almost €1 billion, or approximately \$1.29 billion, annually to sustain the ANDSF for 2015 through the end of 2017.<sup>417</sup>

In July 2016, NATO allies and partners met in Warsaw and committed to extend the financial commitments made at the 2012 NATO Summit in Chicago. Some 30 nations renewed pledges to sustain the Afghan security forces through 2020 at or near current levels. The international community has so far pledged more than \$800 million annually for 2018–2020. President Obama also pledged that he would recommend to his successor that the



**USAID Mission Director** Herbie Smith and the Afghan Minister of Finance discuss continued U.S. civilian assistance to Afghanistan. (USAID photo)

United States continue to seek funding for the ANDSF at or near current levels through 2020.<sup>418</sup>

As of mid-January, DOD had not yet finalized the agreements governing their Afghan FY 1396 (FY 1396 runs from December 22, 2016, to December 21, 2017) on-budget contributions for police salaries to the Ministry of Interior (MOI) through the United Nations Development Programme's (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA), nor their direct on-budget contributions to the Ministry of Defense (MOD) or MOI.<sup>419</sup>

## SIGAR AUDIT

SIGAR has an ongoing audit of the ARTF. In July 2011, SIGAR found that the World Bank and the Afghan government had established mechanisms to monitor and account for ARTF contributions, but that several limitations and challenges should be addressed. This new audit will assess the extent to which the World Bank and the Afghan government (1) monitor and account for U.S. contributions to the ARTF, (2) evaluate whether ARTF-funded projects have achieved their stated goals and objectives, and (3) utilize and enforce any conditionality on ARTF funding.

## Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) contributions to two multidonor trust funds, the ARTF and the AITF.<sup>420</sup> According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance for each program.<sup>421</sup>

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.<sup>422</sup> The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.<sup>423</sup> 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.<sup>424</sup>

As of November, the United States remains the largest donor to the ARTF (30.2% in actual contributions) with the next largest donor being the United Kingdom (17.8% in actual contributions).<sup>425</sup> According to the World Bank,

the ARTF is the largest single source of support for the Afghan government budget at \$9.1 billion as of September 2016.<sup>426</sup> The ARTF recurrent-cost window supports operating costs, such as Afghan government non-security salaries. The recurrent-cost window pays 16–20% of the Afghan government's non-security operating budget.<sup>427</sup>

## On-Budget Assistance to the ANDSF

A large portion of total U.S. on-budget assistance goes toward the Afghan security forces. DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Afghan government to fund MOD and MOI requirements, and (2) ASFF contributions to the multidonor LOTFA.<sup>428</sup> Administered by the UNDP, LOTFA primarily funds Afghan National Police salaries and incentives.<sup>429</sup> Direct-contribution funding is provided to the Ministry of Finance, which allots it incrementally to the MOD and MOI, as required.<sup>430</sup>

In February 2011, the Under Secretary of Defense Comptroller authorized the U.S. military's Combined Security Transition Command–Afghanistan (CSTC-A) to provide direct contributions to the Afghanistan government from ASFF to develop ministerial capacity and capability in the areas of budget development and execution, acquisition planning, and procurement. CSTC-A administers all contributions of ASFF resources to the Afghan government to fund MOD and MOI requirements, subject to certain conditions that the ministries must meet for the use of the funds.<sup>431</sup> CSTC-A monitors and formally audits the execution of those funds to assess ministerial capability and ensure proper controls and compliance with documented accounting procedures and provisions of the annual commitment letters.<sup>432</sup> Most of the on-budget funds provided by CSTC-A support salaries, with most of the limited amounts for local procurement used for services such as facility-maintenance contracts.<sup>433</sup>

As of November 2016, CSTC-A provided \$1 billion to the MOD, \$278 million to the MOI, and \$85.8 million to LOTFA for the current Afghan fiscal year.<sup>434</sup>

In December 2015, the UNDP planned to support Afghan police salary payments using LOTFA through December 31, 2016. After this date, it was planned for the Afghan government to take responsibility for Afghan police payroll.<sup>435</sup> This quarter, a public accounting firm found that the MOI is expected to meet only 50% of the conditions necessary to transition Afghan police payroll management from UNDP to MOI.<sup>436</sup> In December 2016, the LOTFA project board approved a one-year extension of LOTFA's support for MOI payroll.<sup>437</sup>

In September 2016, CSTC-A approved a change in the use of \$233 million in ASFF originally intended as on-budget contributions for MOD to instead pay for priority unfunded requirements, including an aviation maintenance



**NATO partner countries** approved about \$390 million for projects to support Afghan forces in December. (DOD photo)

contract, 453 High-Mobility Multipurpose Wheeled Vehicles, medical consumables, and communications equipment.<sup>438</sup>

According to CSTC-A, the Afghan government's procurement process is hindering the execution of ASFF funds provided as direct contributions. As of September 2016, the execution rate was only 37%.<sup>439</sup> DOD has observed the Afghan government making changes to their process that will hopefully increase the execution rate. CSTC-A officials believe Afghan government procurement reforms—particularly the establishment of the National Procurement Commission that is chaired by President Ghani and reviews all operations and maintenance contracts above \$300,000 and construction contracts over \$1.5 million before contract award—has enforced contracting standards and reduced corruption. However, the Department of Defense Inspector General (DOD IG) found that CSTC-A does not have any metrics to determine the National Planning Commission's effectiveness in this regard.<sup>440</sup>

A senior CSTC-A official told SIGAR that CSTC-A has decided to conduct future fuel procurements for the ANDSF off-budget. CSTC-A concluded that poor Afghan government fuel-contract administration created opportunities for contractors to substitute lower-quality fuel and sell fuel meant for the security forces on the open market. CSTC-A plans to administer the fuel procurements off-budget and conduct spot checks of fuel delivery.<sup>441</sup>

## **MOD and MOI Had Mixed Results in Meeting Conditions for U.S. Funding**

In November, DOD found that while the MOD and MOI made satisfactory progress in meeting the majority of agreed-upon conditions for U.S. funding assistance, both ministries had a significant number of deficiencies.



Of 59 conditions defined in the commitment letter, CSTC-A determined that the MOD made satisfactory progress toward meeting 35 conditions and insufficient progress toward meeting 24. This quarter, CSTC-A provided no incentive funding to the MOD for satisfactory progress. CSTC-A determined that the MOD failed to conduct capital asset inventory assessments for 10 MOD installations, prompting CSTC-A to withhold 20% of conditional funds available for construction of MOD buildings. CSTC-A also found that the MOD failed to provide the required 100% accounting of night-vision devices, prompting CSTC-A to continue withholding future deliveries of night-vision devices to three mobile strike force battalions that were deficient. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOD has yet to provide such a list.<sup>442</sup>

Additionally, the MOD reported 835 lost weapons but provided insufficient documentation for these losses. Because of this, CSTC-A will not issue small arms until MOD provides a full accounting by unit. CSTC-A will also not replace any lost weapons until sufficient documentation is received. CSTC-A stopped penalizing the MOD for ammunition accountability deficiencies following MOD-implemented corrective actions including the suspension of 111th Capital Division's ammunition officer, the submittal of missing ammunition consumption data by 215th Corps, and the uploading of ammunition data by 111th Capital Division and the Afghan Air Force. While the two mobile strike force brigades were delinquent in ammunition reporting, CSTC-A decided to provide additional capacity assistance in lieu of applying penalties since these brigades are fairly new organizations. CSTC-A identified a further 16 conditions with insufficient progress, but imposed no additional penalties on the MOD; however, DOD says that penalties may be assessed following the next quarterly review.<sup>443</sup>

Of 74 MOI conditions defined in the commitment letter, CSTC-A determined that the MOI made satisfactory progress on 37 conditions, while 37 had insufficient progress. This quarter, CSTC-A provided no incentive funding to the MOI for satisfactory progress. CSTC-A found that the MOI has not sufficiently investigated cases of gross violation of human rights (GVHR). In response, CSTC-A will continue to withhold MOI's travel budget for all but gender-related trainings and deny raises to the MOI offices that compose the MOI's GVHR Committee.<sup>444</sup>

The MOI was required to provide a 100% inventory of Afghan Local Police equipment by July 31, 2016. However, CSTC-A found that only 123 of 179 ALP districts met this goal. As a result, CSTC-A withheld \$833,000 for military tools and equipment as a one-time penalty. The MOI had a similar problem with providing a 100% inventory of General Command Police Support Unit (GCPSU) equipment. As of the June 30, 2016, deadline, 80% of GCPSU units reported their full inventories. In response, CSTC-A levied a

one-time penalty of \$833,000 from the MOI's budget for items such as mattresses, pillows, and laundry.<sup>445</sup>

The MOI also failed to fully account for night-vision devices, prompting CSTC-A to withhold future deliveries to two Afghan National Civil Order Police brigades. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOI has yet to provide such a list. Because of this, CSTC-A will not issue small arms or replace lost weapons until MOI provides a full accounting of small arms by police zone. CSTC-A identified a further 30 conditions with insufficient progress but imposed no additional penalties on the MOI; however, DOD says that penalties may be assessed following the next quarterly review.<sup>446</sup>

In December, DOD IG found that while CSTC-A did begin imposing limited penalties on the Afghan government for failure to comply with commitment letters, CSTC-A did not impose these penalties consistently. DOD IG concluded that CSTC-A does not have a formal process in place to determine and enforce penalties for violations. According to CSTC-A officials, they were reluctant to assess penalties because the excess enforcement of penalties could inhibit the Afghans' ability to conduct security operations. DOD, however, disagrees with DOD IG's finding, arguing that Resolute Support advisors assess conditions either monthly or quarterly and make recommendations to either impose or waive penalties.<sup>447</sup>

CSTC-A commented that the current Afghan fiscal year commitment letters had only mixed success in achieving conditions. According to CSTC-A, some of the lessons learned include: conditions must be enforceable, unachievable conditions can be counterproductive, overlooking missed conditions undermines credibility, and strategic patience is required to see sustainable effects. As CSTC-A develops the next fiscal year commitment letters, they will focus on the highest-priority conditions, plan to impose fines rather than percentage decreases for specific budget lines, look to provide more incentive clauses rather than penalties, and reduce the overall number of conditions.<sup>448</sup>

## NATIONAL GOVERNANCE

### Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries' ability to prepare, manage, and account for on-budget assistance. These programs also provide general assistance to support broader human and institutional capacity building of Afghan government entities.<sup>449</sup> USAID also seeks to increase civil-society capacity through the Afghan Civic Engagement Program (ACEP). As shown in Table 3.15, active programs include the Ministry of Women's Affairs' Organizational Restructuring and

# GOVERNANCE

TABLE 3.15

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$40,226,038
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	18,710,629
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2016	14,182,944	10,576,100

Source: USAID, response to SIGAR data call, 1/18/2017.

Empowerment (MORE) project, a \$14 million project that, among other things, helps the ministry improve its financial management, as required for future on-budget assistance.<sup>450</sup>

MORE closed in December. Before closing, MORE processed one-off payments to enable MORE-supported scholarship recipients to continue their studies beyond the end of the program. MORE staff finalized 10 provincial gender profiles to serve as templates for the Ministry of Women's Affairs in developing profiles for the remaining 24 provinces. These profiles summarize province-level statistics including population estimates, the number of female legal and police personnel, female voter turnout, and the number of violence against women cases.<sup>451</sup>

USAID has also provided \$5 million for the \$150 million, ARTF-managed Capacity Building for Results (CBR) program. CBR aims to improve the capacity and performance of Afghan government ministries by providing skilled civil servants to implement ministries' reform programs. CBR provides Afghan government ministries with the opportunity to recruit high-capacity staff into critical posts at salaries closer to market rates. The aim is to increase on-budget service delivery and reduce reliance upon the so-called "second civil service" wherein Afghan consultants, instead of civil servants, perform government functions.<sup>452</sup>

At the October 2016 Brussels Conference, the Afghan government committed to recruit 1,200 government personnel by December 2017 and to fill the remaining positions by 2018. Previously, the Afghan government had committed to recruit at least 800 of 2,400 planned CBR positions by December 2016. As of September 2016, the Afghan government had issued contracts to 196 persons.<sup>453</sup>

## National Assembly

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). The parliament considers the following ministers to be dismissed following the no-confidence votes: the Minister of Foreign Affairs; Minister of Public

Works; Minister of Labor, Social Affairs, Martyrs and Disabled; Minister of Education, Minister of Transport and Civil Aviation; Minister of Higher Education; and Minister of Communications and Information Technology.<sup>454</sup> On November 14, President Ghani ordered the ministers to continue working, referring the legality of the dismissals to the Supreme Court.<sup>455</sup>

On December 22, the start of the new Afghan fiscal year, the lower house of parliament rejected the draft budget submitted by the executive. Among the reasons cited, parliament argued that project funds were not well balanced between provinces.<sup>456</sup> On the same day last year, parliament rejected the draft budget with the same critique.<sup>457</sup> On January 15, 2017, the parliament passed the budget on its third attempt with only 57% of lower house members participating in the vote.<sup>458</sup>

According to State, the parliament continues to face difficulties achieving quorum, though this occurs less often when sessions relate to the elections, official nominations, or key legislation with broad constituent interest. Parliament suspended six members for being absent and threatened to suspend an additional three members. Parliament has also been declaring sessions quorate despite having only a minority of members present.<sup>459</sup>

USAID funds the \$25 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.<sup>460</sup> In December, the parliament approved an anti-harassment bill that had received ALBA support since its inception as a member-proposed bill. The new law defines jail terms and cash fines for those convicted of harassing women and children. Following the bill's passage, ALBA supported a press conference on the bill and briefed the audience on its main themes.<sup>461</sup>

Following the publication of an ALBA mid-year report that found low development-budget execution by the Afghan government, ALBA has received regular requests from parliamentary commissions for regular budget updates. In November, the lower house of parliament held hearings for—officially—low execution of ministry development budgets. Following parliament's votes of no confidence for seven ministers, the Parliamentary Anti-Corruption Caucus requested that ALBA prepare information on the laws and regulations that relate to the dismissal of ministers.<sup>462</sup>

## Civil Society

The Afghan Civic Engagement Program's goal is to promote civil-society and media engagement that enables Afghan citizens to influence policy, monitor government accountability, and serve as advocates for political reform. ACEP aims to achieve this goal through five program areas: (1) regular civil-society organization (CSO) engagement with the Afghan government, (2) increased CSO and media expertise in democracy and governance, (3) expanded civic engagement, (4) improved access to

independent news and public affairs information, and (5) increased CSO organizational capacity.<sup>463</sup>

This quarter, ACEP sponsored a two-day conference that brought together over 400 civil-society, media, and government representatives from all 34 Afghan provinces. According to USAID, the conference was an opportunity to discuss current engagement among CSOs, media organizations, and government agencies, and foster improved future coordination and cooperation. ACEP also sponsored 34 emerging Afghan civil-society leaders for a 10-day study tour to Sri Lanka to expose the participants to youth activities carried out by other organizations and governments. ACEP sponsored a three-day training for ACEP-supported CSOs that focused on results-based monitoring, management, and development of logical frameworks to assist with reporting outcomes.<sup>464</sup>

ACEP recently released a baseline study on the enabling environment for CSOs in Afghanistan. The study focused on the legal framework, the socio-cultural environment, governance, and financial viability that influence CSO development and activities. Using interviews and case studies, the data were used to generate factor-specific scores between -1 (wholly un-supportive of CSO activity) and 1 (wholly supportive). Overall, the baseline study found an overall enabling environment score of 0.33 (somewhat supportive). Corruption, insufficient CSO and government capacity and technical expertise, poor CSO interactions with government, rule of law challenges, access to funding, and the tying of donor-driven priorities to funding were cited as the main obstacles to CSO activities. On the positive side, CSOs report they increasingly coordinate with each other (in line with donor priorities) and are able to attract more volunteer support.<sup>465</sup>

The scores for the four main factors were: legal framework (0.31) with ease of CSO registration the highest sub-factor and the extent to which taxes are fair, efficient, and transparent the lowest sub-factor; social-cultural environment (0.65) with the extent to which CSOs successfully influence government the highest sub-factor and the extent to which CSOs are seen as independent and professional the lowest sub-factor; governance (0.17) with the extent to which CSOs collaborate with each other and the government the highest sub-factor and the extent to which the environment supports CSO involvement in service provision and the extent to which corruption does not affect the work of CSOs the lowest sub-factors; and financial viability (0.2) with the extent to which CSOs are financially independent the highest sub-factor and the extent to which CSOs are able to access funding the lowest sub-factor.<sup>466</sup>

There were some discrepancies between quantitative survey results and qualitative data gathered through in-depth interviews and focus group discussions. For example, while CSO respondents gave community support a high score in the survey, CSO members spoke of the hostility they experienced from more conservative elements in society that regarded civil

society as not in line with Islam or as an “imported” Western concept. Many CSOs have, consequently, felt the need to incorporate Islamic rhetoric in order to align their operations with prevalent cultural paradigms.<sup>467</sup>

## SUBNATIONAL GOVERNANCE

### Provincial and Municipal Programs

USAID has two subnational programs focused on provincial centers and municipalities: the Initiative to Strengthen Local Administrations (ISLA) and Strong Hubs for Afghan Hope and Resilience (SHAHAR) programs. Table 3.16 summarizes total program costs and disbursements to date.

TABLE 3.16

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$73,499,999	\$29,441,104
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	13,468,975

Source: USAID, response to SIGAR data call, 1/18/2017.

### Initiative to Strengthen Local Administrations

The \$62 million ISLA program is meant to enable the Afghan government to improve provincial governance in the areas of fiscal and development planning, representation of citizens, and enhanced delivery of public services. ISLA aims to strengthen subnational systems of planning, operations, communication, representation, and citizen engagement, leading to services that more closely respond to all citizens’ needs in health, education, security, justice, and urban services.<sup>468</sup>

During the quarter, ISLA conducted provincial budget training for 45 public financial management committee participants from nine provinces. ISLA advisors finished drafting provincial-governor office guidelines and submitted the draft for review. ISLA also supported a town hall meeting in Badghis Province to discuss the Brussels Conference and the Afghan government’s Citizen Charter. Approximately 204 participants—including 32 women—attended the meeting.<sup>469</sup>

### Strong Hubs for Afghan Hope and Resilience

The objective of the \$73 million SHAHAR program is to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a growing urban population. The urban portion of Afghanistan’s population has risen from 22% in 2004 to an estimated 25% in 2016/2017. Targeted support to municipal governments, as well as to the deputy

ministry of municipal affairs and municipal advisory boards, aims to improve municipal financial management, urban service delivery, and citizen consultation.<sup>470</sup>

As of the end of October, SHAHAR-supported municipalities collected \$27,073,939 in revenues for the current Afghan fiscal year. This represents an 8% increase in revenues collected in the previous year, but only 42% of the expected revenue for the current fiscal year that ends December 21. Only two SHAHAR-supported municipalities are on track to achieve their revenue targets. SHAHAR-supported municipalities executed \$22,301,207 of their budgets, representing 77% of expenditures compared to the previous fiscal year, but only 30% of the current fiscal year's budget.<sup>471</sup> As of December 31, 2016, SHAHAR-supported municipalities collected an additional \$5 million in revenue for 2016 as compared to 2015, a 21% increase.<sup>472</sup>

## RECONCILIATION AND REINTEGRATION

The U.S. and Afghan governments agree that the best way to ensure lasting peace and security in Afghanistan is reconciliation and a political settlement with the Taliban.<sup>473</sup>

According to the United Nations Secretary-General, there was no substantive movement towards a peace process between the Afghan government and the Taliban this quarter.<sup>474</sup> Taliban leaders reportedly believe that the 2016 fighting season was a success and, for the time being, there is no incentive to enter into a strategic negotiation process.<sup>475</sup> On December 23, the Taliban again publicly rejected peace talks, reiterating their long-held stance that talk of peace and reconciliation is “meaningless” as long as foreign forces remain in Afghanistan.<sup>476</sup>

On December 2, General John Nicholson, the commander of U.S. and NATO forces in Afghanistan, labeled Russia, Pakistan, and Iran as malign actors that enable insurgent or terrorist groups in Afghanistan. Nicholson said that Russia lends public legitimacy to the Taliban, which undermines the Afghan government and NATO efforts to stabilize Afghanistan.<sup>477</sup> On December 10, Russia's ambassador to Afghanistan testified before Afghanistan's upper house of parliament that Russia maintained contact with the Taliban to ensure the safety of Russian nationals and encourage the Taliban to engage in peace talks with the Afghan government. He expressed annoyance with Afghanistan's critique of Russia's approach, arguing that other countries have similar relations with the Taliban.<sup>478</sup> The Afghan government maintains that any outside contact with the Taliban, without the prior knowledge and approval of the Afghan government, is a legitimization of terror and a breach of Afghanistan's sovereignty.<sup>479</sup>

On December 27, the governments of Russia, China, and Pakistan met in Moscow to discuss the security situation in Afghanistan. The three countries agreed to a “flexible approach” to remove certain Taliban members

from sanctions lists to foster dialogue between the Afghan government and the Taliban. This is contrary to Afghanistan's recent request to include more Taliban leaders on international sanctions lists. The Afghan government expressed its displeasure at not being invited to the meeting.<sup>480</sup> A representative of the Taliban's political office in Qatar welcomed the suggestion to remove Taliban members from sanctions lists.<sup>481</sup>

During a Heart of Asia Conference held in December, President Ghani accused Pakistan of not doing enough to help stabilize Afghanistan, saying, "As a Taliban figure said recently, if they had no sanctuary in Pakistan, they wouldn't last a month." The Heart of Asia process was established in November 2011 to provide a platform to strengthen security and economic and political cooperation among Afghanistan and its neighbors. Pakistan responded that Afghanistan should avoid blaming Pakistan for its domestic problems.<sup>482</sup>

After the conference, the Pakistani foreign secretary said in a television interview that some Taliban and Haqqani members reside in Pakistan. He insisted, however, that the Pakistan government has told these militants that they are not allowed to attack Afghanistan and that Pakistan is applying "incremental pressure" to persuade these groups to participate in peace talks. He also said that Pakistan has told Afghan authorities that Pakistan will not use its military to fight these insurgents for fear that this would bring Afghanistan's conflict to Pakistan.<sup>483</sup>

In what DOD sees as a potential sign of rapprochement, the powerful Kandahar police chief General Abdul Raziq—who in 2014 said that he ordered his troops to kill militants rather than refer them to potentially corrupt courts—suggested in December that an area be designated where Taliban fighters and their families can live in Afghanistan, calling the Taliban "sons of the country."<sup>484</sup>

Last quarter, the Afghan government finalized a peace agreement with the Hezb-e Islami Gulbuddin (HIG) insurgent group.<sup>485</sup> In the peace deal, the Afghan government committed to several actions, including requesting the removal of HIG leaders from UN and other sanctions lists.<sup>486</sup> According to the UN Secretary-General, as of December 13, the United Nations has yet to receive a formal request for the removal of HIG's leader—Gulbuddin Hekmatyar—from the sanctions list of either Afghanistan or the United States (as the original listing state).<sup>487</sup> The day prior, a spokesman for the Afghan National Security Council said that Afghanistan's Ministry of Foreign Affairs submitted a request to the UN to remove Hekmatyar from the sanctions list.<sup>488</sup>

In December, the United Kingdom deported Faryadi Sarwar Zardad, who was convicted of torture in 2005 for his actions while a Hezb-e Islami commander in the 1990s.<sup>489</sup> The Afghanistan Independent Human Rights Commission called for the prosecution of war criminals, including Faryadi, and warned of a culture of impunity in Afghanistan.<sup>490</sup>



In January, the *Wall Street Journal* reported that Russia was hindering the removal of Hekmatyar's name from the UN sanctions list. As of early January, a Russian spokesperson confirmed that Russia had put a hold on the delisting but not blocked it.<sup>491</sup> By mid-January, however, it was DOD's understanding that the delisting request was being processed.<sup>492</sup>

## Afghanistan Peace and Reintegration Program

On March 31, 2016, the Afghanistan Peace and Reintegration Program (APRP) closed following a decision by APRP donors, the Afghan government, and UNDP.<sup>493</sup> The APRP was an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.<sup>494</sup> The APRP was the only institutional mechanism within the Afghan government with the capacity to pursue both high-level reconciliation negotiations and provincial-level reintegration of insurgent fighters.<sup>495</sup>

In early 2017, the Afghan government plans to launch a successor to the APRP in the form of a five-year Afghanistan National Peace and Reconciliation (ANPR) strategy, pending approval from President Ghani. According to State, the ANPR is expected to shift from the disarmament, demobilization, and reintegration focus of the APRP to negotiating political settlements with armed opposition groups, forging national and international consensus on a peace process, and promoting and institutionalizing a culture of peace.<sup>496</sup>

In December 2016, State provided \$1.1 million to support the ANPR. State intends to disburse another \$3.9 million in early 2017. The ANPR process has not yet launched as the Afghan government is in the process of finalizing the ANPR strategy.<sup>497</sup>

## RULE OF LAW AND ANTICORRUPTION

In late October, the World Justice Project released its 2016 *Rule of Law Index*. This year, Afghanistan was ranked 111 out of 113 countries assessed. Overall, Afghanistan scored 0.35 (on a scale of 0 to 1 with one being the highest possible score). Afghanistan scored the highest on constraints on government powers (0.43) and open government and fundamental rights (both 0.40). Afghanistan's worst scores were in absence of corruption (0.23) and criminal justice (0.28). The scores are derived from a poll of 1,000 respondents in the country's three largest cities (Kabul, Kandahar, and Herat in Afghanistan's case) and a questionnaire of legal and public-health experts.<sup>498</sup>

On January 2, 2017, President Ghani suspended the Minister of Communications and Information Technology following an audit into the collection of a 10% tax on mobile phone minute top-ups. Ghani reportedly was not satisfied with the level of cooperation the ministry provided during an investigation into alleged corruption associated with the tax.<sup>499</sup>

## Project Summary

The United States has assisted the formal and informal justice sectors through several mechanisms. These include State's Justice Sector Support Program (JSSP) and Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.17.

USAID has a cooperation arrangement with the United Kingdom's Department for International Development to fund the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID support funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.<sup>500</sup> This quarter, USAID provided the MEC an additional \$500,000 to fund a ministry-wide vulnerability-to-corruption assessment of the Ministry of Education (MOE), follow-up activities for both this assessment, and follow-up activities for a previously completed Ministry of Public Health assessment. The MOE, recognizing the political imperative to address corruption challenges in their ministry, requested the assessment.<sup>501</sup>

USAID aims to improve public services by reducing corruption opportunities in the Afghan government's administrative and business processes. In November 2015, USAID modified the existing Advancing Effective Reforms for Civic Accountability (AERCA) project—previously the Afghanistan Electoral Reform and Civic Advocacy project—to address immediately identifiable corrupt practices.<sup>502</sup>

AERCA had identified 10 services that are important to Afghans but are perceived as not working as well as expected: (1, 2) disability and martyr payments by the Ministry of Labor, Social Affairs, Martyrs and Disabled; (3, 4, 5) driver's license issuance, vehicle registration, and national identification by the MOI; (6, 7) issuance of diplomas and transcripts by the Ministry of Higher Education; (8) small business license registration by the Kabul Municipality; (9) property registration by the Supreme Court; and (10) high-school diploma issuance by the MOE.<sup>503</sup> In August, USAID and AERCA decided to suspend AERCA's assistance to the driver's license service after determining that there was insufficient political will for reform in the MOI's traffic department to enable worthwhile collaboration.<sup>504</sup>

This quarter, USAID signed a memorandum of understanding with the MOE to support the MOE's ability to issue high school certificates. USAID, via AERCA, intends to equip all 35 MOE provincial certification units with information technology infrastructure and training to facilitate remote data entry of student performance records into the MOE's Certificate Management Information System. The system intends to assure compliance with graduation procedures, print high school certificates centrally, and allow for efficient distribution.<sup>505</sup> AERCA's service reform efforts, other than the new high school diploma initiative, are largely restricted to Kabul.<sup>506</sup>

In November, AERCA reported that the Kabul Municipality approved AERCA's proposed business license simplification and improvement

**At the October Brussels Conference, the Afghan government committed to simplify 15 to 25 public services, integrate these services into a one-stop shop by 2017, and expand this model to three additional locations in Kabul by 2018.**

Source: Brussels Conference on Afghanistan, "Self-Reliance through Mutual Accountability Framework: SMART Deliverables 2017/2018," 10/5/2016, p. 2.

# GOVERNANCE

TABLE 3.17

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	2/28/2017	\$270,142,052	\$265,694,800
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	68,163,468	2,808,579
Electoral Reform and Civic Advocacy (AERCA)*	7/13/2009	6/30/2017	51,302,682	43,401,166
Corrections System Support Program (CSSP IV)**	3/1/2016	2/28/2017	15,000,000	10,358,392
Justice Training Transition Program (JTTP) Follow On***	4/1/2016	11/30/2017	47,759,796	47,759,796
Delegated Cooperation Agreement (DCAR) with the Department for International Development (DFID) for Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)	5/19/2015	8/31/2020	3,000,000	2,000,000

Note:

\*On November 1, 2015, USAID extended the AERCA award beyond the planned December 31, 2015 end date, added \$12.6 million in estimated costs, and incorporated additional anticorruption activities into the program description. The information in the table refers to the entire award, not simply the new anticorruption portion covered by the modification.

\*\*Disbursements as of 11/30/2016

\*\*\*The follow on project is a no-cost extension with funds having already been disbursed.

Source: State, INL, response to SIGAR data call, 12/20/2016; USAID, response to SIGAR data call, 1/18/2017.

process. AERCA plans to conduct a census and registration of businesses in Kabul's 22 municipal districts. AERCA's surveyors will present themselves to the surveyed businesses as Kabul Municipality staff.<sup>507</sup>

AERCA has awarded grants to a number of civil-society organizations for public accountability and outreach efforts to support Afghan government service reforms. This quarter, AERCA grantees held outreach events in Kabul, Kunduz, Wardak, Nangarhar, and Logar Provinces encouraging participants to use the *GovMeter* website which tracks President Ghani's pre-election commitments and the Afghan government's post-election commitments.<sup>508</sup> Managed by ToloNews, this website showed the Afghan government as having achieved 8% of their total commitments in December. Additionally, 32% of commitments were registered as being under way, 2% were not achieved, and 58% were inactive.<sup>509</sup>

State's JSSP objectives include continuing to develop a case-management system (CMS) to track cases throughout Afghanistan's justice system and to build the capacity and administrative skills of ministry officials.<sup>510</sup> As of November 25, 2016, 22,070 civil cases have been entered into CMS since implementation began in 2014, and 261,653 criminal cases have been entered since 2011.<sup>511</sup>

This quarter, JSSP participated in a joint meeting of the **Criminal Law Reform Working Group (CLRWG)** and Criminal Procedure Code Working Group (CPCWG) to propose two major changes to current law involving misdemeanor cases where the accused is facing imprisonment of less than five years. JSSP advised that prosecutors should have authority to suspend prosecution upon court approval. Under this JSSP proposal, proceedings will be suspended if the accused agrees in writing to certain conditions

The **Criminal Law Reform Working Group (CLRWG)** assists the Ministry of Justice's Taqin Department to draft and review criminal legislation. The Taqin Department serves as the primary link between the Council of Ministers (COM) and parliament on the implementation of the government legislative work plan. CLRWG membership includes representatives from the MOI, Supreme Court, AGO, and other national and international institutions.

Source: JSSP "Legislative Support," <http://jsspafghanistan.com/index.php/wwork/sections/legislativesupport.html>, accessed 12/29/2016; JSSP JSSP Activity Report, 11/25/2016, p. 7.

imposed by the prosecutor, such as completion of drug treatment in a misdemeanor drug case. If the accused commits no additional offenses and completes all conditions, the case will be dismissed. In response to the proposal, a majority of the participants agreed to authorize prosecutors to suspend prosecution in unintentional misdemeanor cases (such as car accidents), but not in other misdemeanor cases. Participants argued that prosecutors can be entrusted with authority to suspend only cases involving minor crimes. JSSP also proposed to allow courts the authority to suspend trial, but this proposal was not taken up.<sup>512</sup>

CLRWG and CPCWG members also agreed that an accused acquitted by the trial court shall be released immediately from pretrial detention, except in cases of terrorism or crimes against internal or external security. This decision, if approved by parliament, will substantially eliminate the practice of holding an acquitted person in detention while the prosecutor appeals the verdict of acquittal.<sup>513</sup>

This quarter, State's \$48 million Justice Training Transition Program, in partnership with the Supreme Court, conducted data collection for an institution-wide learning needs assessment to identify the most prevalent learning needs among judges. The assessment, which will include interviews from a sample of more than 260 judges, was conducted through key informant interviews and self-assessment questionnaires with judges and their supervisors. The results of this assessment should be available next quarter.<sup>514</sup>

In April, USAID launched the \$68 million Assistance for the Development of Afghan Legal Access and Transparency (ADALAT) program. ADALAT aims to (1) increase the effectiveness and reach of the formal justice sector, (2) strengthen the linkages between the formal and traditional justice sectors, and (3) increase citizen demand for quality legal services. ADALAT ("justice" in Dari and Pashto) will work closely with Afghan justice institutions to increase the professionalism of justice-sector actors, to improve judicial administrative and management systems, and to strengthen the Ministry of Justice (MOJ) Department of the **Huquq** ("rights") and its interaction with traditional justice on civil-related matters. It also will develop the technical, organizational, and management capacity of USAID civil-society partners operating in the formal and traditional justice sectors, and will support their missions to eliminate practices that violate human rights in traditional dispute resolution within the informal justice sector and to increase citizen awareness of and demand for fair and accessible justice services.<sup>515</sup> This quarter, ADALAT finalized human and institutional capacity-development assessments of the Afghanistan Independent Bar Association, the **Huquq** Department, and the Supreme Court's general directorates of administration/finance and human resources. USAID will conduct follow-up meetings with the assessed organizations to discuss the types of assistance USAID will support.<sup>516</sup>

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**Huquq** offices provide an opportunity for citizens to settle civil cases within the formal system before being brought into the court system

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Source: Afghanistan Justice Sector Support Program, "Ministry of Justice," 2016.

ADALAT found in the course of their training-needs assessment for sitting judges that the Supreme Court does not have reliable data on the types of cases being heard by judges across the country, including data contained in the Afghanistan Court Administration System (ACAS). In 2012, a previous USAID project reported that ACAS—a paper-based, manual case-management system that enables court personnel to effectively and efficiently track cases—had been extended to 514 of 551 courts. Because of incomplete data, ADALAT will rely on data collected in its review of judicial caseload statistics in the provinces, as well as review the Justice Training Transition Program’s judicial training-needs survey results, to prepare their training needs assessment.<sup>517</sup>

## Afghan Correctional System

According to State, the inmate population of Afghanistan’s prisons, managed by the General Directorate of Prisons and Detention Centers (GDPDC), increased by an average of 6.15% annually over the past 5 years. As of October 31, the GDPDC incarcerated 26,914 males and 876 females, while the MOJ’s Juvenile Rehabilitation Directorate (JRD) incarcerated 695 male juveniles and 100 female 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 their data.<sup>518</sup>

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adults, despite presidential amnesty decrees and the transfer of National Security Threat inmates to the MOD that have reduced the prison population significantly. As of October 31, the total male provincial-prison population was at 186% of capacity, as defined by the International Committee of the Red Cross’s (ICRC) minimum standard of 3.4 square meters per inmate. The total female provincial-prison population was at 127% of the ICRC-recommended capacity. The JRD’s juvenile-rehabilitation centers’ population was at 57% of ICRC-recommended capacity.<sup>519</sup>

In December, the UN Assistance Mission in Afghanistan (UNAMA) released an assessment of Afghanistan’s juvenile rehabilitation centers. UNAMA surveyed 31 facilities to ascertain detention conditions. INL’s Corrections System Support Program (CSSP) was named multiple times as a key player in helping to ensure that juveniles were treated humanely and in compliance with the minimum standards for juvenile detention. Seven of the surveyed facilities reported that CSSP provided incarcerated juveniles with winter clothing (additional facilities were serviced by the ICRC).<sup>520</sup>

One gap noted by UNAMA was the relative scarcity of assistance aimed at prisoner rehabilitation and reintegration, such as vocational programming, shelter assistance, and career assistance. UNAMA highlighted an INL-supported vocation training program in Herat Province and recommended that this assistance be expanded across the country. According

to INL, the report found that the Afghan government was compliant with administrative procedures, accommodation, and other basic needs, a key INL priority.<sup>521</sup>

## Anticorruption

At the October 2016 Brussels Conference, the Afghan government agreed to draft and endorse an anticorruption strategy for the whole of government by the first half of 2017. Implementation of this strategy is to occur by the second half of 2017. Additionally, five revenue-generating ministries are to publicly report on implementation progress of their anticorruption action plans in 2017.<sup>522</sup>

## Anti-Corruption Justice Center

On May 5, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).<sup>523</sup> The ACJC brings together Major Crimes Task Force (MCTF) investigators, Afghan Attorney General's Office (AGO) prosecutors, and judges to combat serious corruption.<sup>524</sup> The ACJC's jurisdiction covers major corruption cases committed in any province involving senior officials or substantial monetary losses of a minimum of 5 million afghanis (approximately \$73,000).<sup>525</sup>

As of December 13, 55 cases have been referred to the ACJC with eight cases that met the ACJC's criteria having been assessed for prosecution. The first ACJC trial was held on November 12 and resulted in the conviction of a bank branch manager for embezzlement of \$152,500. The second trial was completed on November 19 and resulted in a bribery conviction with a two-and-a-half-year sentence with a fine for a high-ranking AGO prosecutor.<sup>526</sup> The convicted AGO prosecutor was caught demanding a \$760 bribe to secure the release of a prisoner at the end of his sentence.<sup>527</sup> Additionally, on January 9, 2017, the ACJC sentenced an MOI major general—formerly the MOI deputy minister for strategy and planning—to 14 years in jail, a \$150,000 fine, and an 18,000 afghani (approximately \$270) fine for accepting a \$150,000 bribe in exchange for awarding a fuel contract. This case was a result of a joint SIGAR/Major Crimes Task Force investigation. For more information about this investigation and conviction, see page 44 in Section 2 of this report.

In January 2017, the ACJC announced that it had finalized investigations into nine MOD generals and four Ministry of Urban Development officials. The nine generals are accused of collectively embezzling approximately \$1.4 million.<sup>528</sup>

According to Resolute Support, the international community has demanded that ACJC investigators, prosecutors, and judges be vetted and polygraphed. While the MCTF has complied with this requirement, the AGO and Supreme Court have resisted or refused. Resolute Support fears that

without proper vetting of ACJC personnel, there is a strong likelihood that the ACJC could be captured by corrupt elements due to institutional corruption within the AGO and court system.<sup>529</sup>

According to State, senior Afghan government officials including President Ghani, Chief Executive Abdullah, the chief justice, and the attorney general have fully endorsed an anticorruption agenda, with the centerpiece being the ACJC.<sup>530</sup>

## **Afghan Attorney General's Office**

According to Resolute Support, other anticorruption bodies, in particular the MCTF, continue to lack faith in the AGO as they continue to observe anticorruption cases being stymied by the AGO. Resolute Support reports that the AGO suffers from institutional corruption and is not transparent in tracking cases post-investigation into prosecution.<sup>531</sup> According to State, the anticorruption unit of the AGO continues to face political interference in prosecuting corruption cases. Since April 2016, the anticorruption unit reportedly had 22 prosecutions of low-level corruption.<sup>532</sup>

## **Independent Joint Anti-Corruption Monitoring and Evaluation Committee**

A presidential decree established the MEC in March 2010. Its mandate is to develop anticorruption recommendations and benchmarks, to monitor efforts to fight corruption, and to report on these efforts. Its board includes three Afghan members and three international members, and is led by an Afghan executive director. The MEC has approximately 20 staff. USAID notes that the MEC may increase its staff since President Ghani has increasingly sought analytical products from it.<sup>533</sup>

This quarter, the MEC published its first quarterly monitoring report on implementation of recommendations contained in their June 2016 vulnerabilities-to-corruption report on the Ministry of Public Health (MOPH). The MEC found that the MOPH was particularly active responding to the recommendations in August and September, but that momentum has dissipated. The MEC reports that a complete implementation plan is still outstanding.<sup>534</sup>

The MEC also released a pilot report seeking to estimate the relative amount of merit- versus patronage-based appointments to the top 100 government positions in Badakhshan Province. The MEC estimated that 31% of these appointments were based on competence whereas 69% were based on patronage.<sup>535</sup>

## **High Office of Oversight and Anticorruption**

The High Office of Oversight and Anti-Corruption (HOO) was established in July 2008 by presidential decree to oversee and coordinate implementation of the Afghan government's anticorruption strategy. The HOO collects

corruption complaints through a hotline and complaint boxes installed in several ministries and other public-service delivery institutions, and conducts the initial investigation of corruption allegations that it receives before referring allegations to the AGO for further investigation and possible prosecution. According to USAID, these investigations seldom lead to prosecution. Mutual recrimination between AGO and HOO is common.<sup>536</sup> The HOO is also charged with collection and verification of asset declarations submitted by Afghan government officials.<sup>537</sup>

This quarter, the HOO director said that at least 15 of 34 provincial governors have not registered their assets with the HOO. Additionally, the first vice president, the first deputy chief executive, the chief of the National Directorate of Security, the Minister of Defense, the Minister for Disaster Management and Humanitarian Affairs, two deputies of the land authority, and eight deputy ministers have also not registered their assets.<sup>538</sup>

Last quarter, SIGAR released a follow-up to a 2009 SIGAR report on the HOO. SIGAR found that the asset declarations that were verified by the HOO contained errors and omissions that would have hindered robust verification efforts. Because the HOO was unable to provide SIGAR with supporting documentation showing how it verified asset declarations and the outcomes of verification efforts, those errors in and omissions from verified declaration forms raised questions regarding the efficacy of the process. Further, SIGAR found there were still no penalties for failing to comply with HOO requests, and that the office lacked authority and enforcement power.<sup>539</sup>

## **Security Services**

According to Resolute Support, the MOD and MOI have shown increased will to respond to corruption following an October 9, 2016, meeting in which President Ghani demanded action. Shortly after this meeting, the MOD ordered the establishment of corps-, brigade-, and independent-command-level Transparency and Accountability Committees (TAC). These TACs are expected to meet bimonthly and send monthly reports to the General Staff Inspector General (GS IG). The GS IG, in turn, is to analyze these reports and brief the results to a General Staff-level TAC.<sup>540</sup>

In the past, the GS IG would receive and forward reports to the MOD Inspector General without additional action. Resolute Support sees the increased role of the GS IG as a sign of MOD demonstrating greater political will to deal with corruption. However, Resolute Support says it cannot yet assess the effectiveness of this new process.<sup>541</sup>

The MOI Inspector General recently established 21 multi-province zonal-level inspector general positions. Of these positions, 19 personnel have deployed but have yet to produce any reports.<sup>542</sup> While the MOI approved a Counter Administrative Corruption Policy in April 2016, implementation has not yet started. According to Resolute Support, the delay is partially due



to the absence of designated MOI leadership to coordinate the various MOI offices with responsibilities to implement the policy.<sup>543</sup>

## **Major Crimes Task Force**

Since a January 2016 change in MCTF leadership, the MCTF has opened 276 cases (including 112 corruption investigations), and arrested 148 suspects. This is a significant increase in MCTF efforts compared to the previous seven-month period that saw the MCTF open 25 cases and arrest 36 lower-level personnel.<sup>544</sup>

According to Resolute Support, despite supportive MOI leadership in the form of the MCTF director and his superior, the chief of Afghan Anti-Crime Police, the MCTF continues to face challenges from the broader MOI. For example, the MOI reduced the MCTF operational budget to half of its previous amount. According to Resolute Support, this budget cut appears to coincide with the increase in corruption cases and arrests of significant government officials.<sup>545</sup> Additionally, the MCTF lacks hiring authority and, in general, must accept inexperienced or brand-new officers assigned by the MOI. The MCTF is more closely reviewing personnel applications and transfer requests to (1) ensure minimum qualification standards are met and (2) guard against potential spies or “plants” being sent to the MCTF by corrupt officials.<sup>546</sup>

The MCTF is currently partnering with SIGAR on several investigations. One recent case resulted in the arrest of a major general for his role in a fuel contract bid-rigging scheme. In late August 2016, SIGAR received information relating to allegations of bid rigging and collusion involving the owners of fuel and logistics companies and MOI Major General Abdul Wase Raoufi, formerly the MOI deputy minister for strategy and planning. The bid rigging was related to the MOI fuel procurement bidding process. At the time, Raoufi was the chair of the fuel evaluation committee charged with the oversight of the fuel bidding and procurement process at MOI. SIGAR initiated an investigation into these allegations in conjunction with the MCTF. Raoufi was arrested for accepting a \$150,000 bribe. The MCTF made this arrest despite political pressure by Afghan government and AGO officials. On January 9, 2017, the ACJC sentenced the major general to 14 years in jail, a \$150,000 fine, and an 18,000 afghani (approximately \$270) fine for forging documents.<sup>547</sup> For more information about this investigation and conviction, see page 44 in Section 2 of this report.

Despite recent progress, Resolute Support reports that the MCTF’s effectiveness against high-level corruption continues to be limited by external factors, such as a lack of AGO transparency and political pressure. Among the pressures, Resolute Support cited the numerous summonses issued by the lower house of parliament for MCTF staff and investigators to respond to allegations against the MCTF. In another instance, a recent MCTF case summary was leaked to the high-profile subject of the investigation.

Additionally, the MCTF continues to face interference in favor of defendants by the chief of military prosecution at the AGO.<sup>548</sup>

## HUMAN RIGHTS

### Refugees and Internal Displacement

There have been significant changes in refugee movements during the quarter. According to State, there was a rapid increase in Afghan refugees returning to Afghanistan. From January through June, only 7,804 Afghans holding Pakistani Proof of Residency (POR) cards returned to Afghanistan. As of December 23, over 372,000 registered Afghan refugees have repatriated. State sees five primary factors for this increase in returns: (1) Pakistani authorities introduced tighter border controls, especially at the Torkham border crossing, that separated families and negatively affected cross-border commerce for Afghans; (2) Pakistan has issued multiple short-term extensions of the POR cards that have generated concern among the Afghan refugee population about their long-term prospects in Pakistan, especially amid instances of harassment and anti-Afghan rhetoric; (3) the political and social climate in Pakistan has put pressure on Afghans, with many having lost their livelihoods as a result; (4) Afghan officials met with Afghans in Pakistan and promised assistance, such as land allocation, upon their return to Afghanistan; and (5) the UN High Commissioner for Refugees (UNHCR) doubled the repatriation grant on June 25, 2016.<sup>549</sup> UNHCR had offered a \$400 aid package to returning Afghan families; however, after refugee returns increased to 10 times more than planned, UNHCR had to stop giving the packages until March 2017.<sup>550</sup>

Undocumented Afghan migrants are also returning in large numbers in recent months. These returnees leave Pakistan for the same reasons POR card holders leave, but they are also subject to deportation because of their undocumented status. The International Organization for Migration reports that 220,000 undocumented Afghan migrants have returned from Pakistan in 2016. While Pakistan had previously announced that deportations of undocumented Afghans would begin in earnest on November 15, 2016, State did not observe an increase in Pakistani deportations after the deadline.<sup>551</sup>

There has also been an increase in internal displacement. According to the UN's Office for the Coordination of Humanitarian Affairs (OCHA), 583,000 people in Afghanistan fled their homes due to conflict in 2016—the highest number of displacements since record keeping started in 2008. OCHA reported in August 2016 (the most recent reporting) that the total number of internally displaced persons (IDP) in Afghanistan stands at 1.2 million. UNHCR reported that in 2016, the top three destinations for IDPs in 2016 were Kunduz, Kabul, and Nangarhar Provinces. Most IDPs

# GOVERNANCE

TABLE 3.18

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Afghan Women's Leadership in the Economy	7/1/2015	6/30/2020	\$71,571,543	\$12,233,322
Women's Leadership Development	9/23/2014	9/22/2019	41,959,377	16,123,722
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	7,417,855
Promote: Women's Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	4,608,254
Promote: Economic Empowerment of Women in Afghanistan	5/8/2015	5/7/2018	1,500,000	300,000
Promote: Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522

Source: USAID, response to SIGAR data call, 1/18/2017.

leave insecure rural areas and small towns seeking relative safety and government services in larger towns and cities in the same province.<sup>552</sup>

Eurostat—the statistical office of the EU—reported 147,130 first-time asylum seekers from Afghans in the EU during the first three quarters of 2016. The number of asylum applications from July to September was 7% higher compared to the same period in 2015.<sup>553</sup> A Ministry of Refugees and Repatriation spokesman said in December that approximately 10,000 Afghans have returned from Europe this year.<sup>554</sup>

## GENDER

The largest gender-focused initiative in USAID's history is the Promote partnership that aims to assist over 75,000 Afghan women in achieving leadership roles over five years in all parts of society, including business, academia, politics, and public policy.<sup>555</sup>

USAID has committed \$280 million to Promote and hopes to raise an additional \$200 million from other international donors.<sup>556</sup> No other donors have committed to contribute funds to Promote; however, USAID reports that Promote was designed to achieve the project targets with or without additional funding.<sup>557</sup> Table 3.18 shows the current Promote programs.

According to USAID, as of September 2016, Promote programs have benefited 7,804 individuals, 118 civil-society organizations, and 178 businesses.<sup>558</sup> Of the Promote beneficiaries, 15 have been hired by the Afghan government (with support from the Women in Government program), 300 have been hired by private-sector employers (with support from the Women in the Economy program), and 1,841 are involved in internships or apprenticeships (616 with the Women in Government program and 1,498 with the Women in the Economy program).<sup>559</sup>

As of October, 6,631 women have enrolled in Promote's Women in the Economy (WIE) internship and apprenticeship program. Internships give beneficiaries an opportunity to put skills learned in school (e.g., accounting, journalism, computer skills) to practical application, and to gain work

**This quarter, SIGAR wrote to USAID regarding USAID's implementation and oversight of the Promoting Gender Equity in National Priority Programs (Promote). See Section 2 for details.**



**Promote launched a mobile application** to help combat street harassment in October. (USAID photo)

experience. Apprenticeship is a system of training new workers in a trade or profession on the job. Apprenticeships are most commonly used in professions where formal classroom training is not available or not sufficient to prepare a worker for a specific job.<sup>560</sup>

WIE assists women-owned businesses and businesses that hire women to perform better, increasing the income growth and sustainability of these businesses. WIE facilitates loans for women-owned businesses; to date, four such businesses have secured loans. A woman-owned beauty parlor in Mazar-e Sharif that employs two other women is a recent beneficiary of a 50,000 afghani (approximately \$760) WIE-facilitated loan.<sup>561</sup>

WIE supported the development and launch of a mobile application—developed by three women—to help combat street harassment, which several leading Afghan women last quarter told SIGAR was an impediment to employment. WIE representatives also met with the MOI's cyber security and mobile crime departments to discuss collaboration opportunities including information sharing to prevent future occurrences of street harassment.<sup>562</sup>

Promote's Women in Government (WIG) program continued the training of 106 interns in a civil-service curriculum. WIG recently launched the training for the second cohort of 360 interns. As of October 2016, 10 out of the 16 interns from the pilot cohort are going through the application process for positions with the Ministry of Public Works and the Administrative Office of the President. Five out of the 16 pilot interns were employed in the civil service—one has since resigned for family reasons—at grades 5 and 6 (the civil

service is organized on an eight-point scale with grade 1 being the highest rank). WIG has received 6,000 applications for a new tranche of internships. Recently, a WIG-partner ministry was unable to provide adequate security for two WIG-sponsored interns, prompting WIG itself to provide security support until the Afghan ministry finalizes its own security contract.<sup>563</sup>

The SMAF includes several short-term deliverables related to women's rights, including the requirement for an implementation and financing plan for the National Action Plan for Women, Peace, and Security approved at the end of 2015, with implementation starting by mid-2016; an anti-harassment regulation for improving working environments for public-sector women, to be issued by mid-2016; and dedicated violence-against-women prosecution units established in 26 provinces by December 2016.<sup>564</sup> The Afghan government reported that it achieved the deliverable related to the implementation of the National Action Plan for Women, Peace, and Security. The budget for the first phase of the action plan, scheduled to run from 2016 to 2020, has been approved at \$51.5 million. The Afghan government, however, committed only \$11 million, leaving a \$39.5 million funding gap.<sup>565</sup>

At the October 2016 Brussels Conference, the Afghan government agreed to demonstrate progress in its National Action Plan for Women through annual reports in 2017 and 2018. Within this deliverable, Afghanistan committed to increase the percentage of female civil servants from the current level (using a 2015 baseline) by two percentage points in 2017 and an additional two percentage points in 2018. The Afghan government also agreed to establish special courts on violence against women in 15 provinces by December 2017 and the remaining provinces by December 2018.<sup>566</sup>

Dedicated violence-against-women prosecution units are also to be established and functional, including adequate staffing, in all 34 provinces by December 2017. The Afghan government committed to incrementally increasing the percentage of women serving as judges and prosecutors in these special courts and prosecution units. Finally, Afghanistan committed to launch a women's economic-empowerment plan by the first half of 2017 and produce an implementation report by 2018.<sup>567</sup>

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## ECONOMIC AND SOCIAL DEVELOPMENT

### KEY ISSUES AND EVENTS

Afghanistan began Fiscal Year (FY) 1396, which runs from December 21, 2016, through December 20, 2017, without an approved budget.<sup>568</sup> The lower house of parliament twice rejected the draft budget submitted by the executive, arguing that project funds were not well balanced between provinces.<sup>569</sup> Parliament rejected a draft FY 1395 budget with the same critique.<sup>570</sup> On January 16, 2017, the parliament passed a AFN 429 billion budget (more than \$6.4 billion in current dollars) on its third attempt with only 57% of lower house members participating in the vote. Domestic revenues are to pay for 38% of the budget with donor assistance covering the rest.<sup>571</sup>

Domestic revenues collected in the first 11 months of FY 1395 rose 32.0% above the same period in the previous year, but still covered only about 46.4% of total government expenditures.<sup>572</sup>

The World Bank projected Afghanistan's real (net of inflation) gross domestic product (GDP), excluding opium, to grow 1.2% in 2016, marginally higher than 0.8% in 2015.<sup>573</sup> In contrast, Afghanistan's FY 1395 (December 21, 2015 through December 20, 2016) budget estimated GDP growth at 4.4% and its target growth rate is 4.0% for the next three years.<sup>574</sup>

Current economic growth remains far below what is necessary to increase employment and improve living standards, according to the IMF.<sup>575</sup> It is being outpaced by Afghanistan's rapid population growth, estimated at 3% per year. As a result, per capita GDP is falling, employment opportunities are limited, and the budget is pressured. Afghanistan's labor market is unable to absorb what the World Bank estimates are 400,000 people entering the work force every year. Nearly 23% of Afghanistan's labor force was unemployed in 2013–2014, almost triple the level of the 2011–2012 years of the Coalition surge with its accompanying spending.<sup>576</sup>

## U.S. RECONSTRUCTION FUNDING FOR ECONOMIC AND SOCIAL DEVELOPMENT

As of December 31, 2016, the U.S. government has provided approximately \$32.8 billion to support governance and economic and social development in Afghanistan. Most of these funds—more than \$19.4 billion—were appropriated to the U.S. Agency for International Development’s (USAID) Economic Support Fund (ESF). Of this amount, \$17.9 billion has been obligated, and \$14.8 billion has been disbursed.<sup>577</sup>

U.S.-funded civilian-assistance programs in Afghanistan focus on the country’s long-term development, self-reliance, and sustainability. They aim to bolster gains in health, education, and gender equality. They also seek to increase government revenue through private-sector-led investment and growth, and stronger regional market connectivity.<sup>578</sup> Increased revenues would mitigate Afghanistan’s heavy reliance on foreign aid donors.

ESF investments are made in key sectors like agriculture, extractives, and information technology. ESF programs promote improved governance, rule of law, anticorruption initiatives, and alternatives to illicit narcotics production. The ESF is also being used to help the Afghan government finish and maintain major infrastructure investments to build electric-power grids in the north and south, which are critical components of the United States’ economic-growth strategy for Afghanistan.<sup>579</sup>

## ECONOMIC PROFILE

The World Bank reported that past gains are eroding: poverty, unemployment, underemployment, violence, out-migration, internal displacement, and the education-gender gap have all increased, while services and private investment have decreased. High levels of crime and corruption undermine Afghanistan’s delivery of public services, deter private investment, and reflect weak institutions.<sup>580</sup> The IMF added that Afghanistan’s inadequate infrastructure and human capital, and a large illicit narcotics sector were also notable elements preventing robust and inclusive economic development.<sup>581</sup> The World Bank said Afghanistan will remain dependent on aid beyond 2030.<sup>582</sup>

The Afghan government acknowledged that lower foreign-military spending since the drawdown of the Coalition in 2014 has reduced demand for goods and services, causing large-scale job loss. Meanwhile, the strength of the insurgency has caused the government to spend more on the military and less on job-creating investments.<sup>583</sup> The World Bank said Afghanistan’s deteriorating security environment has resulted in weak confidence as demonstrated by lower new-business and new-vehicle registrations in the first half of 2016, and weak demand reflected by a decline in imports.<sup>584</sup> Insecurity also enters into foreigners’ decision making about new or expanded business investments in Afghanistan.



Agriculture has the potential to drive strong economic growth and improve livelihoods, according to the World Bank, and the Afghan government acknowledged that the country's GDP rises and falls with it.<sup>585</sup> Agricultural output and income fluctuate with the weather, so economic growth based on this sector is necessarily volatile.<sup>586</sup> Agricultural growth continued to decline in 2016 at a projected rate of -0.5%.<sup>587</sup>

Industry and services, which benefited from the Coalition's large presence, security spending, and aid flows prior to 2015, have grown much more slowly than historical average.<sup>588</sup> Weak human capital has limited this kind of labor-productivity-driven growth. Therefore, the World Bank predicts that natural resources will continue to play a key role in the economy with new production geographically concentrated around resource locations rather than in cities.<sup>589</sup>

## Afghanistan's Fiscal Outlook

Improving Afghanistan's fiscal position, according to the World Bank, will require a large increase in revenues, which is plausible only with mining development and sustained levels of aid. While domestic revenues have increased, the World Bank said, so have Afghanistan's security costs.<sup>590</sup>

According to DOD, the Afghan National Defense and Security Forces (ANDSF) costs in FY 2016 were \$5.01 billion, of which the United States paid \$3.65 billion. Afghanistan budgeted AFN 158.1 billion (roughly \$2.3 billion) for the Ministry of Interior and Ministry of Defense. Of that, Afghanistan planned to contribute AFN 23.0 billion (\$336 million), which would amount to 17% of Afghanistan's total estimated domestic revenues for the year. DOD expects the FY 2017 ANDSF requirement to cost \$4.9 billion.<sup>591</sup> The World Bank said the government's non-security spending will need to increase rapidly just to sustain current service levels due to population growth, operations-and-maintenance requirements on existing assets, and civil service salaries.<sup>592</sup>

Afghanistan's currency has also depreciated significantly, which the World Bank attributes to a decline in aid, the preference of Afghan consumers for the U.S. dollar, and possibly capital outflows associated with emigration. The main causes of the out-migration are lack of employment opportunities, increasing poverty, and the deteriorating security environment.<sup>593</sup>

## FY 1395 Revenues and Expenditures—First 11 Months

According to Afghan treasury department data, domestic revenues and expenditures both increased on paper in the first 11 months of FY 1395 compared to the same period in FY 1394. Total domestic revenues—a figure that excludes donor grants—stood at AFN 140.9 billion (\$2.1 billion in current dollars), about 32.0% above the same period last year. Afghan government expenditures, AFN 303.4 billion (\$4.6 billion), grew by about 13.7%,

**While opium is not counted in official GDP estimates, its earnings boost domestic demand and are a significant source of foreign exchange. The 2016 farm-gate value of opium production was almost \$900 million, roughly 5% of GDP, and a 57% increase over 2015.**

Source: Asian Development Bank, *Outlook 2015*, 3/2015, p. 167; UNODC, *Afghanistan Opium Survey 2016, Cultivation and Production*, 12/2016, pp. 7, 9.

with big increases in student and other social benefits, employee benefits, subsidies, and cultural-heritage-preservation costs.<sup>594</sup>

While domestic revenues increased by 32.0% year-on-year, recurrent revenue streams like taxation and customs revenues increased by a more modest, yet still respectable, 9.7%. According to an Afghanistan Analysts Network (AAN) report, this is partially due to stronger revenue-collection efforts and the impact of new taxes at higher rates implemented in the latter part of 2015. As shown in Table 3.19, sales-tax revenues increased about 39.5%, while income-tax revenue increased more than 10%. Revenue from administrative fees increased nearly 75%. Administrative fees are levied on passports and visas, vehicle registrations, professional and commercial licenses, and airspace-overflight charges, among other items.<sup>595</sup> Customs duties and fees made up 18% of the government's total domestic revenues in the first 11 months of 2016. However, customs revenue dropped 4.8% compared to the same period last year.<sup>596</sup> It is unclear whether this is due to lower imports or reduced collections.<sup>597</sup>

Revenues from natural resources almost doubled to AFN 1.2 billion (\$18.3 million) from the same period last year—largely due to royalty fees and the sale of minerals—an unexpected gain given the ongoing constraints in that sector. The Afghan government also received an AFN 10.3 billion (\$153.8 million) revenue boost from what appears to be a one-time receipt from an unspecified sale of government property. Additionally, revenue from the sale of land and buildings was substantially higher than the prior period.<sup>598</sup>

### **Are Revenue Increases Sustainable?**

Afghanistan's fiscal sustainability is at risk, according to the World Bank.<sup>599</sup> Monetary depreciation of the afghani against the U.S. dollar may affect the government's purchasing power and reduce the impact of the improved revenue collection to the extent the government makes dollar-denominated purchases or disbursements.

The AAN report said depreciation caused the afghani value of customs duties on imports and other taxes levied on foreign-exchange flows to increase artificially. As a result, billions of AFN-denominated revenue in FY 1395 (2016) consisted of a central bank transfer of paper profits from exchange-rate changes to the budget. It was not a result of any substantial improvement in the economy, greater revenue collection, or recurrent revenue streams like new or higher tax rates. The report also said one-time revenue injections from public enterprises such as the sale of state-owned land and buildings, passport fees, and Kabul Bank recoveries are likely unsustainable.<sup>600</sup>

The Afghan fiscal gap—the difference between domestic revenues and expenditures—is large.<sup>601</sup> Domestic revenues paid for only 46.4% of Afghanistan's total budget expenditures through month 11 in FY 1395,

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.19

<b>DOMESTIC REVENUES, AS OF DECEMBER 4, 2016</b> (AFN)				
	<b>Category</b>	<b>1394 (Through Month 11)</b>	<b>1395 (Through Month 11)</b>	<b>% Change</b>
Taxation & Customs Revenues	Fixed Taxes	8,943,235,446	8,843,374,290	-1.12%
	Income Taxes	17,964,460,569	19,812,428,104	10.29%
	Property Taxes	686,367,455	335,257,974	-51.15%
	Sales Taxes	17,683,886,523	24,667,010,361	39.49%
	Excise Taxes	0	0	—
	Other Taxes	3,950,685,838	4,175,776,238	5.70%
	Tax Penalties and Fines	0	0	—
	Customs duties	26,655,714,979	25,374,861,269	-4.81%
Social Contributions	Retirement contributions	3,690,559,940	3,713,929,234	0.63%
Other Revenue	Income from Capital Property	2,369,104,650	1,534,228,279	-35.24%
	Sales of Goods and Services	3,870,931,051	5,251,631,827	35.67%
	Administrative Fees	11,721,186,846	20,291,590,029	73.12%
	Royalties	141,523,405	215,072,276	51.97%
	Non-Tax Fines and Penalties	750,118,729	915,449,439	22.04%
	Extractive Industry	471,600,579	1,001,855,537	112.44%
	Miscellaneous Revenue	7,814,762,204	13,402,415,719	71.50%
	Sale of Land and Buildings	22,714,059	1,096,934,939	4729.32%
	Major One of Revenue/Dorment [sic]	—	10,256,709,000	—

Note: The exchange rate on the date the MOF pulled financial data for FY 1395, month 11 was AFN 66.68 to one U.S. dollar. The exchange rate on the date the MOF pulled financial data for FY 1394, month 11 was AFN 66.88 to one U.S. dollar. The other-revenue statement line "Major One of Revenue Dorment" was unexplained, but appears to refer to a one-off revenue gain from sale of a government asset.

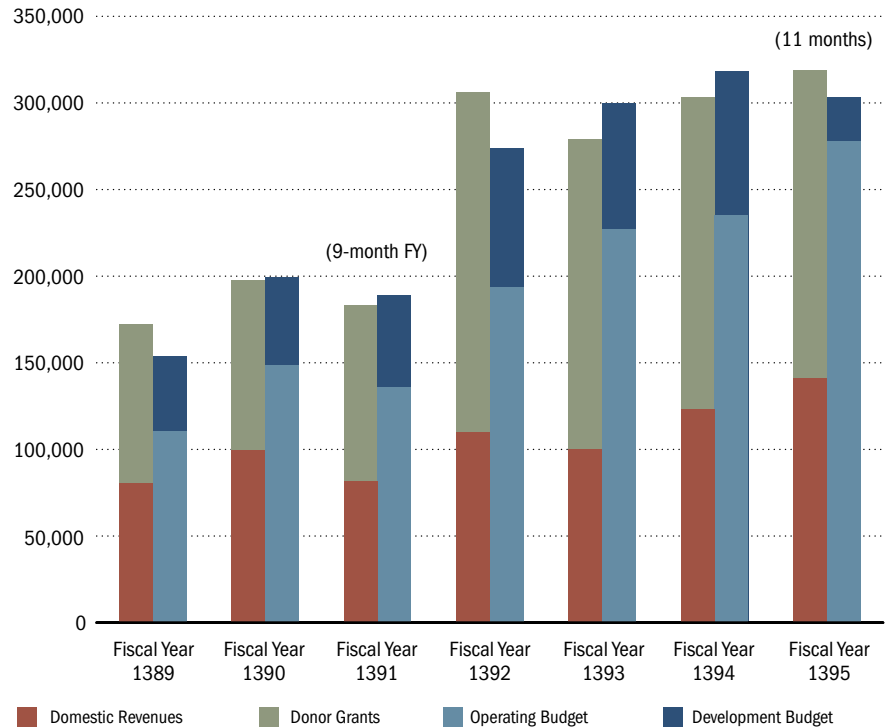
Source: MOF, Aqrah Financial Statements FY1395, 12/4/2016; MOF, Aqrah Financial Statements FY1394, 12/3/2015; Da Afghanistan Bank, Exchange Rates, 12/4/2016 and 12/3/2015.

representing a net deficit of AFN 162.5 billion (\$2.4 billion). Donor assistance reduces or closes the gap, as depicted in Figure 3.28. Afghanistan's fiscal gap of 53.6% rose sharply from the 48.1% reported last quarter, but narrowed compared to 60.0% for the same period in FY 1394. With donor contributions included, the budget showed an AFN 15.5 billion (\$231.9 million) surplus.<sup>602</sup> Other factors that can widen or shrink the fiscal gap include budget-execution rates, qualification for donor incentive funds, revenue collection, and changing expenditures.<sup>603</sup>

In October 2016, the World Bank projected Afghanistan's revenue potential to increase from 10.2% of GDP in 2015 to 14.5% by 2030 under its baseline assumption.<sup>604</sup> In April 2016, the Bank projected expenditures to rise to 36% of GDP by 2020.<sup>605</sup> Even with a 23% improvement in actual

FIGURE 3.28

## AFGHANISTAN'S DOMESTIC REVENUES AND DONOR GRANTS COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (AFN MILLIONS)



Note: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1389 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 generally run December 22 through December 21. Grants represent funds received from donors. Donor grants are often for specific projects or activities, but can sometimes be spent at GIROA's discretion. AFN yearly average exchange rates versus one U.S. dollar: FY 1389: 46.63, FY 1390: 47.76, FY 1391: 51.68, FY 1392: 56.53, FY1393: 57.48, FY 1394: 63.91, FY 1395: 67.61.

Source: MOF, *Aqrab Financial Statements FY 1395*, 12/4/2016; MOF, *Qaws Financial Statements FY 1394*, 2/27/2016; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 1/28/2015; MOF, "1393 National Budget," 2/1/2014; Da Afghanistan Bank, "Currency Hijri Monthly Average USD," accessed 1/10/2017.

revenue collections in FY 1394 (2015) compared to the previous year, and a 32.0% revenue increase in the first 11 months of FY 1395 (year-on-year), the Bank said that it would be unrealistic to expect Afghanistan to cover the current level of expenditures, even if its revenue potential were realized in all sectors. Therefore, the World Bank said the government must also reduce expenditures, especially in the security sector.<sup>606</sup> This would be a difficult feat, given the continuing insurgency.

## Trade

Afghanistan's trade balance was an IMF-estimated negative \$7.2 billion (equivalent to 36.6% of GDP) in 2015 and is projected to be negative

\$7.3 billion (equivalent to 39.6% of GDP) in 2016. Afghanistan's legal exports consist of goods (31.6%) and services (68.4%).<sup>607</sup> However, about 15–20% of the total value of Afghanistan's trade is said to be unrecorded, generally involving smuggled goods, according to the World Bank.<sup>608</sup>

## Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-estimated current-account surplus equivalent to 4.7% of GDP (\$925 million) in 2015. This is projected to fall to 4.5% of GDP (\$825 million) in 2016. Without donor assistance, the IMF estimated Afghanistan to have a current-account deficit equivalent to 33.5% of its GDP in 2015 (\$6.6 billion) and projected it to grow to the equivalent of 36.6% of GDP in 2016 (\$6.7 billion).<sup>609</sup>

During 2013–2015, Afghanistan exported \$2.1 billion to \$4.0 billion worth of goods and services annually, compared to imports ranging between \$8.9 billion and \$11.3 billion a year. The IMF projected Afghanistan's 2016 exports at \$2.1 billion, not including illicit narcotics (valued at \$2.7 billion in 2014). Afghanistan's 2016 imports were projected to be around \$9.0 billion, with more than \$6.7 billion paid for by official donor grants.<sup>610</sup>

IMF staff said that Afghanistan needs to increase and diversify its exports, which will stimulate innovation and good management.<sup>611</sup> The Afghan government pledged to reduce regulatory and operational barriers to facilitate this.<sup>612</sup> Exports are heavily dependent on agricultural outputs, which the World Bank said can increase if Afghanistan develops supply chains for higher value-added products. However, this will require investments to develop and improve irrigation and extension services, and to build downstream agro-processing capacities.<sup>613</sup> Weather and rainfall would, of course, continue to exert a significant influence on agricultural output and income potential.

## Afghanistan Trade and Revenue Project

USAID's four-year, \$78 million Afghanistan Trade and Revenue (ATAR) project is a trade-facilitation program designed to (1) improve trade-liberalization policies, including support for Afghanistan in implementing its World Trade Organization (WTO) commitments; (2) improve and streamline the government's ability to generate revenue by modernizing Afghanistan's customs institutions and practices; and (3) facilitate bilateral and multilateral regional-trade agreements.<sup>614</sup>

This quarter, ATAR helped develop a draft post-WTO-accession strategy framework for interministerial discussion and completed a needs assessment for establishing the Afghan WTO representative office in Geneva. Concurrently, ATAR continued to help the Afghan government amend and draft laws to comply with WTO rules and commitments, including on income tax, consumer protection, customs valuation, anti-dumping,

and anti-subsidies. ATAR also supported the Ministries of Commerce and Industry (MOCI), Agriculture, Irrigation, and Livestock (MAIL), and Public Health (MOPH) in developing procedures and regulations to implement trade laws that have already been enacted. In addition, ATAR is providing technical support to parliament as it considers three WTO-required intellectual-property-rights conventions—the Madrid Protocol, the Paris Convention, and the Singapore Treaty.<sup>615</sup>

While no specific progress in modernizing Afghanistan’s customs administration was reported this quarter, ATAR facilitated Afghan industry access to regional markets. It helped about 60 Afghan exporters participate in the annual India International Trade Fair; helped promote high-end Afghan products at an exhibition in the UAE; and worked to organize participation of 10 Afghan marble producers at India Stone Mart 2017 in February.<sup>616</sup>

## **BANKING AND FINANCE**

The World Bank said Afghanistan’s financial sector is challenged by the country’s security environment<sup>617</sup> and remains vulnerable with what the IMF called “lingering governance concerns, deteriorating asset quality, and weak profitability.”<sup>618</sup> The banking sector is dominated by 15 banks—three state-owned, nine private-sector-owned, and three foreign-owned branch banks.<sup>619</sup> However, public confidence has not been fully restored in the wake of the 2010 Kabul Bank crisis. Use of bank financing remains low with an average loan-to-deposit ratio of 19.2%. For Afghanistan’s three state-owned banks, that ratio was only 4.6% at the end of 2015.<sup>620</sup> In comparison, Pakistan’s commercial loan-to-deposit ratio was 58.7% and India’s was 78.7% (January 2016); the United States’ was 107.3% (February 2016).<sup>621</sup>

According to the IMF, state-owned banks remain strategically and operationally deficient, contributing to significant fiscal risk. While the fiscal positions of these banks are improving, IMF staff noted that Afghanistan must urgently implement a public-policy framework for them, including enhanced governance and regulatory enforcement.<sup>622</sup>

In October 2016, the World Bank reported that the quality of commercial and state-owned bank assets continued to deteriorate in the first half of 2016. Commercial-bank loans to the private sector were valued at \$740 million in June 2016, about 8.5% higher than in December 2015. Most loans were U.S. dollar-denominated, largely due to the effect of afghani currency depreciation that inflated the value of assets held by commercial banks.

Net profits of the banking sector increased by AFN 4 billion (about \$60 million in current dollars) from the same period last year, but were derived primarily from customer banking fees.<sup>623</sup> The World Bank previously attributed Afghanistan’s weak commercial lending to its overall economic slowdown, low investor confidence, stricter implementations of

regulations governing foreign-exchange-denominated loans, and banks' risk aversion following the Kabul Bank crisis.<sup>624</sup>

In 2016, the Afghan government declared a dual strategy for financial sector reform by addressing weaknesses and providing for more robust banking regulation and oversight. This is to include risk-based audits and reviews, establishing a unit to monitor risks from state-owned banks, ensuring government oversight regulations are appropriate and not duplicative, providing incentives for banks to lend to private enterprises, and a financial inclusion strategy to improve customer access to banking services.<sup>625</sup>

## Financial Action Task Force Compliance Update

At its most recent plenary session in Paris, France, on October 19–21, 2016, the **Financial Action Task Force (FATF)** chose to keep Afghanistan on its “Improving Global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Compliance” document, also known as the “gray list.” This means that while Afghanistan has strategic AML/CFT deficiencies, its government has developed an action plan, made a high-level political commitment to address those deficiencies, and is making progress.<sup>626</sup> This is the eighth consecutive FATF review in which Afghanistan has maintained this status since being downgraded to the “dark gray” list in February 2014.<sup>627</sup>

FATF said Afghanistan has improved its AML/CFT administration, and “nearly addressed the technical requirements of its action plan,” but still needs to show progress by providing additional information on its legal framework for identifying, tracing, and freezing terrorist assets. The U.S. Department of Treasury (Treasury) said this includes information on the compliance of Afghanistan's AML/CFT laws by private sector financial institutions. FATF encouraged Afghanistan to further implement its action plan. Treasury said it remains concerned about the government's ability to implement AML/CFT laws and reform, but reported that Afghanistan's financial intelligence unit revoked the licenses of 95 money-service providers in Kabul and imposed \$45,000 in fines for failure to comply with AML laws.<sup>628</sup>

## Kabul Bank Theft Accountability—Reality Check

As of December 19, 2016, Afghanistan's Attorney General's Office (AGO) has not acted on the 114 Kabul Bank-related cases currently referred to it. In a meeting with the U.S. Department of Justice (DOJ), the Afghan attorney general said he was disinclined to enforce or pursue current judgments or investigate the Kabul Bank case any further.<sup>629</sup> That statement directly contravened President Ghani's October 2014 decree requiring the AGO to indict and prosecute all those involved in the approximately \$987 million stolen from Kabul Bank, and to monitor enforcement of the courts' decisions.<sup>630</sup>

The Kabul Bank Receivership (KBR), which is responsible for managing the bad assets (for example, loans that are not being repaid), said that the vague language used in the Special Appellate Court's decision in

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**Financial Action Task Force:** an intergovernmental policy-making body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system. Its 36 members include the United States, United Kingdom, Switzerland, and the European Union; observers include the United Nations and the Asian Development Bank.

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Source: Financial Action Task Force website, “Who We Are,” and “Members and Observers,” accessed 1/3/2016.

“Pursuing recovery of Kabul Bank assets and holding perpetrators accountable is a critical priority. This would signal a shift in governance and accountability of the banking sector.”

Source: World Bank, *Afghanistan Country Snapshot*, 10/2016, p. 1.

November 2014 and the Supreme Court's final judgment in December 2014 make enforcement problematic. Much of the property and assets purchased with the stolen Kabul Bank funds are located in the United Arab Emirates (UAE), but the Dubai courts view the language—particularly regarding the identification and seizure of properties and assets—as “conditional” and lacking “legal certainty or legitimacy.” A KBR representative said the entire judgment/decision is not legally enforceable in Afghanistan either. It is therefore unclear how the Afghan government should address violations.<sup>631</sup>

“Sincere efforts to recover funds continue to be impeded by intimidation of those attempting to do their jobs,” according to a U.S. Institute of Peace report.<sup>632</sup> In at least one instance this quarter, debt-collection efforts were directly hindered. According to DOJ, the Kabul Bank Court of First Instance, created to address the cases of individuals involved in the scandal, undermined an order of the higher court and tried to preclude attempts to collect assets from identified companies and individuals. DOJ said this will encourage other debtors to also try to undermine their existing judgments by appealing their assessed liabilities to the Special Court.<sup>633</sup>

Although President Ghani has asked SIGAR to help detect and retrieve Kabul Bank assets in foreign countries,<sup>634</sup> Afghan authorities have not pursued all options for international assistance in their Kabul Bank recovery effort. In April 2015, DOJ received a one-page diplomatic note from the Afghan government requesting its assistance in seizing the U.S. bank accounts of two Afghan debtors. The accounts presumably belonged to ex-Kabul Bank chairman Sherkhani Farnood and CEO Khalilullah Ferozi. In its May 2015 response, DOJ noted several deficiencies in the request, along with the corrective actions needed to move forward. As of December 2016, the Afghan government has not responded or corrected the deficiencies.<sup>635</sup>

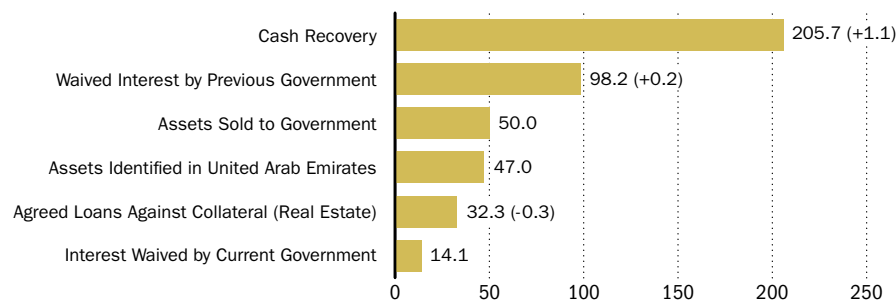
Additionally, since much of the stolen money was laundered to Dubai and subsequently invested in real estate there, the Afghan government prepared and signed an official request to United Arab Emirate authorities in June 2016 to “identify, locate, provide documents and records, and conduct a search and seizure of any and all records and balances associated with the bank accounts listed.” However, it was not delivered until August 2016. It was resubmitted in September 2016 after the UAE said it could not read the original copy. The UAE has not responded to the request, as of November 2016.<sup>636</sup>

The Afghan government's approach so far has had no apparent consequences, even though the current basis of donor support, the Self-Reliance through Mutual Accountability Framework (SMAF), includes a general “zero-tolerance” corruption policy and calls for transparent and accountable governance.<sup>637</sup> Meanwhile, U.S. government officials have said in meetings with Afghan officials that the United States will hold the Kabul government to its promises to address endemic corruption, including taking action against those responsible for Kabul Bank's near collapse.<sup>638</sup>



FIGURE 3.29

## KABUL BANK DEBT RECOVERIES, AS OF DECEMBER 17, 2016 (\$ MILLIONS)



Note: Figures in parentheses represent the change from reported amounts last quarter.

Source: Kabul Bank Receivership, "Kabul Bank's Assets Recovery Brief Report," 12/17/2016 and 9/18/2016.

### Cash and Asset Recoveries—A Closer Look

The Kabul Bank Receivership (KBR) informed the State Department that as of December 17, 2016, "total recoveries"—a category introduced in the last quarter of 2015—stand at \$447.3 million, as shown in Figure 3.29. The reported recoveries comprise cash, waived interest, and assets recovered or seized (but not necessarily liquidated), and collateral, as well as amounts still owed by major debtors who signed loan-repayment agreements.<sup>639</sup> Amounts owed by 283 debtors have been paid off. Arrangements have yet to be reached with 114 others (individuals and corporations). The KBR reported \$539.7 million remains outstanding from the original theft. Including interest, the total is approximately \$597.1 million.<sup>640</sup> However, no U.S. government agency has been able to verify these figures.<sup>641</sup>

Until October 2014, soon after President Ghani's presidential decree to hold accountable and recover stolen public money from those responsible for the Kabul Bank theft, a total of \$225.4 million had been recovered or obtained as assets. Since then, only an additional \$30.3 million has been recovered in cash; another \$32.3 million worth of loan-repayment plans have been agreed to.<sup>642</sup>

If the reported figures are accurate, only \$205.7 million of the \$447.3 million has been truly recovered so far, according to the State Department (State). Upon further examination,

- The \$50 million in bank "assets sold to government entities" that was originally recovered by the KBR were transferred or "loaned" by the Karzai government to various ministries and agencies, but not paid for. The KBR has been unable to reclaim the value of these assets from the government, despite numerous requests.

- The “agreed loans against collateral” merely represents an agreement by an identified group of debtors to repay their loans. Actual repayments have been limited and many have not kept to the agreed-upon schedule. Of the 34 signed repayment agreements, only \$13.3 million of \$45.6 million has been repaid; \$32.3 million remains outstanding.
- “Interest waived” by the previous and current governments (\$112.3 million collectively) represent accounted-for losses, not recoveries. Waivers were given as incentive to enter repayment agreements.
- The \$47 million in total “assets in the United Arab Emirates” were only identified, not recovered. The Dubai courts deem Afghanistan’s court decisions on the Kabul Bank case to have no legal merit.<sup>643</sup>

No money has been recovered this quarter from convicted ex-Kabul Bank chairman Sherkhan Farnood and CEO Khalilullah Ferozi. Their assets are hidden under other people’s names, according to the DOJ. This follows a pattern of the Afghan government’s being unable to compel full repayment from the main architects of the fraud, both of whom are in jail, as of December 2016. According to the KBR, Farnood still owes \$336.2 million; Ferozi owes \$175.9 million. Both amounts include principle and interest.<sup>644</sup>

The KBR found an increasing number of debtors defaulting on their required payments in 2016, with collections declining significantly.<sup>645</sup> The IMF recently reported that the collections process was “losing steam” with diminishing chances of success for claims against assets located in foreign jurisdictions.<sup>646</sup> In December 2016, the KBR reported that 10 major debtors with combined debts of almost \$7.9 million have defaulted on their repayment plans. Four minor debtors owing \$182,142 combined have also defaulted. The cases of these 14 debtors have been referred to the AGO, but again, no action has been taken.<sup>647</sup>

## U.S. Treasury Assistance

The U.S. Treasury’s Office of Technical Assistance (OTA) continued implementing its March 2015 agreement with Afghanistan’s Ministry of Finance (MOF) to develop technical-assistance and capacity-building programs.<sup>648</sup>

OTA assistance is focusing on:<sup>649</sup>

- **Budgeting:** developing baseline budgets and out-year estimates, and reviewing fiscal performance-management-improvement plans. In November, OTA completed an in-depth peer review of the MOF’s biannual fiscal performance- and management-improvement plans. As a result, OTA has been asked to organize a meeting with key donors to present its findings and encourage similarly constructive feedback to the MOF’s public financial-management team. There was no technical assistance in developing baseline budgets and forward estimates this

**OTA Funding: USAID provided \$2 million in April 2016 to support OTA assistance in budget, banking, and revenue through September 30, 2019. State provided \$178,437 in September 2016 to help combat economic crimes through May 30, 2017.**

Source: Treasury, response to SIGAR data call, 12/30/2016.

quarter, but a joint work plan was to be finalized by OTA leadership and Minister of Finance Hakimi in December 2016.

- **Economic crimes:** developing the capacity and effectiveness of Afghanistan's financial-intelligence unit and evaluating the central bank's capability to supervise money-service providers for compliance with measures against money laundering and terror financing. An initial assessment mission took place in March 2015, but technical assistance has not yet begun. OTA plans on-site evaluations of these Afghan entities and subsequent assistance to strengthen analytic capacities, standard operating procedures, and outreach to stakeholders.
- **Banking:** electronic reporting and risk management, and state-bank restructuring (this assistance can be provided from the U.S. Embassy-Kabul and remotely). The assessment mission of September 2015 has not yet been followed by technical assistance.
- **Revenue:** collaborating with the new customs and tax academy in curriculum design, course delivery, and supplying course materials. An assessment mission took place in March 2016; technical assistance has not yet begun.

OTA has carried out six program-assessment missions to Afghanistan, but has been unable to conduct any new missions since March 2016 due to security concerns. OTA assistance to the MOF since then has been carried out remotely. Treasury reported that security conditions continue to be a major constraint on establishing a more sustained presence in Afghanistan. However, once security conditions in Afghanistan allow OTA to reengage in-country, Treasury said the ultimate effectiveness of their efforts will largely depend on a strong and sustained political commitment to reform by those Afghan government entities responsible for public financial management, financial-sector strength, and oversight.

Source: Treasury, response to SIGAR data calls, 4/5/2016, 6/29/2016, 9/27/2016, and 12/30/2016.

## Afghanistan Public Financial Management Assistance

USAID's three-year, \$22 million, Afghanistan Public Financial Management (APFM) program is the United States' principal off-budget effort to help strengthen the Afghan government's ability to generate and collect domestic revenue, manage its budget, and become more fiscally sustainable. The program aims to build the government's capacity for forecasting revenue, increasing payment compliance, collection, and transfers to the treasury, as well as budget planning, execution, monitoring, reporting, and coordination.<sup>650</sup>

This quarter, APFM provided training to Afghanistan's revenue department in tax-dispute resolution, and to the MOF budget directorate in government-finance statistics and classification of government functions. APFM began a quantitative assessment of the socioeconomic impact of proposed amendments to the income-tax law, and continued its efforts to

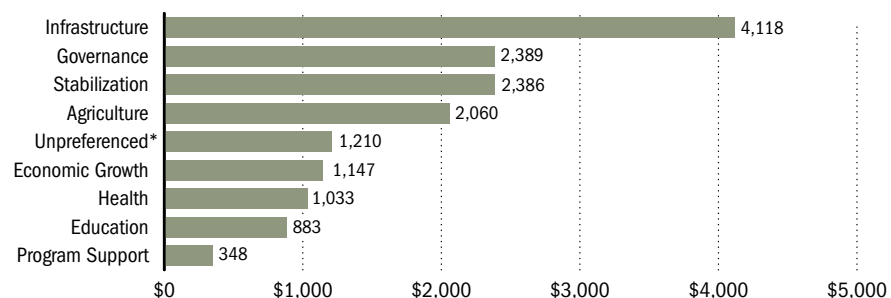
help increase revenues from existing non-tax revenue streams as well as identify new sources of non-tax revenue. APFM managers and advisors also embedded at several Afghan ministries, including the MOF’s provincial-budget unit, where they helped guide the FY 1396 (2017) operations and maintenance (O&M) budget process; the Ministry of Public Health, where they helped expand O&M reform from 13 to 24 provincial hospitals to increase health-service delivery in an additional 21 provinces; and at the Ministry of Agriculture and Livestock, where they helped draft a report used to determine staff levels and resources needed for disaster support for six insecure provinces, and provided technical input for “emergency development packages.”<sup>651</sup>

## U.S. ECONOMIC AND DEVELOPMENT SUPPORT

Most assistance from the Economic Support Fund goes toward USAID’s development programs. In September 2015, USAID published an updated Performance Management Plan to guide and measure its development objectives, and to articulate its development strategy through 2018. The plan will be reviewed at least annually and updated as necessary.<sup>652</sup> Figure 3.30 shows USAID assistance by sector.

FIGURE 3.30

**USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF DECEMBER 31, 2016**  
(\$ MILLIONS)



Note: Numbers rounded. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and other programs that build health and education facilities. \*Unpreferenced funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Source: SIGAR analysis of USAID, response to SIGAR data call, 1/18/2017; SIGAR analysis of World Bank, *ARTF Administrator’s Report on Financial Status*, as of November 20, 2016, accessed 1/15/2017.

## Development of Natural Resources

Developing Afghanistan’s natural-resources sector and reforming the fiscal administration for its extractives industries are essential to strengthening domestic revenue collection. However, the security environment,

insufficient infrastructure, declining global commodities prices, and inadequate capacity at the Ministry of Mines and Petroleum (MOMP) have all hampered the development of this sector.<sup>653</sup> Additionally, the MOMP has lacked a permanent minister since March 2016, leading some to suggest that the national unity government has not prioritized this industry.<sup>654</sup>

USAID cited other issues contributing to investor uncertainty: regulations to support implementation of the new mining law passed in November 2014 are still being developed; amendments to the law and several mineral tenders agreed to in 2010 and 2011 remain unsigned by President Ghani; and a combination of corporate income taxes, export and import duties, production royalties, and other charges that constitute an uncompetitive levy of about 80% on mineral production.<sup>655</sup>

Although geological surveys show that Afghanistan has significant mineral resources, mining has so far contributed only slightly to the country's GDP.<sup>656</sup> Actual government receipts from minerals activity in FY 1394 (2015) were only about 38% of the budget projection.<sup>657</sup> In the first 11 months of FY 1395, actual receipts were AFN 1.2 billion (approximately \$18.3 million) largely due to royalty fees and the sale of minerals. This is a 98.5% increase compared to the same period last year.<sup>658</sup> The Afghan government, however, had set a \$400 million revenue target for the MOMP in 2016.<sup>659</sup>

## Illegal Mining

The MOMP contends illegal extraction is taking place at 1,400 mining sites across Afghanistan, but others estimate the country has 2,000–3,000 illegal sites.<sup>660</sup> Illegal mining steals non-renewable natural resources, damaging Afghanistan's economic development.<sup>661</sup> The Afghan government estimates \$300 million in revenues is lost annually by illegal mining, which not only denies Kabul much-needed funds, but also fuels the insurgency and drives criminality.<sup>662</sup> This quarter, the UN reported that the Taliban controls many illegal mining sites, particularly those located in Afghanistan's south and east, which provides them a significant income stream. The Taliban are involved in illegal mining in three ways: extraction (control of mining operations), extortion (threatening or committing violence if not paid off), and as service providers (transport and smuggling).<sup>663</sup>

## 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.<sup>664</sup> Afghanistan has only small-scale topping plants—early-stage refineries that can process only limited petroleum components of crude oil—and remains heavily dependent on fuel imports.<sup>665</sup> Oil and gas represent roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.<sup>666</sup>

USAID's implementing partner for the now-completed Sheberghan gas-development project reported that "sufficient levels of proven reserves

will likely not be available to allow moving forward with large scale power production for at least five to seven years.”<sup>667</sup> USAID is exploring a follow-on program to help the MOMP develop and exploit Afghanistan’s petroleum and gas resources.<sup>668</sup>

## **Mining Investment and Development for Afghan Sustainability**

USAID’s, four-year, \$38.7 million Mining Investment and Development for Afghan Sustainability (MIDAS) program aims to strengthen the MOMP’s capacity to develop Afghanistan’s natural resources in accordance with international standards. It focuses on legal and policy frameworks for the sector as well as mineral exploration.<sup>669</sup> USAID said the MOMP currently cannot administer the approximately 488 existing extractives contracts. This caused MIDAS to be rescoped to provide technical assistance and transaction-advisory services to the MOMP in its effort to either cancel or renegotiate some or all of these contracts.<sup>670</sup>

### **Activities This Quarter**

MIDAS consultants provided technical and legal support to help the MOMP move forward on the multi-billion-dollar oil and gas contracts: Amu Darya (signed December 2011), Afghan-Tajik (phase I signed October 2013; phase II awarded March 2014), and Totimaidan (awarded September 2014). Negotiations on Amu Darya and Afghan Tajik are ongoing, but no exploration or production work is taking place. The bidders chosen for the Totimaidan block of the Amu Darya Basin have walked away from negotiations.<sup>671</sup>

In addition, MIDAS advisors also completed a rapid assessment of the Afghanistan Petroleum Authority’s (APA) structure, staffing, and roles to help inform two new directorates created by the interim MOMP administration—the General Directorate of Petroleum and the Petroleum Support Unit—that will take over APA responsibilities plus hydrocarbon exploration. MIDAS reported that the General Directorate of Petroleum’s organizational structure is currently flawed, has limited capacity, and inadequate staffing to manage exploration contracts.<sup>672</sup>

Also this quarter, MIDAS advisors helped draft procedures to help the ministry collect outstanding financial obligations owed to it by mineral-rights owners; continued to draft and revise amendments to the Minerals Law; and helped develop technical, financial, bidding, and contract-oversight regulations.<sup>673</sup> MIDAS has disbursed \$32.5 million, as of December 31, 2016.<sup>674</sup>

### **MOMP Capacity Challenges Remain**

USAID’s implementing partner reported “extremely low levels of capacity and motivation of MOMP and Afghan Geological Survey employees.” There

are also over 250 vacant positions in the ministry, with many key departments understaffed by at least half. Twenty-three of 26 director positions were either unfilled or staffed by lower-level employees, as of November 2016. Additionally, there have been two permanent and three acting ministers of mines and petroleum since the MIDAS program began in 2013, each bringing their own sets of policy and priority changes. MOMP efforts and MIDAS programmatic activities are negatively affected absent a permanent minister. USAID said Acting Minister Ghazaal Habiby does not have the authority to set the long-term strategic direction for minerals and natural gas.<sup>675</sup>

## Agriculture

Agriculture continues to be the main source of real GDP growth, employment, and subsistence for the Afghan population. It accounts for about 22% of GDP, employs 44% of the population, and affects the 61% of Afghans who depend on agricultural activities for their livelihoods.<sup>676</sup>

The Afghan government said that aside from weather volatility, agricultural growth has been hampered by underinvestment in developing water resources, poor-quality inputs such as seeds and fertilizer, degrading natural resources, and weak domestic- and export-product marketing. It wants to move from an agrarian-subsistent and importing nation to an agro-industrial exporting one. The government said it will focus on promoting agro-industry, increasing quality control, expanding cold-storage facilities, and introducing better packaging to reduce waste and spoilage—areas that show the largest potential to improve economic growth.<sup>677</sup>

USAID's agricultural projects are designed to enhance food security, create jobs and export markets, increase incomes and productivity, and strengthen the government's ability to promote broad-based growth. USAID aims to bolster the Ministry of Agriculture, Irrigation, and Livestock's (MAIL) "farmer-focused" approach through the production and marketing of high-value horticultural crops and livestock products, the rehabilitation of irrigation and drainage systems, and the greater use of new technologies.<sup>678</sup>

Since 2002, USAID has disbursed more than \$2 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.<sup>679</sup> USAID reported \$157.6 million worth of various Afghan agricultural commodities were sold in FY 2016, and \$531.9 million cumulatively from 2008 to September 2016.<sup>680</sup> Pages 193–199 of this quarterly report discuss USAID's agriculture alternative-development programs. A list of active USAID agriculture programs is found in Table 3.20 on the next page.

## Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project is the technical-assistance/advisory-support component of the conditions-based Agricultural

TABLE 3.20

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Strengthening Watershed and Irrigation Management (SWIM)	11/15/2016	11/14/2021	\$87,905,437	\$0
Capacity Building and Change Management Program II (CBCMP II)	7/10/2014	7/9/2017	20,874,464	18,079,729
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	20,229,771	15,115,537
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	5,761,252
Strengthening Afghan Agricultural Facilities (SAAF)	3/25/2011	8/31/2017	7,824,209	6,812,590
SERVIR	9/14/2015	9/30/2020	3,100,000	100,000
Texas A&M University's Agrilife Conflict Development	11/8/2012	11/7/2017	133,976	133,976

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see pages 193–199 of this report.

Source: USAID, response to SIGAR data call, 1/18/2017.

Development Fund (ADF) administered by the Ministry of Agriculture, Irrigation, and Livestock. ADF extends agriculture-related credit access to small- and medium-sized farms and agribusinesses in all regional economic zones, particularly to those that add value to agricultural products, such as distributors, producers, processors, and exporters.<sup>681</sup> USAID reported that with ACE II help, ADF has cumulatively provided more than \$82.7 million in credit to over 36,401 beneficiaries.<sup>682</sup> However, ACE II implementers reported that the continuing deterioration of both security and the economy is reducing demand for agricultural credit and negatively impacting loan repayments.<sup>683</sup>

This quarter, ACE II began preparations for a national survey of agricultural financial services and began baseline data collection for a loans-impact assessment. ACE II also submitted a plan to reshape the ADF to broaden credit access to more borrowers, which will require a number of strategic and operational changes, including additional credit-delivery channels, and accompanying technical support to stakeholders within each channel. Additionally, ACE II helped identify areas of training to strengthen the capacity of ADF's management team, including executive skills courses, advanced agricultural-credit skills, and loan arrears and collections.<sup>684</sup>

ACE II also continued to engage financial institutions to provide credit financing to the agricultural sector, in part through an Innovation Grant Fund, which supports developing and testing new ways to facilitate agriculture-related financial services. Last quarter, ACE II awarded its first grant under the Innovation Grant Fund to OXUS Afghanistan, a microfinance organization, to support lending to borrowers in remote districts. The AFN 10.5 million grant (approximately \$160,000 in current dollars) will be used to develop 10 OXUS cashless branches inside Roshan provincial offices using the telecommunications provider's mobile-money platform for loan disbursements and repayments.<sup>685</sup> As of October 2016, 1,450 loan



disbursements and 2,841 loan repayments have been made; 27 new loans worth \$30,984 were initiated, including three loans to women totaling \$1,700.<sup>686</sup> Two new grant packages were being finalized this quarter for USAID's evaluation.<sup>687</sup>

## ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase the electricity supply, 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 these essential services.

### Power Supply

Afghanistan has one of the lowest rates of electrification in the world, with only an estimated 25–33% of Afghans connected to the power grid.<sup>688</sup> Most parts of urban areas like Kabul, Herat, Kandahar, and Mazar-e Sharif have 24-hour power, although power outages are not uncommon, but only 10% of the rural population have access to grid-connected power.<sup>689</sup>

Afghanistan's limited domestic electric capacity consists of hydropower and thermal sources, plus diesel generators. It therefore imports 77% of its total electricity. Of that imported energy, Uzbekistan provides 35.2%, Tajikistan 30.5%, Iran 20.9%, and Turkmenistan 13.4%.<sup>690</sup> The World Bank noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.<sup>691</sup> Afghanistan will need regional cooperation to meet its energy demands.<sup>692</sup>

### U.S. Power Sector Assistance

USAID believes that economic expansion and increased employment depend on maintaining and improving Afghanistan's electrical infrastructure. Since 2002, USAID disbursed more than \$1.5 billion in Economic Support Funds to build power plants, substations, and transmission lines, and provide technical assistance in the sector.<sup>693</sup> It is also helping Afghanistan's national electric utility, Da Afghanistan Breshna Sherkat (DABS), to increase electricity supply and revenue generation by improving sustainability, management, and commercial viability.<sup>694</sup> For its part, the Department of Defense (DOD) has disbursed approximately \$180 million for power projects through the Commander's Emergency Response Program, as of July 2015, and roughly \$390.4 million through the Afghanistan Infrastructure Fund (AIF), jointly managed by DOD and State.<sup>695</sup>

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. USAID's ongoing effort to connect and increase the electricity supply in both systems is 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.

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Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 11/2013, p. 107.

Power Transmission Expansion and Connectivity (PTEC) project, which aims to construct a transmission line connecting Kabul with Kandahar and build the capacity of DABS to sustain energy-infrastructure investments.<sup>696</sup> USAID’s active power-infrastructure projects are listed in Table 3.21.

## SIGAR AUDIT

A SIGAR audit is examining U.S. government efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam.

## Kajaki Dam–Unit 2 Turbine Installation

After years of effort, a third turbine, known as Unit 2, was installed in the powerhouse at Kajaki Dam and commissioned on October 1, 2016. The installation represented a major advance in DABS’s efforts to increase long-term, sustainable hydropower from Kajaki Dam to Kandahar and Helmand Provinces.<sup>697</sup>

Unit 2 is operational and has a power-generating capacity of 18.8 MW. Combined with the other two turbines, the powerhouse has a maximum generating capacity of 51.5 MW. Unit 2 was generating power up to 15MW, and all three turbines were online this quarter supplying up to 28MW of power into the 110kV and 12MW into the 13.8kV SEPS transmission lines. This power, combined with DABS’ upgrades, increased the 110kV system’s transmission capacity by 50%, according to USAID.<sup>698</sup> It is not known how long this level of power generation will last in the short term. The Kajaki Dam reservoir was entering its seasonal low point this quarter, and coupled with chronic reservoir mismanagement, all three turbine units will be unable to stay online for more than a few weeks.<sup>699</sup> Unit 3 is also scheduled to go offline for repairs in 2017,<sup>700</sup> though no timeline for the work was provided. However, USAID said once upgrades to the 110kV system are completed in about two years through its SEPS Completion, Phase 2 project, transmission capacity will exceed Kajaki Dam’s power generating capacity.<sup>701</sup>

USAID was funding \$22.9 million for technical support, site security, life-support services, and helicopter support to DABS through March 2017. More than \$13.8 million has been disbursed, as of January 8, 2017.<sup>702</sup> DABS is to assume full responsibility for the Kajaki power plant, including operations and maintenance (O&M), in April 2017.<sup>703</sup>

TABLE 3.21

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2018	\$725,000,000	\$124,878,220
Contributions to the Afghanistan Infrastructure Trust Fund (AITF)	3/7/2013	3/6/2018	153,670,184	113,000,000
Engineering Support Program	7/23/2016	7/22/2019	125,000,000	6,448,390
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555
Kajaki Energy Outage Public Relations Campaign	8/22/2016	11/15/2016	55,288	55,288

Source: USAID, response to SIGAR data call, 1/18/2017.

## Power Transmission Expansion and Connectivity Program

The U.S.-funded PTEC program was designed to strengthen and expand Afghanistan's power-generation, transmission, and distribution systems, including funding the 320-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS.<sup>704</sup> PTEC's DABS commercialization and capacity-building components aim to help the utility become financially sustainable by increasing revenues using utility-management software in Kabul, Mazar-e Sharif, Herat, and Jalalabad, while reducing technical and commercial losses through training and support.<sup>705</sup> Technical losses include line heating and current leakage; commercial losses include nonpayment of bills and energy theft.

Construction on the transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, continued this quarter. As of January 8, 2017, 98% of the transmission lines and 93% of the substations were completed. However, damage caused by fighting between Afghan security forces and the Taliban, as well as lags in equipment ordering and shipping times, have impacted completion deadlines by six months. Construction is now scheduled to be completed by July 31, 2017, at a cost of \$104 million. Approximately \$80.4 million has been disbursed as of December 15, 2016.<sup>706</sup> The Arghandi connector substation that will feed this line will not be ready until after December 2017. Alternatives to power the Arghandi-Ghazni project are under consideration.<sup>707</sup>

USAID is providing \$350 million in direct assistance to DABS in support of the second segment of the NEPS-SEPS connector, Ghazni to Kandahar—\$179.5 million was transferred to USAID through the Afghanistan Infrastructure Fund. DABS issued two requests for proposals to construct one transmission line and five substations with winning bidders selected last quarter. Awards were still pending a decision by the National Procurement Authority as of December 2016. USAID said security will be a major challenge to implementing this project.<sup>708</sup>

For the SEPS Completion, Phase 2, \$55 million was transferred to USAID through the Afghanistan Infrastructure Fund to design and construct a transmission line from Tangi to Sangin North and from Maiwand to Kandahar, install electrical equipment, and commission three substations. Funding will be provided on-budget and implemented by DABS.<sup>709</sup> Bid evaluations and document verification, which began last quarter, are now complete. USAID was in the process of issuing its consent to execute the award, as of January 8, 2017.<sup>710</sup>

## Power Availability in Kandahar

U.S. fuel subsidies totaling \$141.7 million for power generation at two industrial parks in Kandahar City ceased at the end of September 2015.<sup>711</sup> USAID reported that since then, power output has fallen from the diesel generators in Shorandam and Bagh-e Pol industrial parks. Five generators

This quarter, DABS announced that it compiled a list of 73 major debtors—including top government officials—who have not paid their electricity bills. These reportedly include First Vice President General Abdul Rashid Dostum, Mohammad Karim Khalili, (former vice president to then-President Hamid Karzai), former Jihadi commander Abdul Rab Rassoul Sayaf, and a number parliamentarians.

The largest delinquents were government agencies, which owed AFN 1.6 billion (\$24.3 million)—representing 48.2% of all amounts due the utility—followed by commercial institutions at AFN 773 million (\$11.7 million), and residential customers at AFN 700 million (\$10.6 million). Another outstanding AFN 247 million (\$3.8 million) was for residential properties that were relocated for roads construction.

Source: DABS, “DABS Reveals the Names of Major Electricity Bill Defaulters in Kabul,” 10/17/2016; Tolo News, “DABS Says Top Govt Officials Not Paying Electricity Bills,” 11/16/2016.

at Bagh-e Pol in need of major overhauls and shipments of critical spare parts have stopped altogether, while three generators were transferred to Shorandam to replace units needing scheduled maintenance.<sup>712</sup>

The Shorandam generators are currently producing between 40,000 and 48,000 kilowatt-hours (kWh) daily, running 16 hours a day, six days a week, which USAID said is insufficient to provide full electrical service to the industrial park’s commercial customers. For other commercial and residential customers in Kandahar, electricity supply is also inadequate. Some additional power can be supplied from Kajaki Dam in Helmand Province and diesel generators in Breshna Kot in Kabul, but USAID said the cost per kilowatt-hour is unaffordable for most customers. USAID added that DABS has no business incentive to generate the necessary power if it cannot recover the costs of doing so. This results in significant load shedding—the deliberate interruption of power supply to certain areas.<sup>713</sup>

To help bridge the gap between Kandahar’s electric-generation capacities and demand until the NEPS-SEPS transmission line is completed, PTEC funded a reverse auction held on July 11, 2016, whereby independent power producers competed to construct and sell power to DABS from a solar-power plant that may be able to operate at an installed capacity of 10 MW. A bidder was chosen and has successfully concluded negotiations with DABS and USAID on the provisions of the incentive contract and power-purchase agreement. The contract signing was still pending as of December 22, 2016.<sup>714</sup>

## Afghanistan Infrastructure Fund Power Programs

Afghanistan Infrastructure Fund (AIF) projects were initiated to support critical counterinsurgency and economic-development objectives in Afghanistan. Although DOD’s mission has since evolved to advising and assisting Afghan security forces and ministries, as well as counterterrorism operations, it is still focused on implementing AIF power projects to complete its portion of the NEPS and SEPS.<sup>715</sup>

Ongoing fighting in Helmand Province, as well as bureaucratic delays in getting right-of-way approvals for NEPS and SEPS transmission lines, continued to challenge AIF contractors and some project-completion schedules.<sup>716</sup> This quarter, President Ghani charged his ministers with ensuring a quick resolution to right-of-way land issues and was formulating a presidential decree to streamline the process by which the Ministry of Energy and Water (MEW), the Afghanistan Independent Land Authority, and the MOF secure agreements with landowners. U.S. Forces-Afghanistan (USFOR-A) said multiple NEPS and SEPS contract-completion times are coming due, and it anticipates receiving requests for extensions.<sup>717</sup>

USFOR-A has completed four AIF power projects so far. All were phases of the now-concluded Kandahar Power Bridging Solution, which provided fuel and technical support for diesel power-generation plants in Kandahar

## SIGAR AUDIT

An ongoing SIGAR audit focuses on DOD and State Department progress in completing FY 2011 Afghanistan Infrastructure Fund projects, the impact on other infrastructure priorities and counterinsurgency objectives, and sustainment challenges.

City while turbine-installation work at Kajaki Dam was under way. USFOR-A has six other ongoing power projects, while USAID has three, as shown in Table 3.22 on page 172.<sup>718</sup>

AIF projects use FY 2011–FY 2014 appropriated funds. No additional AIF money was requested or appropriated, but up to \$50 million from the FY 2016 Afghanistan Security Forces Fund may be used under limited circumstances to help finish existing projects.<sup>719</sup>

## Transportation

Afghanistan's lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said Afghanistan's transportation-infrastructure shortcomings constrain the service and agriculture sectors, which have typically been the leading drivers of the economy. They also hold back the mining industry, future revenues from which the Afghan government and international donor community are hoping will offset declining international aid.<sup>720</sup>

This quarter, the Afghan government made additional progress in establishing regional connectivity. On October 30, 2016, Turkmenistan and Afghanistan inaugurated a rail line connecting the Atamyrat-Imamnazar railway in Turkmenistan to Aqina in Afghanistan.<sup>721</sup>

## Roads

Afghanistan has more than 76,400 miles of road, 28,000 of which have been rehabilitated or improved.<sup>722</sup> Last quarter SIGAR auditors assessed the conditions of approximately 1,020 miles of Afghanistan's U.S.-funded national and regional highways, and found that most were in need of repair and maintenance.<sup>723</sup> The World Bank similarly reported that 85% of Afghanistan's roads are in poor shape; the majority cannot be used year-round.<sup>724</sup>

Since 2002, USAID has provided more than \$2 billion for more than 1,240 miles of road construction, operations and maintenance (O&M), and capacity-building activities.<sup>725</sup> For its part, DOD provided at least \$847 million on 4,687 road-related projects under the Commander's Emergency Response Program. Despite this investment, SIGAR auditors determined that USAID and DOD have had only limited success in ensuring the long-term sustainability of those roads.<sup>726</sup>

Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to USAID. Afghanistan is estimated to spend \$17 million annually for O&M, but that is \$100 million less than the Asian Development Bank says is needed.<sup>727</sup> USAID told SIGAR it would cost an estimated \$8.3 billion to replace Afghanistan's roads if they were not maintained.<sup>728</sup>

Money aside, a USAID assessment from May 2015 found that the Ministry of Public Works needed structural reform, citing ongoing critical weaknesses, including a lack of skilled staff, poor communication, antiquated

**The United Nations reported that the Taliban is increasingly using improvised explosive devices to disrupt economic and social activity in Afghanistan, not only beyond areas of direct conflict, but also on economically important roads.**

Source: UN, *Report of the Analytical Support and Sanctions Monitoring Team*, 10/5/2016, pp. 3, 7.

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.22

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF NOVEMBER 23, 2016 (\$ MILLIONS)						
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status	
AIF FY 2011	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	\$40.5	\$39.1	\$39.1	Complete
	SEPS - Kajaki Dam to Lashkar Gah	Repair, install transmission lines; rebuild, construct power substations	130.0	58.9	51.0	Terminated due to out-of-scope security cost increases
	NEPS - SEPS Connector, Arghandi to Ghazni	Design, construct transmission lines and substations (first segment of NEPS-SEPS connection) USAID: PTEC project	101.0	104.0 <sup>e</sup>	80.4	Transmission lines 97% complete; substations 90.5% complete. Six-month extension requested due to damage from ANDSF-Taliban fighting and ordering/shipping lags (completion: 7/2017)
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line, towers, and power substation	93.7	50.3	27.2	Transmission line, towers, and substation under construction; community land issues affecting some tower locations (completion: 12/2016 delayed) <sup>a</sup>
AIF FY 2012	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	67.0	64.7	64.7	Complete
	SEPS - Maiwand to Durai Junction	Design, construct transmission line; rebuild and construct substations	40.0	28.7	13.9	Under construction; tower excavation, tower erection, civil work ongoing; security challenges (completion: 9/2017) <sup>b</sup>
	NEPS - Pul-e Alam to Gardez	Design, construct transmission line and power substation	77.5	69.2	60.6	Transmission line completed (55 km); substation under construction; security and land issues affecting schedule (completion: 2017) <sup>c</sup>
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines and power substation	42.5	39.1	33.8	Transmission line and substation under construction; security and land issues affecting schedule (completion: 12/2016 delayed) <sup>d</sup>
AIF FY 2013	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	37.0	34.0	34.0	Complete
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines and power substation	33.0	24.1	22.3	Transmission line and substation under construction; security and land issues affecting schedule (completion: 12/2016 delayed) <sup>d</sup>
	SEPS Completion - Phase 1	Civil, structural, architectural improvements to substations in Tangi, Sangin North and South	75.0	63.1	26.0	Civil work ongoing (continued delays); major security challenges (completion: 6/2017) <sup>e</sup>
		Design, construct, transmission lines from Sangin North to Lashkar Gah				Civil work ongoing; transmission towers under construction; community issues affecting some tower locations; rerouting and schedule modifications under review; security challenges (completion: 12/2016 delayed) <sup>f</sup>
NEPS - SEPS Connector, Ghazni to Kandahar	Design, construct transmission line and substations. Final phase of NEPS-SEPS connector. USAID: PTEC project	179.5	350.0 <sup>e</sup>	0.0	Final stages of procurement process; contract awards pending National Procurement Authority approval (completion: 12/2018)	
AIF FY 2014	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	4.0	3.9	3.9	Complete
	SEPS Completion - Phase 2	Design, construct transmission line, and install equipment and commission substations USAID: PTEC project	55.0	55.0	0.0	Transferred to USAID for on-budget implementation through DABS; bid certificate verification under evaluation; contract awards pending National Procurement Authority approval.
	NEPS - Gardez to Khowst	Design, construct transmission line and substation. DOD's final contribution to NEPS.	130.0	121.3	9.9	Distribution-line design descoped; transmission-line design, route approved; partial substation designs require resubmission for review; right of way under review (completion: 12/2017) <sup>g</sup>

Note: Project completion dates in parentheses reflect the most recent information provided to SIGAR by USFOR-A and USAID, and are subject to change. In some cases, updated completion dates have not been determined. All AIF power projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national electric utility. Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 10/31/2016. All other information is as of 11/23/2016.

<sup>a</sup>177 of 247 towers completed. Another 60 tower excavations and 1 foundation complete. Pul-e Alam substation 48% complete. Two of four transformers descoped based on estimated electricity demand and being transferred to Gardez substation. Community land issues stalled 11 towers (4.5%). The U.S. Army Corps of Engineers (USACE) is working on schedule adjustments.

<sup>b</sup>105 of 114 towers completed. Another 4 tower excavations and 4 foundations complete. Pushmol and Maiwand substations 50% and 51% complete, respectively. Recommended completion date change to 9/2017 under review.

<sup>c</sup>Gardez substation 85% complete. Cannot test/commission this segment until NEPS, phase 1 segment is energized to Pul-e Alam. Completion date pushed into 2017. USACE working on schedule adjustments.

<sup>d</sup>41 of 44 towers completed. Another 1 tower excavation and 1 foundation complete from Charikar to Gul Bahar; Conductor lines 50% strung. 100% of transmission towers erected from Gul Bahar to Nejrab; Conductor lines 87.5% strung. Gul Bahar substation 98% complete. Community land issues affecting 2 tower locations and conductor or ground wire stringing across 59 towers. USACE working on schedule adjustments.

<sup>e</sup>Tangi substation 55% complete. Sangin North substation 71% complete. Sangin South substation 64% complete. Contract modification to replace Sangin North living quarters will require revised completion date schedule.

<sup>f</sup>Sangin to Durai Junction segment: 22 of 205 towers completed. Another 120 tower excavations and 77 foundations complete. Durai Junction to Lashkar Gah segment: 55 of 212 towers completed. Another 120 tower excavations and 55 foundations complete. Community land issues affecting 22.6% of tower locations; Security issues. USACE working on schedule adjustments.

<sup>g</sup>Includes additional, non-AIF USAID funding.

<sup>h</sup>Clearance issued to begin tower construction on government-owned land.

Source: DOD, OSD-P response to SIGAR data call, 12/28/2015, 6/29/2016 and 9/29/2016; DOD, OSD-P response to SIGAR vetting, 7/16/2016 and 1/4/2017; USFOR-A, response to SIGAR data call, 12/22/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 9/15/2016 and 11/23/2016; USAID, OI, response to SIGAR data calls, 9/23/2016 and 12/22/2016; USAID, OI, response to SIGAR vetting, 10/11/2016.



**Workers grade an Afghan roadbed** for a USAID-funded project. (USAID photo)

systems and processes, and a lack of will to implement necessary reforms. SIGAR recommended that USAID condition future roads-related funding on the successful creation of an independent road authority, road fund, and transportation institute in order to boost MOPW's capacity. USAID concurred.<sup>729</sup>

### **Technical Assistance for the Ministry of Public Works Project**

USAID's three-year, \$25.5 million, Technical Assistance for the Ministry of Public Works (TA-MOPW) project, a component of the Road Sector Sustainability Project (RSSP), aims to improve the capacity and effectiveness of the Ministry of Public Works (MOPW) to manage Afghanistan's road network. TA-MOPW is working with Afghan authorities in establishing a road authority, road fund, and transportation institute.<sup>730</sup> USAID approved a final transition plan on October 11, 2016.<sup>731</sup> This quarter, TA-MOPW reviewed the first draft of laws to govern the road authority and road fund. Changes to the roads-authority law were proposed to bring it in line with international best practices. TA-MOPW completed its short- and long-term plans for road-maintenance funding, and designs for the road fund. It also completed its targets to finish designs for the transportation institute study.<sup>732</sup> Approximately \$19.1 million has been disbursed for this program, as of December 31, 2016.<sup>733</sup>

### **Afghanistan Infrastructure Fund Road Projects**

DOD has obligated \$62.2 million and disbursed \$59.2 million for five road projects under the AIF, as of October 31, 2016. Four road projects, some consisting of multiple phases, have been completed. Only the final 7 km of the Ghulam Khan Transportation Corridor, Phase II remains, as shown in Table 3.23 on the following page.<sup>734</sup>

TABLE 3.23

AFGHANISTAN INFRASTRUCTURE FUND ROAD PROJECTS, AS OF NOVEMBER 23, 2016 (\$ MILLIONS)							
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status		
AIF FY 11	Lashkar Gah to Nawar Road	Design, construct 22.5 km road in Helmand Province	\$22.0	\$20.5	\$20.5	Complete	
	RC-East Border Transportation Corridor	Saracha Bridge	35.6	6.8	6.8	Complete	
Ghulam Khan Corridor		Design, construct 24.1 km road, 4 bridges, culverts, switchback repairs in Khowst Province		12.7	11.8	Complete	
AIF FY 12	Parwan to Bamyan Road - Section 6	Section 6.1	10.0	3.0	3.0	Complete	
		Section 6.2		Design, construct 11 km road of Salang bypass in Parwan Province	7.0	7.0	Complete
	Dahla Dam Phase 2 - Site Preparation (Route Bear Road)	Realign 4.7 km road along NW shore of Dahla Dam	11.2	7.2	7.2	Complete	
AIF FY 14	Ghulam Khan Corridor - Phase 2	Design, construct remaining 7 km road to Khowst city and 1 bridge to complete Ghulam Khan Transportation Corridor	10.0	5.0	2.0	8 of 28 culverts placed; bridge pile foundations, post-tension beam forming in progress; road work under way; addressing right-of-way issue at north end of construction (Completion: 9/2017)	

Note: Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 10/31/2016. All other information is as of 11/23/2016.

Source: DOD, OSD-P response to SIGAR data calls 12/28/2015, 9/29/2016, and 12/22/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 11/23/2016. Source: DOD, OSD-P response to SIGAR data calls 12/28/2015, 9/29/2016, and 12/22/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 11/23/2016.

## ECONOMIC GROWTH

Afghanistan ranked 183rd of 190 countries in the World Bank's *Doing Business 2017* report on regulatory quality and efficiency—a six-place fall from 2016.<sup>735</sup> While Afghanistan ranks high in starting a business (42nd), a doubling of the business-receipts tax rate from 2% to 4% in the latter part of 2015 made it more costly to do so. Afghanistan is nearly last in dealing with construction permits (186), getting electricity (159), registering property (186), trading across borders (175), and enforcing contracts (180). It is considered the second-to-worst country in protecting minority investors, partly a reflection of the country's corporate-governance rules and the weakness of its legal institutions.<sup>736</sup>

Although Afghanistan's rank for trading across borders stayed about the same, the World Bank reported that the government made exporting and importing easier by introducing a number of technical, human, and infrastructure improvements as well as ASYCUDA WORLD, a computerized customs-management system. Traders spent fewer hours and less money complying with Afghan documentary and border requirements.<sup>737</sup>





**A speaker discusses** USAID's Access to Finance program for conference attendees. (USAID photo)

Beyond security challenges that make it difficult to ignite private-sector-led and inclusive growth, the IMF recommended the government eliminate regulatory and administrative barriers for businesses, improve infrastructure, and provide key business services while simultaneously strengthening structures for macroeconomic management, the financial sector, and economic governance, not all of which require major funding to carry out.<sup>738</sup>

USAID has cumulatively disbursed more than \$1.1 billion for economic-growth programs in Afghanistan.<sup>739</sup> USAID active economic-growth programs have a total estimated cost of \$531.4 million and can be found in Table 3.24 on page 176.

## Financial Access for Investing in the Development of Afghanistan

USAID's 66-month, \$108.3 million, Financial Access for Investing in the Development of Afghanistan (FAIDA) program aims to promote an inclusive, diverse, and sustainable financial sector that generates jobs and provides a range of services for micro, small, and medium enterprises. FAIDA helps Afghan partners build capacity to deliver financial services, develop a legal framework and market infrastructure, provide technical assistance to mobile network operators for mobile-money services, and assist female Afghan entrepreneurs with business-development training so they can gain access to financing and opportunities for economic and professional growth.<sup>740</sup>

In FY 2016, FAIDA reported that it facilitated the approval of 211 loans worth \$7,185,417 for Afghan enterprises, created 1,086 full-time-equivalent jobs, and helped 59,179 people find either new or better employment as a result of participating in U.S.-funded workforce-development programs.<sup>741</sup>

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.24

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Financial Access for Investing in the Development of Afghanistan (FAIDA)	2/7/2011	2/5/2017	\$113,981,225	\$107,693,355
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	4/15/2017	104,997,656	95,564,285
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	11/6/2017	77,754,267	55,361,043
Women in the Economy (WIE)	7/1/2015	6/30/2020	71,571,543	12,233,322
Afghanistan Workforce Development Program (AWDP) Off Budget	4/5/2012	6/30/2018	44,919,458	33,273,995
Multi-Input Area Development-Global Development Alliance	3/23/2013	3/22/2018	30,481,436	13,953,990
Afghanistan Public Financial Management (APFM)	7/27/2015	7/26/2018	22,130,033	8,425,654
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	580,192
Afghanistan Workforce Development Program (AWDP) On Budget	9/18/2013	12/31/2016	11,500,000	4,832,843
Commercial Law Development Program	3/1/2014	9/30/2019	10,000,000	5,301,676
Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women	11/2/2015	11/1/2018	4,800,000	2,100,000
IFC PIO Grant - Support of Business Environment Reform	10/15/2010	10/30/2017	4,030,000	4,030,000
Strengthening the Revenue Collection Capacity of GIROA	11/30/2014	12/30/2018	4,000,000	1,308,132
E-Government Resource Center II	8/28/2013	12/1/2017	3,900,000	1,205,000
Afghanistan International Bank Guarantee Agreement	9/27/2012	9/27/2020	2,000,000	520,800
Development Credit Authority (DCA) with FINCA, OXUS, and First Microfinance Banks	9/25/2014	9/24/2020	1,953,875	0
Turquoise Mountain Smithsonian Exhibition	3/9/2015	3/31/2017	535,055	485,494
Mobile-izing Saving Study	9/11/2012	9/30/2018	50,022	50,022

Note: The Mobile-izing Saving Study explores financial inclusion products to encourage Afghans to build savings. USAID's Development Credit Authority (DCA) provides partial credit guarantees to mobilize local financing. FINCA, OXUS, and First Microfinance Banks are to use these guarantees to secure loans from larger lenders, and in turn lend to micro and small businesses in Afghanistan. Afghanistan International Bank is to use the DCA guarantee to mitigate its lending risk and facilitate lending to small and medium-size enterprises.

Source: USAID, response to SIGAR data call, 1/18/2017; Innovations for Poverty Action, "Mobile-izing Savings with Defaults in Afghanistan," 12/8/2015; USAID, Development Credit Authority, "Overview," 2/2/2015.

Between January and March 2016, FAIDA grants facilitated the installation of dozens of kiosks in Kabul for banking customers to repay loans and for mobile-network customers to receive telecom services.<sup>742</sup> As of September 30, FAIDA reported that 1,105 loans were repaid through these kiosks, totaling \$58,130, and recorded another 162,680 electronic transactions worth \$213,600 to replenish mobile-money accounts. Additionally, almost 26,000 DABS (electricity utility) customers have paid their electricity bills using mobile-money services, totaling almost \$3.2 million.<sup>743</sup>

This quarter, FAIDA reviewed the new banking law on behalf of the central bank and suggested changes for improvement. Pending approval by parliament, the law will provide the legal framework for a dual system of conventional and Islamic banking. FAIDA's regulatory team also began

to review, align, and suggest revisions to strengthen the country's deposit-insurance program as it relates to mobile-money banking. Also this quarter, FAIDA and Roshan Telecommunication Company helped the Ministry of Labor, Social Affairs, Martyred, and Disabled launch mobile-money payments of 4,500 employee salaries.<sup>744</sup>

## **Assistance in Building Afghanistan by Developing Enterprises**

USAID's \$105 million, Assistance in Building Afghanistan by Developing Enterprises (ABADE) program aims to help small-to-medium enterprises (SMEs) add jobs, increase investment, and improve sales of domestic products and services through public-private alliances (PPAs). ABADE has two components: implementing approved PPAs and identifying, selecting, and supporting the alliances with technical assistance and business advisory services; and working with the government to improve the environment for business.<sup>745</sup>

In FY 2016, ABADE reported 49 PPAs were formed worth \$85.5 million, more than 85% of which was invested by private-sector partners. Of the 116 PPAs whose deliverables were completed, ABADE contributed \$10.2 million of USAID funds (including \$4.5 million worth of equipment transferred to alliance partners), while more than \$77.5 million was invested by the SMEs—more than a 7-to-1 ratio. Also during this time, ABADE provided technical assistance and nine training programs. Five aimed to improved women's skills in the information and communication technology, and health sectors. The others focused on food safety, marble cutting and polishing, and new construction materials and technologies. Cumulatively in FY 2016, ABADE trained 174 people and 105 SMEs.<sup>746</sup>

## **EDUCATION**

After suffering decades of upheaval in the 1980s and 1990s, Afghanistan's public education system has since 2002 become one of Afghanistan's success stories, according to the World Bank. The number of boys and girls enrolled in school has increased dramatically, as have the numbers of teachers and schools. However, the education sector faces many challenges. The World Bank reported that only about half of all registered schools in Afghanistan have proper buildings, and only 55% of teachers meet the minimum requirements with the rest receiving in-service training. While the sector is growing steadily, the quality of education and administration remains weak.<sup>747</sup>

In a December 18, 2016, interview, Minister of Education Assadullah Hanif Balkhi said that after adjusting numbers for more than three million permanently absent registered students from school records, only six million students were actually attending classes in Afghanistan. Former Deputy Minister of Education Sediq Patman added that the numbers touted by the

Karzai administration added two million students, including those whose schools had been closed.<sup>748</sup> On January 1, 2017, acting Minister of Education Assadullah Mohaqiq (Minister Balkhi lost a vote of confidence in the lower house of parliament on November 13), told the upper house of parliament that more than 1,000 schools across the country were closed because of security issues.<sup>749</sup>

## Education Management Information System Data

The Ministry of Education (MOE) had previously acknowledged a large number of children are out of school, but was unaware of how many, who or where they are, or their backgrounds.<sup>750</sup>

To better help the MOE gather school data to guide their decision making—and indirectly understand how donor funding is benefiting Afghanistan’s education system—donors funded the **Education Management Information System (EMIS)**, which tracks critical educational statistics such as the numbers of teachers working and students enrolled. Barriers to data collection have resulted in imprecise and inaccurate EMIS data, prompting further concern from donors. To understand the scope of the problem, USAID funded an assessment of the data-quality in EMIS to identify and address gaps in the system.<sup>751</sup>

Despite its shortcomings and inability to answer key questions, the initial assessment found that EMIS has developed the capacity to manage a nationwide information system. However, there remains a gap between its actual capacity and what is needed to ensure the information is accurate and reliable. Key weaknesses were identified, including lack of oversight, inconsistent monitoring at schools, insufficient capacity and training on EMIS forms and procedures, inadequate financing and overreliance on donor-funded assistance, and lack of coordination resulting in duplicative data collection and inefficiencies.<sup>752</sup> USAID reported that the second round of assessment results is expected to be released next quarter.<sup>753</sup>

## USAID Programs

USAID aims to improve equitable access to quality education in Afghanistan through community-based classes in remote regions. USAID also seeks to develop relevant, in-demand technical skills to better prepare Afghans for employment. Its programs focus on early-grade reading, textbooks and other learning materials, and raising literacy rates through teacher and educator training.<sup>754</sup> USAID had disbursed approximately \$883 million for education programs in Afghanistan, as of December 31, 2016.<sup>755</sup> USAID’s active education programs have a total estimated cost of \$403.1 million and can be found in Table 3.25.

USAID also funds other donor-administered education programs. On October 24, 2016, USAID approved the disbursement of \$5 million to the Afghanistan Reconstruction Trust Fund for the World Bank’s Higher

### Education Management Information

**System:** a centralized, computerized network system used to gather school data to support decision making in the Ministry of Education.

Source: USAID, *Data Quality Assessment of the Ministry of Education’s Education Management Information System*, 7/2016, p. 1.

TABLE 3.25

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	\$91,927,769	\$39,686,575
Increasing Access to Basic Education and Gender Equality	9/17/2014	12/31/2019	77,402,457	77,402,457
Afghans Read Program (ARP)	4/4/2016	4/3/2021	69,547,810	3,394,637
Support to American University of Afghanistan	8/1/2013	11/29/2019	45,902,538	27,109,261
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	12,739,126
Basic Education, Literacy, and Technical-Vocational Education (BELT), Textbooks	11/16/2011	12/31/2016	26,996,813	24,970,742
Let Girls Learn Initiative and Girls' Education Challenge Program (GEC)	6/29/2016	6/28/2021	25,000,000	0
Early Grade Reading Survey	7/27/2015	3/27/2017	12,487,469	8,899,407
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	7,262,016	3,188,796
PROMOTE Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522
BELT/All Children Reading and Improved Access	7/27/2015	3/27/2017	472,585	450,326

Source: USAID, response to SIGAR data call, 1/18/2017.

Education Development Project (HEDP). This money, to be disbursed incrementally, will fund 200 additional graduate-degree scholarships to the 300 already approved under the project. HEDP aims to increase the number of graduate-degree recipients and significantly improve the quality of teaching in the public university system. With this disbursement, combined with prior contributions, USAID will cover \$22 million of the \$50 million project cost (44%) and plans to contribute another \$10 million by December 2017.<sup>756</sup>

## Basic Education, Learning, and Training (BELT)/Education Quality Improvement Project (EQUIP) II

Basic Education, Learning, and Training (BELT) aims to expand and improve basic-education access and quality. BELT activities include a national early-grade reading program and textbook printing and distribution, covering Afghanistan's entire primary-school population.<sup>757</sup> BELT also does capacity building at the MOE, and pre- and in-service teacher training through the World Bank-administered Education Quality Improvement Project (EQUIP) II program, which has trained 154,811 educators and awarded 11,436 female students scholarships to attend teacher-training colleges.<sup>758</sup>

EQUIP II administrators undertook two missions—in May and September 2016—to review teacher activities and discuss upcoming observation studies, to design EMIS-technology evaluations, update EQUIP II-performance indicators, and to assess progress in implementing civil

**An Independent Joint Anti-Corruption Monitoring and Evaluation Committee assessment found that despite some successes, EQUIP has failed to meet its overall goals since it began in 2004. The program suffers from poor planning, weak monitoring, and ineffective coordination among implementers that has caused 30–40% of funds to be misused, schools to be poorly constructed, and students to be inadequately educated.**

Source: Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Vulnerability to Corruption Assessment of the Education Quality Improvement Program in the Ministry of Education*, 11/2015, p. 3.

works for 110 stopped and 415 incomplete construction for 525 schools. Overall, it found that considerable progress has been made in the number of teachers trained, the provisions given to schools, and the establishment of electronic data-collection systems for schools and provincial directorates of the MOE. However, with 3.4 million girls enrolled, the program has not yet reached its targets of 3.8 million girls enrolled by December 2016 or its girl-boy student ratio targets (68% achieved versus 79% target for grades 1–3; 66% achieved versus 69% target for grades 4–6; 57% achieved versus 62% target for grades 7–9; and 52% achieved versus 57% target for grades 10–12. Substantial progress has been made in all but one of these indicators compared to their corresponding baselines in 2008.<sup>759</sup>

EQUIP II also agreed to finance 83 of 110 schools where construction has stopped provided there is no evidence of the misuse of funds or construction cost overruns. The remaining 27 stopped schools will be not be rehabilitated due to their locations in very insecure areas, and because the poor quality of existing work has deteriorated over time. Once security improves in their respective areas, new school construction will commence. For the 415 incomplete schools (down from around 900 schools in 2012), the MOE will pursue legal remedies for all cases of misuse of funds and corruption and reach out to those communities that did not adhere to their 10% required cost-share to try to mobilize funding. In addition, the government will make available either its own or donor funds to complete construction.<sup>760</sup>

## HEALTH

Afghanistan's health indicators have improved since 2002, though they remain below average among low-income countries. Afghanistan's public health is beset by many challenges: tuberculosis, polio, poor maternal health, and one of the world's highest levels of child malnutrition, according to the World Bank.<sup>761</sup>

### USAID Funding and Health Programs

U.S.-funded health-sector programs aim to preserve and enhance gains made since 2002. USAID assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities to strengthen the ministry's management and control over healthcare delivery across Afghanistan.<sup>762</sup> U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1 billion as of December 31, 2016.<sup>763</sup>

On-budget assistance to the MOPH provides basic health care and essential hospital services. Off-budget assistance includes activities to strengthen health systems, engage the private sector, reduce child and maternal deaths, reduce tuberculosis-related deaths, reduce child

TABLE 3.26

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 12/31/2016 (\$)
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	\$75,503,848	\$553,175
Helping Mother and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	20,820,048
Health Sector Resiliency (HRS)	9/28/2015	9/27/2020	37,936,471	5,693,512
Strengthening Pharmaceutical System	8/28/2011	7/10/2017	34,399,936	31,722,233
Disease Early Warning System Plus (DEWS Plus)	1/1/2015	12/30/2020	32,728,000	19,788,615
Central Contraceptive Procurement	3/11/2009	9/8/2022	25,000,000	13,035,571
Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea	7/21/2015	7/7/2020	15,002,610	4,400,000
Challenge Tuberculosis	1/1/2015	9/29/2019	15,000,000	3,699,334
Demographic and Health Surveys	9/9/2013	9/8/2018	6,699,863	5,453,731
Sustaining Health Outcomes through the Private Sector (SHOPS Plus)	1/1/2016	9/30/2017	6,000,000	2,927,320
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,408,826
Mothers and Under-Five Nutrition and Child Health (MUNCH)	12/16/2014	12/31/2016	5,000,000	5,000,000
Global Health Supply Chain Quality Assessment	1/2/2015	1/1/2020	1,500,000	1,500,000
Family Planning and Assessment	5/16/2015	12/31/2016	634,833	634,833
Coordinating Comprehensive Care for Children (4 Children)	9/15/2014	9/16/2019	20,000	20,000

Note: The Regional Fortification in the Central Asian Republics and Afghanistan project aims to increase iron, zinc, folic acid and vitamin A nutrient intake by 20% through distribution of fortified wheat and edible oil.

Source: USAID, response to SIGAR data call, 1/18/2017; Global Alliance for Improved Nutrition, "Regional Fortification in the Central Asian Republics," accessed 1/15/2016.

undernutrition, improve the use of modern family-planning methods, and eliminate polio.<sup>764</sup>

USAID believes that the MOPH's ability to deliver quality health care through the **Basic Package of Health Services (BPHS)** and **Essential Package of Hospital Services (EPHS)**—the cornerstone of health-service delivery in Afghanistan—is critical to improve health outcomes.<sup>765</sup> USAID's active health programs have a total estimated cost of \$321.0 million, and are listed in Table 3.26.

### Helping Mothers and Children Thrive

USAID's Helping Mothers and Children Thrive (HEMAYAT) program aims to increase access to and utilization of family-planning and maternal-health services through BPHS and the private sector, and also strengthen referral systems to hospitals through EPHS at the provincial level.<sup>766</sup>

In FY 2016, HEMAYAT exceeded performance targets against several indicators, including the percentage of BPHS facilities that provide modern

**BPHS:** provides primary healthcare services—such as immunizations and prenatal care—at small and rural health clinics, and forms the core of health-service delivery for all primary-care facilities in Afghanistan.

**EPHS:** outlines the medical services each type of hospital in the Afghan healthcare system should provide in terms of general services, staff, equipment, vices, and medications while promoting a health-referral system that integrates the BPHS with hospitals.

Source: SIGAR 13-9-AR, *Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not be Sustainable and Existing Hospitals are Facing Shortages in Some Key Medical Positions*, 4/2013, p. 1.

## SIGAR AUDIT

A SIGAR audit published this quarter focused on USAID's efforts to support and improve Afghanistan's health-care services, the extent to which USAID assessed the overall impact of its efforts, and the extent to which USAID collects, verifies, and reconciles healthcare data to determine its accuracy. It found that USAID did not disclose data-quality limitations when citing numerous achievements in Afghan health metrics; USAID's project evaluations and performance reports were not linked to the broader healthcare-assistance objectives included in its performance-monitoring plan for Afghanistan; USAID's performance-monitoring effort lacked the information needed to prove that its efforts helped achieve its objectives; and USAID does not require a final, independent project evaluation. For more information, see Section 2.

contraceptives; the percentage of BPHS facilities that are implementing harmonized quality-improvement methods; the number of health workers trained through HEMAYAT's family planning project support; the percentage of U.S. government-assisted community health workers (CHWs) that provide family-planning information, referrals or services; the percentage of health workers that counsel on the correct use and distribution of misoprostol (to prevent postpartum bleeding); the percentage of women giving birth at home who receive misoprostol in the third stage of labor; and the percent of provinces with active maternal-death surveillance and review systems.<sup>767</sup>

HEMAYAT narrowly missed planned performance targets, but maintained the baseline levels found in the 2015 Demographic Health Survey, in the following areas: modern contraceptive use; the percent of births by mothers receiving at least four antenatal care visits during pregnancy; percent of births attended by a skilled doctor, nurse or midwife; and the percent of children who received the third and final dose of the diphtheria, pertussis (whooping cough) and tetanus vaccine by 12 months. HEMAYAT also slightly missed its goal in the percentage of U.S.-assisted health-service-delivery sites that provide family planning (compared to the MOPH's baseline metric).<sup>768</sup>

In addition to deteriorating security conditions that affected several programmatic efforts in FY 2016, there was an insufficient supply of misoprostol due to a lack of dedicated funding and institutionalized MOPH procurement of the drug. While a temporary solution was found, HEMAYAT was working with Ministry of Public Health directorates to buy a sustainable supply through existing contracts with the World Bank-administered System Enhancement for Health Action in Transition national health program.<sup>769</sup>

## Initiative for Hygiene, Sanitation, and Nutrition

USAID's five-year, \$75.5 million, Initiative for Hygiene, Sanitation, and Nutrition (IHSAN) project aims to improve nutrition for women and children less than five years old, with a focus on the first 1,000 days—from conception to age 24 months. The goal is to decrease stunting by at least 5% and reduce anemia among reproductive-age women by 10% over five years. To accomplish this, IHSAN is working with the Afghan government, civil society, and the private sector to implement nutrition and water, and sanitation and hygiene interventions beginning in 10 priority provinces—Badakhshan, Badghis, Bamyan, Farah, Ghor, Kunar, Nangarhar, Nuristan, Paktiya, and Samangan.<sup>770</sup>

Since project implementation in May 2016, IHSAN began developing a work plan, drafting contractual documents for its implementing partners, and hiring staff. IHSAN representatives also met with departments in the Ministry of Public Health, Ministry of Agriculture, Irrigation, and Livestock, Ministry of Rural Rehabilitation and Development. Meetings also took place



with relevant international organization stakeholders to understand existing nutritional improvement efforts, avoid duplication, and identify gaps that IHSAN could fill.<sup>771</sup>

## **Polio**

Afghanistan and Pakistan are two of only three countries where polio is still endemic.<sup>772</sup> Both countries, which share a 1,500-mile border, suffer from the Taliban's opposition to vaccination campaigns.<sup>773</sup> USAID said the Taliban, and those living in Taliban strongholds in Afghanistan and Pakistan, have spread misinformation that polio-immunization campaigns are American conspiracies, that their volunteer workers are spies, and that the polio vaccine is an anti-fertility drug or that it has side effects.<sup>774</sup>

Afghanistan reported 12 new polio cases in 2016, as of December 28, down from 17 cases at this point last year. The most recent case was on October 12 in Paktika Province, close to the Pakistan border. Half of Afghanistan's polio cases in 2016 came from Paktika.<sup>775</sup> The United Nations estimates that 600,000 children in Afghanistan—up from 320,000 reported last quarter—have not been vaccinated, mostly due to fighting and insurgents' blocking access to children. Almost half the children are from Farah Province and southern Afghanistan.<sup>776</sup> USAID obligated more than \$25.7 million for polio eradication in Afghanistan since FY 2003.<sup>777</sup>

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## COUNTERNARCOTICS

### KEY ISSUES AND EVENTS

The United Nations Office of Drugs and Crime (UNODC) reported that approximately 201,000 hectares of land in Afghanistan were under poppy cultivation in 2016—an increase of 10% over the previous year's total. According to UNODC, poppy eradication results were the lowest this decade at 355 hectares—a 91% decrease from 2015. Though cultivation decreased by 7% in Helmand—the country's main opium poppy-cultivating province—and 3% in Kandahar, it increased significantly in others, notably 184% in Badghis. The number of poppy-free provinces decreased from 14 to 13, with Jowzjan losing the poppy-free status it regained in 2008.<sup>778</sup> Moreover, final approval of the U.S. government's revised counternarcotics strategy has been postponed until the new Administration endorses the new strategy.

The Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL) implemented a new alternative-livelihood program through UNODC and United Nations Development Programme (UNDP). The Community-Based Agriculture and Rural Development (CBARD) project aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities in Badghis and Farah Provinces. The \$61.3 million USAID Commercial Horticulture and Agricultural Marketing (CHAMP) program was extended during the quarter. Under the three-year extension, CHAMP will focus on supply chain marketing and promoting the export of Afghan fresh and dried fruits to international markets. CHAMP was conceived to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production.

Mentoring of the specialized units of the Counternarcotics Police of Afghanistan (CNPA) by a Resolute Support advisory team has produced positive results. The first Afghan operation in more than four years took place in the Sarobi District, a major opium production area in Kabul Province. According to U.S. Forces-Afghanistan (USFOR-A), the CNPA conducted a seizure valued at over \$60 million in October 2016. In addition, this quarter, Afghan law enforcement conducted operations in the capital

and eastern regions. Despite the increased number of interdictions and seizures, the results had little effect on the country's opium production, which increased to 4,800 tons in 2016—a 43% increase from 2015. UNODC estimates its total farmgate value at \$900 million, a 57% increase from the 2015's \$570 million estimate for 3,300 tons.<sup>779</sup>

## **U.S. RECONSTRUCTION FUNDING FOR COUNTERNARCOTICS**

As of December 31, 2016, the United States has provided \$8.5 billion for counternarcotics efforts in Afghanistan since 2002. Nonetheless, Afghanistan remains the world's leading producer of opium, providing 80% of the global output over the past decade, according to the United Nations.<sup>780</sup>

The country also has a growing domestic addiction problem and one of the highest substance abuse-rates in the world. The 2012 National Urban Drug Use Survey and 2014 National Rural Drug Use Survey estimate that 11% of the adult population (2.5–3 million Afghans) use drugs, compared with the 0.3% global average.<sup>781</sup>

Congress appropriated most counternarcotics (CN) funds for Afghanistan through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3 billion), the Afghan Security Forces Fund (ASFF) (\$1.3 billion), the Economic Support Fund (ESF) (\$1.6 billion), and a portion of the State Department's International Narcotics Control and Law Enforcement (INCLE) account (\$2.2 billion). ASFF is primarily used to develop the Afghan National Army and Police, including the Counternarcotics Police and Special Mission Wing who support the efforts of the Ministries of Defense (MOD) and Interior (MOI) to address the narcotics trade.<sup>782</sup>

USAID's alternative-development programs are intended to support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. In addition to reconstruction funding, the DEA receives funds through direct appropriations to operate in Afghanistan. See Appendix B for additional funding information.<sup>783</sup>

SIGAR will issue a Lessons Learned Program report later this year that will examine counternarcotics efforts since the U.S. reconstruction began. This comprehensive review will incorporate satellite-imagery data analysis and provide recommendations to policymakers to improve future strategies and programs.

## **Opium Cultivation on the Rise, Eradication Results Negligible**

UNODC issued its latest opium survey on cultivation and production in December 2016. The survey said the area of Afghanistan under

opium-poppy cultivation increased 10% from 2015, to 201,000 hectares (nearly half a million acres).

The southern region, which includes Daykundi, Helmand, Kandahar, Uruzgan, and Zabul Provinces, accounted for 59% of total cultivation. Helmand remained the country's largest poppy-cultivating province, followed by Badghis and Kandahar.<sup>784</sup> Jowzjan lost the poppy-free designation it had regained in 2008, reducing the number of poppy-free provinces to 13.<sup>785</sup>

Afghan opium production rose 43% over 2015's levels, to an estimated 4,800 tons. The reported production increase reflected the larger area under cultivation, higher yields, and lower eradication results.<sup>786</sup> The opium produced is exported as either raw opium or heroin/morphine, consumed domestically in different forms, seized, stored, or lost.<sup>787</sup>

However, UNODC suggests it may have underestimated national opium production in 2016.<sup>788</sup> Although UNODC conducted yield surveys, they were not implemented in all provinces for security reasons. Regional averages were used in those instances, but they may not represent an accurate picture. For example, no field measurement took place in Badghis, the second largest opium-cultivating province in 2016, but satellite imagery indicated a higher potential yield than in the other western provinces used to calculate the regional average.<sup>789</sup>

According to UNODC, opium yield was the most important driver in opium production in 2016. The largest increase in yield per hectare took place in the western region (which covers Badghis, Farah, Ghor, Herat, and Nimroz Provinces). Potential production is the total production if all the cultivated opium in Afghanistan were transformed into products in the same year. It is not an estimate of actual opium or morphine/heroin production.<sup>790</sup>

UNODC delivers estimates for only a single harvest, yet credible reports indicate that Afghan farmers have been reaping multiple harvests in recent years. In Helmand, for instance, farmers had two additional harvests in 2016. David Mansfield, an expert on Afghanistan opium, estimates the second crop to be less than 10,000 hectares (24,710 acres) and reports that little information is available on the third Helmand crop.<sup>791</sup> Moreover, farmers in Nangarhar have used technological improvements such as solar-powered **tube wells** to irrigate a second opium crop.<sup>792</sup> UNODC's cultivation totals also are probably undervalued. In response to SIGAR's query on the impact of the multiple harvests on the implementation of alternative livelihood programs, INL stated that alternative-development efforts focus on developing perennial and high-value crops and off-farm employment opportunities. These interventions reduce the attractiveness of engaging in opium production and provide viable alternatives to illicit cultivation year-round.<sup>793</sup>

Eradication decreased 91% to 355 hectares (877 acres).<sup>794</sup> No eradication took place in the biggest opium-growing provinces because of the grave



**A tube well:** is a pipe with a solid steel point and lateral perforations near the end that is driven into the earth until water is reached. A suction pump is applied to the upper end, and it can be solar- or diesel-powered.

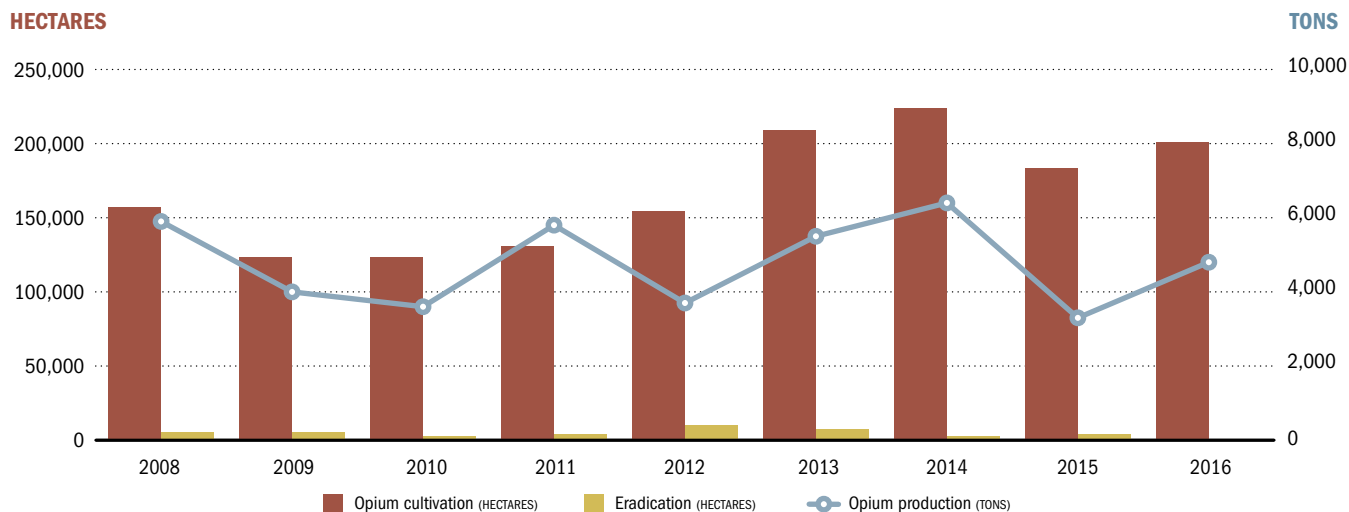
(U.S. Geological Survey Image)

Source: *English Oxford Dictionary Website*, en.oxforddictionaries.com/definition/tube\_well, accessed 1/5/2017; David Mansfield, Paul Fishstein and OSDR, "Time to Move on: Developing an Informed Development Response to Opium Cultivation in Afghanistan," *Afghanistan Research Evaluation Unit*, 10/2016, p. 38.

# COUNTERNARCOTICS

FIGURE 3.31

## AFGHAN OPIUM CULTIVATION, ERADICATION, AND PRODUCTION SINCE 2008



Source: UNODC, *World Drug Report 2016, Annex, 6/2016, vii, ix, xii*; UNODC, *Afghanistan Opium Survey 2016: Cultivation and Production, 12/2016, p. 6*.

“Drugs have direct links with corruption, terrorism and development. Without tackling [the] drug problem and illicit economy, in general, it will not be possible to solve other problems facing Afghanistan.”

—*Andrey Avetisyan, Regional Representative of the United Nations Office on Drugs and Crime*

Source: Andrey Avetisyan, regional representative of the United Nations Office on Drugs and Crime, speaking at a joint press conference in Kabul, 10/23/2016.

security situation.<sup>795</sup> Production and cultivation results had been rising for the past decade, as illustrated in Figure 3.31. Eradication efforts have had minimal impact on the rise in illicit opium cultivation.<sup>796</sup>

### Revised U.S. Counternarcotics Strategy Postponed

The Afghan government rolled out its national counternarcotics strategy, the National Drug Action Plan (NDAP), in 2015.<sup>797</sup> The Afghan government completed its first annual review of its counternarcotics strategy this quarter; however, an English translation of the review was not available for this report.<sup>798</sup>

The U.S. government had planned to support the Afghan strategy with its own strategy. Last quarter, INL informed SIGAR that the new strategy—completed in late 2016 in coordination with other U.S. agencies—was making its way through the approval process and that the November U.S. elections would not impact its rollout.<sup>799</sup> However, this quarter INL informed SIGAR that at State’s direction, final approval was postponed until the new U.S. administration endorses the new strategy.<sup>800</sup>

INL notes that the United States continues to implement comprehensive counternarcotics programming within the framework of the U.S. government counternarcotics strategy approved in 2012, taking into account the current operating environment in Afghanistan and the United States’ support of Afghanistan’s 2015 NDAP.<sup>801</sup>

UNODC estimates that Afghanistan accounts for two-thirds of the global area under illicit opium cultivation.<sup>802</sup> SIGAR noted in its October 2014 report that counternarcotics has largely fallen off the Afghan agenda of both the U.S. government and the international community. At the Brussels Conference in October, counternarcotics was barely addressed, though it is mentioned near the end of the Joint Communiqué where the international community reaffirms its commitment to reducing illegal production and trafficking of narcotics. The topic did not feature prominently in conference events, though it was a topic of the National Peace and Development Framework presented there.<sup>803</sup>

During the quarter, INL participated in three international working group meetings under the **Paris Pact** framework on regional cooperation, drug demand reduction and interdiction of **precursor chemicals**.<sup>804</sup> During the meetings, Paris Pact partner countries updated the international community on trafficking matters and changes in their domestic drug markets, and discussed a number of challenges and best practices in counternarcotics efforts, particularly in developing and implementing cross-border law enforcement training programs.<sup>805</sup>

## Drug-Demand Reduction

U.S.-funded national surveys on urban and rural drug use, conducted in 2012 and 2014 respectively, estimate that 2.5–3 million Afghans—nearly 11% of the country's population—are drug users.<sup>806</sup> The country lacks sufficient treatment centers to address the growing drug-abuse problem, particularly for women and children. The first drug treatment center in Kabul for women and children opened this quarter and it can house 120 patients. This center is unique in treating women and children with psychologists working alongside doctors. The Ministry of Public Health (MOPH) estimates that of the three million addicts, one million are women and more than 100,000 are children.<sup>807</sup>

Since 2015, INL has transitioned 28 of the 86 U.S.-funded drug treatment centers to the responsibility of the MOPH. Transition of 21 treatment centers for women and children scheduled for January 2017 has been suspended while INL, the MOPH, the Ministry of Counter Narcotics (MCN), and the NGOs renegotiate the transition plan.<sup>808</sup> INL held meetings with stakeholders in December 2016 to revise the transition plan based on issues raised at the May drug-demand reduction working group meeting. MOPH raised concerns about their ability to contract with the NGOs currently running the centers in the initial timeframe set out in the transition plan. INL also had concerns about the firing of clinical staff from transitioned centers.<sup>809</sup> The remaining treatment centers will transition by the end of 2019. INL reduced funding to all facilities (including the MOPH portfolio of 28 centers) by approximately 20% in 2015, another 15% in 2016 and another 25% in 2017.<sup>810</sup>

**The Paris Pact:** The partnership of several countries and international organizations to combat illicit opium traffic from Afghanistan. It originated at a ministers' meeting in Paris in 2003 on Central Asian drug routes. The pact aims to reduce opium-poppy cultivation, production and global consumption of heroin and other opiates, and to establish a broad international coalition to combat illicit traffic in opiates.

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

Source: Paris Pact website, "What is it?" [www.paris-pact.net](http://www.paris-pact.net), accessed 7/16/2014; UNODC, "Multilingual Dictionary of Precursors and Chemicals," 2009, viii.

To address the growing drug problem in rural areas, which studies indicate is worse than in urban areas, INL has developed a nearly \$500,000 rural pilot program training curriculum for treatment planned for launch in mid-2017. In addition, the translation of training manuals into Dari and Pashto, which should have been completed in December 2016 but was unconfirmed by INL in time for this report, is expected to enable training of local health-care workers as well as coordination of community preparations.<sup>811</sup> INL has also implemented an antidrug curriculum in Afghan schools that has trained more than 1,600 teachers and reached more than 400,000 students.<sup>812</sup> INL is preparing to conduct another drug-use survey in Afghanistan.<sup>813</sup>

INL has been working with the Afghan government and the **Colombo Plan Drug Advisory Programme (DAP)** since 2003 to develop and sustain the country's drug-treatment system. Between October 1, 2015, and June 30, 2016, INL has provided \$5.1 million in funding for operational costs for all 86 facilities.<sup>814</sup>

INL contributed \$12.9 million during 2015 for drug-treatment and education programs.<sup>815</sup> It has not yet obligated FY 2016 funds to the Colombo Plan.<sup>816</sup>

The joint monitoring visits by MCN, MOPH, UNODC, and DAP officials undertaken in 2016 led to recommendations to implement changes to drug-dependency programs. Those include an increase in available home-based treatment, an adjustment in treatment duration (45 days for women and children and 90 days for men), and an increase in the number of significant therapeutic activities (e.g., group counseling and/or integration of family therapy and psychoeducational sessions).<sup>817</sup>

INL and DAP only support treatment with a minimum duration of 90 days. The treatment duration is divided into three phases:

- pre-treatment or motivation
- inpatient/residential or active treatment
- continuum of care/follow-up

For clients who have residential/active treatment phases that are shorter than 90 days, more extensive follow-up care is provided.<sup>818</sup>

INL informed SIGAR that the Colombo Plan has different durations for the inpatient/active treatment phase based on gender or age, due to cultural and other factors. These factors were established with INL, UNODC, Colombo Plan, MOPH, and MCN.<sup>819</sup>

## Counter Narcotics Community Engagement

INL funds the nationwide Counter Narcotics Community Engagement (CNCE) program, which focuses on discouraging poppy cultivation, preventing drug use by raising public awareness, and encouraging licit crop production. Since 2013, INL has obligated \$12.7 million and spent \$9.8 million on the program.<sup>820</sup> CNCE is in its third phase, which began May 2016 and ends November 2017.<sup>821</sup>

**Colombo Plan:** Instituted as a regional intergovernmental organization to further economic and social development, it was conceived at a conference held in Colombo, Sri Lanka (then Ceylon), in 1950 with seven founding-member countries. It has since expanded to 26 member countries. INL supports the Colombo Plan's Universal Treatment Curriculum, a national-level training and certification system for drug-addiction counselors aimed at improving the delivery of drug treatment services in Africa, Asia, and Latin America.

Source: *The Colombo Plan Secretariat Website*, "History," [www.colombo-plan.org](http://www.colombo-plan.org), accessed 4/7/2014; State, INL, *International Narcotics Control Strategy Report: Volume I, Drug and Chemical Control*, 3/2016, pp. 23–24.



The program pays an Afghan company, Sayara Strategies (Sayara), to place reporters in Afghan provinces, which are ranked in three categories based on MCN's official objectives and the results from the UNODC opium surveys from 2013 to 2015.<sup>822</sup> Reporters assess the reach of media campaigns on local audiences (for instance, the number of individuals who heard a particular message). Sayara uses this information to update current media campaigns in order to ensure the highest audience numbers possible.<sup>823</sup> INL provided \$900,866 to Sayara in support of program activities for the coming quarter.<sup>824</sup>

INL realizes reducing opium poppy cultivation does not merely depend on crop substitution, eradication, or public messaging. Based on UNODC's 2015 Opium Survey Socioeconomic Analysis, farmers' dependence on opium cultivation is not simply income-related, but also due to the lack of reliable and sustainable access to markets for selling alternative products.<sup>825</sup>

## Ministry of Counter Narcotics Capacity Building

INL has obligated \$35.2 million on MCN capacity building and spent \$26 million to date since 2008.<sup>826</sup> INL also launched four new programs in October 2016:

- skills-based grant of approximately \$150,000
- financial remediation plan contract worth more than \$400,000
- letter of agreement with the Colombo Plan valued at over \$6 million
- follow-on program to the Asian University for Women (AUW) fellowship<sup>827</sup>

Six AUW fellows are currently at the MCN for the 2016–2017 academic year. Twenty-five fellows will have gone through the fellowship by its conclusion in April 2017. INL will expand the AUW fellowship under the Colombo Plan to support an additional 25 fellows at the MCN over four years.<sup>828</sup> INL has obligated \$1.1 million on the current AUW fellowship, funded from the overall \$35.2 million capacity-building obligations.<sup>829</sup>

The letter of agreement under the Colombo Plan will support placing subject-matter experts at the MCN to assist with institution and capacity building as well as a follow-on to the AUW fellowship.<sup>830</sup> The Colombo Plan will conduct a needs-assessment to target capacity-building needs. Though INL conducts yearly needs-assessments and the MCN has performed one, INL told SIGAR the one conducted by the Colombo Plan will bring all stakeholders into the process and enable the development of specific capacity objectives that will allow each advisor to more accurately measure effectiveness.<sup>831</sup>

INL also said one drug-demand reduction advisor from the Colombo Plan is already in place at the MCN. As an international organization, the Colombo Plan's security protocols allow greater freedom of movement than INL's. Access to the MCN would therefore not be as difficult as for

## SIGAR AUDIT

This quarter, SIGAR released a financial audit report on Sayara Media Communications. Financial Audit 17-24-FA: *Department of State's Afghanistan Counternarcotics Program, Audit of Costs Incurred by Sayara Media Communications*, identified three deficiencies in Sayara's internal controls and three instances of noncompliance with the cooperative agreement terms and conditions, as well as applicable regulations. Crowe Horwath LLP performed the audit on the \$12.7 million cooperative agreement and reviewed \$9.7 million in expenditures charged to the agreement between April 2013 and April 2016. See Section 2, p. 29 for more information.

U.S. citizens or third-party contractors. INL expects that the advisors will be recruited from candidates already living in Afghanistan.<sup>832</sup>

The financial-remediation plan contract stems from INL's 2015 review of the MCN's public financial-management system which identified certain deficiencies (see SIGAR's July 30, 2015, *Quarterly Report to the United States Congress*). A remediation plan was created and the contract was awarded in September 2016.<sup>833</sup> The contractor, Afghan Holding Group (AHG), signed a memorandum of understanding with the MCN and is developing a training manual of standard operating procedures in consultation with MCN staff.<sup>834</sup> AHG will develop databases and training services for the financial management system of the MCN. The databases should be compatible with the Ministry of Finance (MOF)'s Afghanistan financial management information system.<sup>835</sup> AHG completed a needs-assessment at the end of December 2016. AHG has also engaged with other implementers to ensure that the financial system installed at the MCN will be compatible with the systems at the MOF and other relevant government agencies.<sup>836</sup>

INL informed SIGAR it measures the capacity-building program's effectiveness in multiple ways. First, INL conducts biannual program reviews; the most recent one was in June 2016. With the launch of multiple capacity-building programs in October 2016 (the financial remediation plan, the skills-based training grant, the two capacity-building initiatives through the Colombo Plan) INL anticipates receiving quarterly reporting from each program that will be used to analyze each one's effectiveness. These data requirements are outlined in the MCN capacity building program performance-measurement plan, and they include the number of standard operating procedures for administrative and financial systems and processes developed, the number of trainings conducted, and the pre- and post-test scores of trained MCN staff. Lastly, INL believes monitoring by a third-party remote monitoring team will enable its program officers to better assess the implementation and effectiveness of capacity-building efforts at the MCN.<sup>837</sup>

## Governor-Led Eradication Program

INL funds the Governor-Led Eradication (GLE) program, which reimburses provinces for the cost of eradicating poppies. Between 2008 and 2016, INL disbursed \$4.6 million towards the GLE program. Annually, reimbursements account for less than 2% of INL's counternarcotics budget for Afghanistan. Since its inception, INL received a total allotment of \$10.9 million in GLE funds.<sup>838</sup>

The MCN tracks cumulative results that are verified by UNODC.<sup>839</sup> According to UNODC, a total of 355 hectares (1 hectare is slightly less than 2.5 acres) were eradicated in 2016, a 90.6% decrease from 2015. UNODC reports little eradication took place this year due to security and financial challenges in the important poppy-growing areas. Helmand

remained the top opium-cultivating province, followed by Badghis, Kandahar, Uruzgan, and Nangarhar.<sup>840</sup> The verification process for several years has included comparing satellite imagery against data provided on the ground.

For 2016, UNODC reports that most provinces claimed results greater than the amount of eradicated fields on the ground. Moreover, the majority of fields were poorly eradicated. In Badakhshan Province (where over-reporting was confirmed and the final eradication figure corrected), satellite imagery confirmed that 78% of the fields were less than 20% eradicated, followed by 13% percent of the fields that were less than 30% eradicated. Only 20 fields were more than 80% eradicated.<sup>841</sup>

Eradication results for 2016 were the lowest reported in the past decade, and when compared with cultivation and production totals in Table 3.31 on page 188, they illustrate current levels of eradication have not succeeded in discouraging farmers from growing the crop.<sup>842</sup> UNODC reports that eradication needs to be adequately complemented by programs that provide alternative livelihoods.<sup>843</sup>

## Good Performers Initiative

INL suspended the \$143 million Good Performers Initiative (GPI) last year due to the MCN's inability to implement the program properly. GPI was a program implemented by the MCN that sought to incentivize provincial counternarcotics performance. No new GPI projects have been approved since April 30, 2016, but funding will continue until current projects are completed.

INL and UNODC negotiated two new alternative-development programs that launched in October to supplement activities performed under GPI. Moreover, INL is independently developing a post-GPI alternative-development, **food-zone based program**.<sup>844</sup> The letters of agreement for these programs were signed in August and September 2016.<sup>845</sup>

As of October 31, 2016, there have been 286 GPI projects worth \$126.2 million: 214 projects have been completed; 69 projects are ongoing including three near completion.<sup>846</sup>

## ALTERNATIVE DEVELOPMENT/ALTERNATIVE LIVELIHOOD

USAID's alternative-development (AD) programs are intended to support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. INL funding supports supply-reduction and AD programs. INL told SIGAR it coordinates regularly with USAID to ensure that INL-supported AD efforts complement past and ongoing investments by USAID in licit livelihoods and rural development in Afghanistan.<sup>847</sup> INL AD programs align with the AD objectives of the U.S. government's counternarcotics strategy, in support of Afghanistan's NDAP goals. INL AD

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**A food-zone based program:** is designed to transition an area dependent on opium agriculture to a licit agricultural economy. Poppy-free zones are created throughout the program's duration. The program strategy involves a public information campaign, alternative livelihood inputs, law enforcement, and a drug demand reduction program. It is based on the Helmand Food Zone program which ran with assistance from the British and Danish governments from 2008 to 2012.

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Source: USAID website, "Hilmand Food Zone Project (HFZP) Factsheet," [www.usaid.gov/node/51021](http://www.usaid.gov/node/51021) accessed 1/5/2017; Ministry of Counter Narcotics website, Food Zone, <http://mcn.gov.af/en/page/5138/5141> accessed 1/7/2017; Victoria A. Greenfield, Keith Crane, et al., *Reducing the Cultivation of Opium Poppies in Southern Afghanistan*, 6/2015, pp. 181–182; SIGAR, *Quarterly Report to the United States Congress*, 10/30/2015, p. 119.

## SIGAR AUDIT

This quarter, SIGAR released a financial audit report on the \$11.9 million Aga Khan Foundation grant to support the Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) program. Financial Audit 17-23-FA Department of State's Strengthening Afghan Governance and Alternative Livelihoods Program: Audit of Costs Incurred by the Aga Khan Foundation USA, identified two material weaknesses and one deficiency. Based on the results of the audit performed by Crowe Horwath LLP, over a \$1 million was deemed unsupported. See Section 2; p. 28 for more information.

programs target high poppy-cultivating areas, including Badghis, which experienced a cultivation increase of more than 180% in 2016.<sup>848</sup>

INL has been implementing AD programming in Afghanistan since 2007 through the Good Performers Initiative and a series of grants with the Aga Khan Foundation to strengthen subnational governance and alternative livelihoods. INL alternative-development programs target high poppy-cultivating areas, in line with Afghan government priorities laid out in Afghanistan's National Drug Action Plan.<sup>849</sup> According to INL, its latest AD programs take a targeted approach that generally supplements USAID's work in AD and agriculture, and combines AD with the core INL competencies of law enforcement, public information, and demand reduction.

INL told SIGAR it can work in more remote areas where USAID does not work, which has an economic growth mandate. USAID is also driven by economic imperatives, and does not make poppy cultivation a primary criterion for intervention. INL has turned to UNODC and UNDP to implement its latest programs.<sup>850</sup>

Opium cultivation may continue to rise because international funding has decreased for certain sectors of the Afghan economy based on commitments announced at the Brussels Conference. According to the last United Nations secretary general report on the situation in Afghanistan, "[t]he agriculture sector was the most affected, with an 85 per cent decline in investments." The World Bank and the Afghan government have announced funding for community-based initiatives to offset the drop in financial support.<sup>851</sup>

## Strengthen and Diversify Licit Livelihoods Through Alternative Development Interventions

This is one of the two projects designed to supplement activities under the defunct Good Performers Initiative. INL informed SIGAR that UNODC is well-positioned to implement the "Strengthen and Diversify Licit Livelihoods through Alternative Development Interventions" project because of its worldwide alternative-development expertise. In Afghanistan, UNODC says its capacity extends to the provincial level with technically qualified and experienced staff, and it can make use of its strong working relations with Afghan government counterparts and other stakeholders to achieve measurable results.<sup>852</sup>

The project will support and strengthen selected value chains in production, processing, quality control, and market linkages across 14 target provinces which were most impacted by the loss of GPI award funds or had very high levels of poppy cultivation. The \$20 million program has a 4-year period of performance ending in August 2020. INL is exploring adopting a simpler project name which it believes will facilitate project branding.<sup>853</sup> INL has already transferred the \$20 million to UNODC.<sup>854</sup>

## Community Based Agriculture and Rural Development

INL's other alternative-livelihood project—the Community-Based Agriculture and Rural Development (CBARD) project—aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities in Farah and Badghis Provinces, the second and third highest poppy-cultivating provinces in western Afghanistan in 2015, according to UNODC.<sup>855</sup>

According to INL, CBARD will improve the local production and marketing of high-value crops. The project will also develop and strengthen community-based business infrastructures, such as irrigation, transportation, and facilities. The \$15.2 million program is implemented by UNDP with additional monitoring and evaluation conducted by UNODC. The project has a 44-month period of performance and is scheduled to end in 2020.<sup>856</sup> The first six months are defined as the project inception phase, to be followed by three years of project implementation. The inception phase will be dedicated to staff recruiting and building consensus among stakeholders regarding project objectives.<sup>857</sup>

INL informed SIGAR that all project funds have been disbursed: \$14.6 million were transferred to UNDP and \$570,000 to UNODC.<sup>858</sup>

## Kandahar Food Zone

Implemented in 2013, the Kandahar Food Zone (KFZ) is a five-year, \$45.4 million USAID project, implemented by International Relief and Development Inc. (IRD) under a joint strategy and in close coordination with INL.<sup>859</sup> KFZ is designed to identify and address the drivers of poppy cultivation in targeted districts of Kandahar Province through grants for activities that improve community infrastructure, strengthen alternative livelihoods, and support small businesses.

The Ministry of Counter Narcotics' KFZ has four pillars: public outreach, eradication, drug-demand reduction, and alternative livelihoods.<sup>860</sup> USAID implements the alternative-livelihoods pillar and approved a two-year extension last August, extending the program through the end of August 2018.<sup>861</sup>

KFZ expended \$9.7 million between July and October 2016. During the program's second year, KFZ renovated more than 168 kilometers of 12 canals in two districts and implemented alternative-development activities such as vineyard trellising, solar drying, greenhouse installation and management, and vocational training. During its third year, ending on September 30, 2016, KFZ renovated 50.5 kilometers of five canals, trained people responsible for distributing water to farms and canal tributaries in canal maintenance, and introduced vineyard trellising and **intercropping**. KFZ also developed a management-information system that combines a geographic information system (GIS) with field inspection and survey data. Several Afghan ministries want to use this system to monitor field



**RADP-South demonstration farm** in Qalat, Zabul Province. (USAID photo)

**Intercropping:** growing two or more crops simultaneously on the same field. Crop intensification is in both time and space dimensions.

Source: Food and Agriculture Organization of the United Nations Website, accessed 1/3/2017.



**RADP-South training women** to collect cashmere. (USAID Photo)

**Value chain:** the range of goods and services necessary for an agricultural product to move from the farm to the final customer or consumer. It encompasses the provision of inputs, actual on-farm production, post-harvest storage and processing, marketing and transportation, and wholesale and retail sales.

Source: USAID, response to SIGAR vetting, 4/12/2015.

**Cold chain:** the supply chain for temperature-sensitive frozen food products like vegetables, fruits, milk products, meat and fish.

Source: Jitendra Rathore, "Cold Chain Management for Perishable Food: Issues and Scope for India," *IUP Journal of Supply Chain Management*, vol. 10 (1), 3/20/13, p. 7.

operations and link data to maps to anticipate crop production, prices, food security conditions and infrastructure requirements.<sup>862</sup>

According to USAID, the area of poppy cultivation in 2015 decreased by 49% in the two (Zheray and Panjwayi) target districts. Though UNODC reported that opium cultivation increased 10% nationwide in 2016, it declined 3% in Kandahar.<sup>863</sup>

As of December 31, 2016, USAID has disbursed \$30.5 million since the program's launch.<sup>864</sup>

## Regional Agricultural Development Program

The Regional Agricultural Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. RADP projects are under way in the southern, western, and northern regions of Afghanistan. The projects focus on strengthening the capacity of farmers to produce more high-value crops and livestock. Using a **value-chain** approach, these projects work with farmers and agribusinesses to overcome obstacles hindering production, processing, sales, and overall development of agricultural value chains.

The RADP programs represent approximately 57% of USAID's implementing partner level of effort dedicated to alternative development (only KFZ personnel are 100% dedicated to AD). According to USAID, implementing partner staff dedicated only 35% of their effort to AD on other USAID programs.<sup>865</sup>

USAID awarded the \$28.1 million, five-year contract for RADP-East in July 2016. The targeted provinces are Ghazni, Kabul, Kapisa, Laghman, Logar, Nangarhar, Parwan, and Wardak.<sup>866</sup> RADP-East performed start-up activities and has hired 50% of total project staff. Inaugural meetings were held with the Ministry of Agriculture, Irrigation and Livestock (MAIL) representatives and their provincial and district representatives from all target provinces.<sup>867</sup> Program expenditures to date total more than \$850,000.<sup>868</sup>

RADPs require a minimum of 15% female beneficiaries in value-chain interventions.<sup>869</sup> RADP-East considered gender-based constraints to identify important issues, opportunities, strengths, and imbalances in order to fully integrate and empower women into the program's targeted value chains and provinces.<sup>870</sup>

The five-year RADP-North is a \$78.4 million project scheduled to end in May 2019. RADP-North advances food and economic security in rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz, and Samangan Provinces. Throughout October 2016, RADP-North facilitated trade relationships between seed companies, mills, and manufacturers, which led to a contract signing and the introduction of improved wheat varieties to 18 agribusinesses. Nearly 1,600 women were trained on kitchen gardening and another 500 on hygiene and nutrition. RADP-North also trained nearly 100 individuals on **cold chain** management and 29 on food safety. Other

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activities included the renovation of 65 out of the 100 selected butcher shops in all six provinces. A hundred female beneficiaries were chosen for a livestock holding-pen project.<sup>871</sup> As of December 31, 2016, USAID has made cumulative disbursements of \$29.1 million.<sup>872</sup>

The purpose of RADP-South is to improve food and economic security for rural Afghans in Helmand, Kandahar, Uruzgan, and Zabul Provinces. It began in October 2013 and is scheduled to end in October 2018 at an estimated cost of \$125 million.<sup>873</sup>

In October 2016, RADP-South provided wheat crop nutrition, harvest, and post-harvest management training to 1,190 wheat farmers. Implementation began on wheat model farms in Kandahar and Zabul once the provincial agriculture, irrigation, and livestock agents and governors provided their approval. More than 1,500 farmers, including 55 women, have increased their vegetable, orchard, and vineyard cultivation and nearly 1,660 farmers acquired knowledge on high-value crop harvest and post-harvest techniques. Four Afghan producers exported over 950 metric tons of fresh fruit (pomegranates, grapes, and red apples) to India. RADP-South continued bringing together Afghan producers with Indian buyers and providing export-readiness assistance to producers. More than 350 women began the women's agribusiness empowerment program, which provides courses in entrepreneurship, high-value crop cultivation, basic nutrition, and access to finance and saving.<sup>874</sup>

As of December 31, 2016, USAID has made cumulative disbursements of \$76.3 million for RADP-South.<sup>875</sup>

The \$70 million RADP-West program focused on helping rural Afghans in the western provinces of Herat, Farah, and Badghis to improve food and economic security. The project supported the Ministry of Agriculture, Irrigation, and Livestock in its efforts to enhance the productivity and profitability of wheat, high-value crops, and livestock. It concluded in September 2016.<sup>876</sup>

RADP-West was initially a five-year program, but USAID issued a termination for convenience last May. According to USAID, the termination was for the convenience of the Afghan government so it could better align its remaining resources with the MAIL's new strategic plans for the western region. Given the prolonged startup process and through the end of activities, the active implementation period only lasted approximately 15 months, from April 2015 to July 2016.<sup>877</sup>

Some of RADP-West's major accomplishments include the following:

- Over 12,900 households benefitted from agriculture and alternative-development interventions in the areas of wheat (more than 6,000 households), high-value crop (nearly 5,000 households) and livestock (more than 1,900 households).
- Some 10,460 households benefitted from nutrition-sensitive agricultural activities.



**RADP-North Paravet trainees** receiving hands-on training in Balkh Province. (USAID photo)



**RADP-South livestock-vaccination training** in Kandahar City. (USAID photo)

- Some 9,029 (more than 7,500 male and nearly 1,500 female) farmers were trained on new technologies and management practices for wheat, high-value crops, and livestock.
- The project engaged the private sector by awarding nine grants to private seed enterprises, and reaching more than 4,200 farmers through a seed multiplication program in which 113 metric tons of improved/certified wheat seed and 170 metric tons of fertilizer were distributed. Farmers who received seed harvested and sold over 3,000 metric tons of seed valued at \$882,126 to flour mills and seed companies.
- Some 1,776 hectares of land were cultivated by program beneficiaries, with reported sales of \$2.8 million.
- The project promoted the inclusion of women across all program components (18% of beneficiaries were women), and 53.5% of female trainees reported increased self-sufficiency.<sup>878</sup>

The deteriorating security situation hindered RADP-West's ability to rapidly implement activities notably in Herat, previously considered one of the country's safer cities, and contributed to the prolonged startup period. By March 2015, the security challenges affected several districts in all three provinces, predominantly along the roads. National elections and cabinet vacancies postponed the signature of a memorandum of understanding with MAIL, which contributed to further extend the program's startup period. This also limited the program's ability to collaborate with authorities at the district and village level.<sup>879</sup>

The delay of business and weapons licenses from the Afghanistan Investment Support Agency resulted in the delay of a security contract being signed with the Afghan Public Protection Force (APPF), the Afghan government's security services provider.<sup>880</sup> Since 2010, the Afghan government requires that the APPF provide security services for reconstruction activities after a presidential decree stopped all domestic and foreign private security companies from operating in Afghanistan.<sup>881</sup> The licenses were eventually issued after involvement of the U.S. Embassy.<sup>882</sup>

As of December 31, 2016, USAID has disbursed \$27.1 million since the beginning of the program.<sup>883</sup>

USAID is considering a new agricultural program called "Promoting Value Chains-West" with an estimated budget of \$19 million and a three-year performance period. The program will work in the four western provinces of Herat, Farah, Nimroz, and Badghis; it is currently under procurement.<sup>884</sup>

## Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a \$61.3 million USAID program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production.<sup>885</sup> USAID extended the program an additional three years



in 2016 at an additional estimated cost of \$16.0 million (included in the total project cost of \$61.3 million). Under this extension, CHAMP will focus on supply chain marketing and export promotion of Afghan fresh and dried fruits to international markets.

The program will continue to support traders and the trade offices in New Delhi, India and Dubai, UAE, as well as marketing of other high-value crops targeted by the RADP programs. Work on the new components of supply-chain improvement, export-market development and gender integration began January 2017.<sup>886</sup> USAID has disbursed \$46.7 million as of December 31, 2016.<sup>887</sup>

See the October 2016 SIGAR *Quarterly Report to the United States Congress* for more information.

## INTERDICTION OPERATIONS AND RESULTS

The Counternarcotics Police of Afghanistan (CNPA) consists of regular narcotics police and specialized units in all 34 provinces. The specialized units include the Sensitive Investigation Unit (SIU), National Interdiction Unit (NIU), and the Intelligence Investigation Unit (IIU). Nearly half of the CNPA's 2,000 personnel are assigned to Kabul. In addition to the CNPA, law-enforcement elements contributing to interdiction activities include members of the Afghan National Police, Afghan Border Police, and Afghan Uniform Police.<sup>888</sup> INL provides funding for the NIU; DEA funds the SIU.<sup>889</sup>

Since 2004, DOD's counternarcotics (CN) requirements for Afghanistan have been funded mostly through supplemental and Overseas Contingency Operations appropriations. These train-and-equip programs aim to support U.S. regional goals and reduce CN-related terrorism and financing. The majority of funding is for special-purpose vetted units such as the Special Mission Wing (SMW) and the CNPA.<sup>890</sup>

According to DOD, a poor security environment has impeded counternarcotics operations in the south and southwest. Nonetheless, the number of interdiction operations for the first quarter of FY 2017 rose from 21 to 24 due to mentoring from U.S. special forces, access to Resolute Support mission assets and partnership with wider Afghan military operations.<sup>891</sup> Furthermore, the drawdown of Coalition forces has negatively affected the CNPA and other Afghan counternarcotics agencies, particularly in Helmand and Kandahar Provinces, where the Coalition surge and subsequent withdrawal was focused.<sup>892</sup> Less frequent partnering of Resolute Support mission and Afghan forces has reduced available transportation, particularly helicopters, and the use of some counternarcotics forces for general security in areas where the drug trade and anti-government forces are concentrated in southern, southwestern, and northern Afghanistan has resulted in fewer counterdrug missions.<sup>893</sup>

“Because they [the Taliban] receive much of their funding from the narcotics trafficking that occurs out of Helmand. As you know, Helmand produces a significant amount of the opium globally that turns into heroin and this provides about 60 percent of the Taliban funding, we believe.”

—General John Nicholson,  
Commander, Resolute Support and  
U.S. Forces Afghanistan

Source: General John Nicholson, Department of Defense Pentagon press briefing, 12/2/2016.

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Since February 2016, Coalition advisors have provided train, advise, and assist support to the CNPA. Recent emphasis has been on improving CNPA coordination with the SMW. The SMW is an aviation wing that enables the ANDSF to conduct counterterrorism and counternarcotics missions and to disrupt insurgent and drug-smuggling networks in Afghanistan. The SMW has night-vision, rotary-wing air assault and fixed-wing intelligence, and surveillance and reconnaissance capabilities.<sup>894</sup>

The Resolute Support mission (RS) advisory team at the NIU compound has facilitated a major increase in NIU access to rotary-wing aircrafts and significantly increased operations with missions in Nangarhar, Helmand, and Farah Provinces.<sup>895</sup> INL's ability to support tactical operations in the south and southwest regions of the country has been constrained since the June 2015 closure of INL's base at Kandahar Air Field.<sup>896</sup> INL continues to support NIU troop rotations to Kandahar but has discontinued rotation support for Herat.<sup>897</sup>

During August, the Afghan special narcotics units (NIU/SIU) performed three airmobile operations in Sarobi and Nangarhar, arrested one major heroin trafficker, and seized over three tons of morphine and opium.<sup>898</sup>

The assignment of the Resolute Support advisory team has produced results. After conducting no operations in FY 2015, Afghan counternarcotics forces conducted 15 successful CN missions in FY 2016. The first Afghan operation in over four years took place in the Sarobi District—a major opium production area in Kabul Province—in August 2016. This successful operation with the SMW resulted in the seizure and destruction of opium, poppy seeds, and hashish.

According to USFOR-A, in early October 2016, Afghan counternarcotics forces partnered with the RS advisory team to interdict and destroy drugs and chemicals valued at nearly \$60 million. The net value of narcotics, precursor chemicals, and materials associated with the production of narcotics seized and destroyed during the partnering of the RS advisory team and Afghan counternarcotics forces is \$159 million.<sup>899</sup> Though remarkable results when compared to past seizures and interdiction results, the UNODC estimates the total (farm gate) value of opium production for 2016 at \$900 million, an increase of 57% from the 2015 estimate of \$0.57 billion.<sup>900</sup>

Between October 1 and December 19, 2016, Afghan security and law-enforcement forces conducted most of their operations in the capital and eastern regions. Those operations included routine patrols, cordon-and-search operations, vehicle interdictions, and arrests. The Afghans' combined operations resulted in the seizures of 2,637 kg of opium, 27,650 kg of morphine, 858 kg of heroin, 218,796 kg of hashish/marijuana, and 26,895 kg of precursor chemicals. The 24 operations led to detaining 30 individuals and destroying multiple labs.<sup>901</sup> The United Nations reports that 16 heroin-processing laboratories were dismantled between August 18 and October 31, 2016.<sup>902</sup> This quarter's results seem to indicate that interdiction

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TABLE 3.6

<b>INTERDICTION RESULTS, FISCAL YEARS 2008–2016</b>											
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017*</b>	<b>Total</b>
Number of Operations	136	282	263	624	669	518	333	270	190	25	3,310
Detainees	49	190	484	862	535	386	442	394	301	30	3,673
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,063	218,796	1,114,621
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,056	2,859	3,532	858	36,462
Morphine seized (kg)	409	5,195	2,279	18,040	10,042	11,067	5,925	505	13,041	27,650	94,153
Opium seized (kg)	15,361	79,110	49,750	98,327	70,814	41,350	38,379	27,600	10,487	2,637	433,815
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	130,846	36,250	53,184	234,981 <sup>a</sup>	42,314	26,895	764,757

Note: <sup>a</sup> The significant difference in precursor chemicals total seizures between 2014 and 2015 is due to a 12/22/2015 seizure of 135,000 liters of precursor chemicals.  
 \* Results for period 10/1/2015–12/19/2016.

Source: DOD, response to SIGAR data calls, 7/29/2015 and 12/23/2016.

results shown in Table 3.6 have ended a decline that began in 2012.<sup>903</sup>

According to DOD, the partnering of national-level counterdrug units with U.S. special forces has led to an increase in operations and arrests, but long-term mentoring is likely required to maintain these gains.<sup>904</sup>

Given the U.S. military's reduced capabilities in Afghanistan, in 2015 DOD created a regional narcotics interagency fusion cell (RNIFC) to combat the regional drug trade. The RNIFC, located in Bahrain, tracks and interdicts the illicit movement of Afghan heroin on boats destined for the Middle East and East Africa. The RNIFC targets boat trafficking in the Arabian Sea and focuses on key narco-traffickers.<sup>905</sup>

INL supports the majority of NIU, SIU, and judicial wire-intercept program (JWIP) operational costs. It also funds the maintenance and operations of NIU, SIU, and DEA facilities; equipment and sustainment of the JWIP system; and specialized training for NIU and SIU personnel. All of these costs are funded under the INCLE appropriation and total approximately \$30 million per year for all CN compounds; \$437,000 per year for NIU salary supplements; \$3.3 million per year for costs related to the JWIP; and \$380,000 in training funds for NIU and SIU.

DEA funds SIU salary supplements and DOD funds the Afghan linguists monitoring the JWIP lines, the Afghan Special Mission Wing, security for the DEA-leased villas and some training programs. INL bears none of those costs.<sup>906</sup>



# 4 OTHER AGENCY OVERSIGHT



# OTHER AGENCY OVERSIGHT CONTENTS

**Completed Oversight Activities**

**Ongoing Oversight Activities**

**Photo on previous page**

Afghan fighters train with Resolute Support mission advisers in Kabul Province.  
(NATO photo by Kay M. Nissen)

## OTHER AGENCY OVERSIGHT

SIGAR's enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs, and to submit a report to Congress on SIGAR's oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section compiles these updates. Publicly available copies of completed reports are posted on the agencies' respective websites.

The descriptions appear as submitted, with minor changes to maintain consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies perform oversight activities in Afghanistan and provide results to SIGAR:

- Department of Defense Office of Inspector General (DOD IG)
- Department of State Office of Inspector General (State OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

# OTHER AGENCY OVERSIGHT

## COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the two oversight reports related to reconstruction that participating agencies completed this quarter. The table also lists USAID OIG's 13 financial audits issued during the quarter as one report.

TABLE 4.1

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF DECEMBER 31, 2016			
Agency	Report Number	Date Issued	Project Title
DOD IG	DODIG-2017-027	12/1/2016	The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding
State OIG	AUD-MERO-17-04	10/4/2016	Management Assistance Report: Contract Management Lessons-Learned From Embassy Kabul, Afghanistan, Operations and Maintenance Contract
USAID OIG	N/A	Q1 FY 2017	USAID OIG issued 13 Financial Audits of USAID/Afghanistan Programs

Source: DOD IG, response to SIGAR data call, 12/22/2016; State OIG, response to SIGAR data call, 12/22/2016; GAO, response to SIGAR data call, 11/22/2016; USAID OIG, response to SIGAR data call, 12/19/2016; USAAA, response to SIGAR data call, 11/21/2016.

### U.S. Department of Defense Office of Inspector General

During this quarter, DOD IG released one report related to Afghanistan reconstruction.

#### **The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding**

DoD IG determined that the Government of the Islamic Republic of Afghanistan (GIROA) and the Combined Security Transition Command-Afghanistan (CSTC-A) initiated several measures to strengthen the controls over the contract management process. However, GIROA and CSTC-A needed to address continuing shortfalls in the contract process. As a result, U.S. direct assistance funding continues to be vulnerable to fraud, waste, and abuse. In addition, GIROA may not be able to fulfill integral requirements reliably.

### U.S. Department of State Office of Inspector General-Middle East Regional Operations

During this quarter, State OIG released one report related to Afghanistan reconstruction.

#### **Management Assistance Report**

##### **Contract Management Lessons-learned from Embassy Kabul, Afghanistan, Operations and Maintenance Contract**

State OIG issued a Management Assistance Report summarizing lessons learned from its review of the operations and maintenance contract for Embassy Kabul with PAE Government Services. The report highlighted deficiencies in contract performance metrics and contract oversight staff and identified costs that were outside the scope of the contract.



# OTHER AGENCY OVERSIGHT

## Government Accountability Office

GAO completed no audits related to Afghanistan reconstruction this quarter.

## 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 13 financial audit reports of USAID/Afghanistan programs. These audits identified \$4,046,640 in questioned costs, 37 significant deficiencies or material weaknesses in internal controls, and 45 instances of material noncompliance.

## ONGOING OVERSIGHT ACTIVITIES

As of December 31, 2016, the participating agencies reported 18 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

TABLE 4.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF DECEMBER 31, 2016			
Agency	Project Number	Date Initiated	Project Title
DODIG	D2016-DISPA2-0195.000	8/11/2016	Evaluation of Airborne ISR Allocation Process Supporting Counterterrorism Operations in Afghanistan
DODIG	D2016-D000JB-0172.000	7/26/2016	Audit of Controls Over Afghanistan Ministry of Defense Fuel Contracts
DOD IG	D2016-D000CG-0163.000	6/8/2016	Audit of DOD Support for Counternarcotics Requirements
DOD IG	D2016-D00SPO-0153.000	5/17/2016	Assessment of U.S./Coalition Efforts to Enable the Afghan Ministry of Defense to Develop its Oversight and Internal Control Capability
DOD IG	D2016-D000JB-0150.000	5/5/2016	Audit of Reliability of Navy Financial Data Reported for Operation Freedom's Sentinel
DOD IG	D2016-D00SPO-0083.000	2/19/2016	Allegations of Child Sexual Abuse by Members of the Afghan National Defense and Security Forces
State OIG	17AUD031	9/1/2016	Audit of Afghanistan Life Support Services (ALiSS) Contract Planning & Solicitation and Award Process
State OIG	16AUD072	7/1/2016	Audit of the Antiterrorism Assistance Program in Countries Under the Department of State Bureaus of Near Eastern Affairs (NEA) and South and Central Asian Affairs (SCA)
State OIG	16AUD074	6/1/2016	Audit of Counter Narcotics and Police Reform Program Compliance Follow-up in Pakistan and Afghanistan
State OIG	16AUD044	10/1/2015	Audit of Embassy Kabul Construction and Commissioning
GAO	101249	11/14/2016	Observations on Force Management Levels
GAO	101213	10/31/2016	Iraqi and Afghan Special Immigrant Resettlement
GAO	101053	8/1/2016	Afghan National Defense and Security Forces' Equipment and Capability
GAO	100993	7/14/2016	OIG Oversight of US Government's Efforts in Afghanistan
GAO	100914	6/6/2016	DOD Deployed Biometrics and Forensics
GAO	100431	1/21/2016	DOD Use of Overseas Contingency Operations (OCO) Funds
USAID OIG	FF1C0216	5/11/2016	Audit of USAID/Afghanistan's New Development Partnership
USAID OIG	FF1C0116	1/19/2016	Audit of USAID/Afghanistan's Use of the Afghanistan Reconstruction Trust Fund

Source: DOD IG, response to SIGAR data call, 12/22/2016; State OIG, response to SIGAR data call, 12/22/2016; GAO, response to SIGAR data call, 11/22/2016; USAID OIG, response to SIGAR data call, 12/19/2016; USAAA, response to SIGAR data call, 11/21/2016.

# OTHER AGENCY OVERSIGHT

## **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). The Department of Defense Office of Inspector General (DOD IG) has identified priorities based on those challenges and high risks. DOD IG oversight focuses on the areas of monitoring and oversight of acquisition and contracting processes that support training, equipping, and sustaining Afghanistan security forces. DOD IG will also continue to review and assess the Department's efforts to train and equip Afghan National Defense and Security Forces.

The DOD IG-led Southwest Asia Joint Planning Group assists in the coordination and deconfliction of federal and DOD OCO-related oversight activities. DOD IG, working with SIGAR as well as fellow Inspectors General and Defense oversight community members, has issued the FY 2017 Comprehensive Oversight Plan for Overseas Contingency Operations (COP-OCO), the second annual joint strategic plan submitted to Congress describing whole-of-government oversight activities in support of the ongoing overseas contingency operations as well as oversight efforts in Southwest Asia. The COP-OCO includes the Joint Strategic Oversight Plans (JSOP) for Operation Inherent Resolve and Afghanistan. The Afghanistan JSOP includes Operation Freedom's Sentinel (OFS), as well as reconstruction and humanitarian assistance programs and activities that are separate from OFS.

DOD IG has six ongoing projects this quarter that relate to reconstruction or security operations in Afghanistan.

### **Evaluation of Airborne ISR Allocation Process Supporting Counterterrorism Operations in Afghanistan**

**(D2016-DISPA2-0195.000, Initiated August 11, 2016)**

The DOD IG is determining whether US Forces-Afghanistan's airborne Intelligence, Surveillance, and Reconnaissance (ISR) allocation process effectively supports U.S. counterterrorism operations.

### **Audit of Controls Over Afghanistan Ministry of Defense Fuel Contracts**

**(D2016-D000JB-0172.000, Initiated July 26, 2016)**

This project is part of a series of audits related to Afghanistan contract oversight. The DOD IG is determining whether the Combined Security Transition Command-Afghanistan and the Afghanistan Ministry of Defense have established effective controls for oversight of Ministry of Defense fuel contracts.

## **Audit of DoD Support for Counternarcotics Requirements**

**(D2016-D000CG-0163.000, Initiated June 8, 2016)**

In response to congressional requests, DOD IG is determining whether DOD effectively supported counternarcotics requirements agreed upon between the Department of Justice and DoD. In addition, DOD IG is determining how DOD used funding to support those requirements.

## **Assessment of U.S./Coalition Efforts to Enable the Afghan Ministry of Defense to Develop its Oversight and Internal Control Capability**

**(D2016-D00SP0-0153.000, Initiated May 17, 2016)**

DOD IG is determining whether U.S. Government and Coalition Train-Advise-Assist efforts will enable the Afghan Ministry of Defense (MOD) and subordinate organizations to develop a Transparency, Accountability and Oversight capability that helps the MOD to run efficient and effective operations, report reliable information about its operations, and comply with applicable laws and regulations.

## **Audit of Reliability of Navy Financial Data Reported for Operation Freedom's Sentinel**

**(D2016-D000JB-0150.000, Initiated May 5, 2016)**

DOD IG is determining whether the Navy has adequate accountability of DOD funds supporting Operation Freedom's Sentinel by determining the accuracy of obligations and disbursements, as reported in the Cost of War report, for select Navy appropriations.

## **Allegations of Child Sexual Abuse by Members of the Afghan National Defense and Security Forces**

**(D2016-D00SP0-0083.000, Initiated February 19, 2016)**

DOD IG is focusing on answering a number of specific questions, including DOD implementation of Title 10 Leahy Laws regarding human rights violations, raised by several members of Congress and congressional staff.

## **U.S. Department of State Office of Inspector General-Middle East Regional Operations**

State OIG has four ongoing projects this quarter related to Afghanistan reconstruction.

# OTHER AGENCY OVERSIGHT

## **Audit of Afghanistan Life Support Services (ALiSS) Contract Planning & Solicitation and Award Process**

**(Project No. 17AUD031, Initiated September 1, 2016)**

Audit to determine whether the Department is planning and implementing the solicitation and award process for the ALiSS contract in accordance with acquisition regulations and Department guidance.

## **Audit of the Antiterrorism Assistance Program in Countries Under the Department of State Bureaus of Near Eastern Affairs (NEA) and South and Central Asian Affairs (SCA)**

**(Project No. 16AUD072, Initiated July 1, 2016)**

Audit to determine the extent to which the Bureaus of Diplomatic Security (DS) and Counterterrorism (CT) have (1) Developed specific, measureable, and outcome-oriented goals and objectives; (2) Developed and implemented an evaluation process to assess host country performance; and (3) Established letters of agreement with host countries for sustaining the Antiterrorism Assistance (ATA) programs. The audit will also assess DS and CT's contract monitoring and oversight, and invoice review processes.

## **Audit of Counter Narcotics and Police Reform Program Compliance Follow-up in Pakistan and Afghanistan**

**(Project No. 16AUD074, Initiated June 1, 2016)**

Audit to determine whether INL has: (1) complied with prior OIG recommendations to (a) implement performance measurement plans for its programs in Pakistan and Afghanistan, (b) monitor progress towards its program goals, and (c) fund its programs appropriately; and (2) applied the recommendations to its programs in other countries.

## **Audit of Embassy Kabul Construction and Commissioning**

**(Project No. 16AUD044, Initiated October 1, 2015)**

Audit to determine whether the Bureau of Overseas Building Operations followed Department policies and guidance governing the affirmation of substantial completion and final acceptance of construction projects at U.S. Embassy Kabul.

## **Government Accountability Office**

GAO has six ongoing projects this quarter related to Afghanistan reconstruction.

## **Observations on Force Management Levels**

**(Project No. 101249, Initiated November 14, 2016)**

Force management levels limit the number of U.S. military personnel who can be deployed and have been used in the past to shape the drawdown of operations in Afghanistan and Iraq. Currently, in the fight against the Islamic

State of Iraq and the Levant, force management levels set limits on the deployment of forces for Operation Inherent Resolve. In both Afghanistan and Iraq operations force management levels have impacted the type of operation DOD conducts. Managing operations within force management levels has resulted in DOD utilizing other capabilities to accomplish the mission.

The statement will discuss actions DOD has taken to maximize military capabilities when operating under a force management level in its ongoing operations. Among the actions DOD has taken to accomplish these goals in Afghanistan, Iraq, and Syria is increasing the department's reliance on: (1) partner nation security forces, (2) U.S. and Coalition airpower, (3) special operations forces, and (4) contractor and temporary duty personnel.

## **Iraqi and Afghan Special Immigrant Resettlement (Project No. 101213, Initiated October 31, 2016)**

Iraqi and Afghan special immigrant visa (SIV) holders, who either worked as translators or were employed by the U.S. government in Iraq or Afghanistan are eligible for resettlement assistance when they are admitted to the United States. The Department of State's Refugee Admissions Reception and Placement Program provides initial resettlement services to refugees and certain SIVs, working with nine national resettlement agencies and their local affiliates. After the first 90 days from when refugees and SIVs have entered the country, the Department of Health and Human Services' Office of Refugee Resettlement provides resettlement services through state-level or private programs.

The review will address: (1) How do relevant federal agencies ensure that the housing, employment, and other needs of Iraqi and Afghan SIV holders are being met? (2) What do available housing and employment information show regarding Iraqi and Afghan SIV holders' progress in achieving self-sufficiency? And (3) What factors, if any, affect resettlement agencies' ability to serve Iraqi and Afghan SIV holders?

## **Afghan National Defense and Security Forces' Equipment and Capability**

**(Project No. 101053, Initiated August 1, 2016)**

H. Rpt. 114-537 (passed the House 5/18/16) to Accompany H.R. 4909 National Defense Authorization Act of FY 2017 (Division A-Department of Defense Authorizations-Title XII-Matters Related to Foreign Nations-Assistance to the Afghan National Defense and Security Forces) directs GAO to review major weapon systems and equipment provided to the Afghan National Defense and Security Forces (ANDSF) in light of the deteriorating security situation. The mandate calls for GAO to (1) Outline all major weapon systems and equipment procured for the ANDSF, consistent with the program of record; (2) summarize how such weapon systems and

# OTHER AGENCY OVERSIGHT

equipment support the overall strategy for the ANDSF; (3) describe the current capability and capacity of the ANDSF to operate and sustain such weapon systems and equipment; and (4) identify gaps in ANDSF capability given the evolving security situation and overall strategy.

## **OIG Oversight of US Government's Efforts in Afghanistan**

**(Project No. 100993, Initiated July 14, 2016)**

GAO is to review the authorities and activities of the OIGs at the Department of State, DOD, USAID, and the Special IG for Afghanistan Reconstruction regarding oversight of the expenditures of U.S. funds in Afghanistan since January 1, 2015. The engagement team will review enabling legislation and directive guidance that outlines the oversight mandate of each IG and identify any overlap or gaps in the oversight among the mandates of each IG. We will also describe the oversight activities and primary areas of focus of each IG and review other matters the engagement team deems relevant.

## **DOD Deployed Biometrics and Forensics**

**(Project No. 100914, Initiated June 6, 2016)**

DOD relies on expeditionary biometric and forensic capabilities to identify, target, and disrupt terrorists and enemy combatants globally. For example, in support of operations in Iraq and Afghanistan, DOD trained service members to collect biometric data on persons of interest to identify enemy combatants, and deployed forensic laboratories to analyze evidence collected from the battlefield to aid in the capture and prosecution of enemy combatants. DOD initially established and funded its deployable biometric and forensic capabilities using Overseas Contingency Operations funding, and is now transitioning these capabilities to its base budget to support enduring mission requirements.

To what extent has DOD: (1) Developed a process for determining and validating its future deployable biometrics and forensics requirements? (2) Taken actions to ensure that its deployable biometrics and forensics capabilities—including materiel solutions, trained personnel, and funding—are available to meet validated requirements? (3) Taken actions to address prior GAO recommendations regarding its biometrics and forensics capabilities since 2011?

## **DOD Use of Overseas Contingency Operations (OCO) Funds**

**(Project No. 100431, Initiated January 21, 2016)**

Since September 2001, DOD has received more than \$1.5 trillion designated as Overseas Contingency Operations (OCO), Global War on Terror (GWOT), or as emergency funding for the wars in Iraq and Afghanistan, as well as other activities like disaster relief and evacuation efforts. In FY 2015, Congress appropriated \$64 billion in OCO-designated funds as DOD

# OTHER AGENCY OVERSIGHT

continues to draw down troops in Afghanistan. Despite a significant reduction in the number of troops deployed to Afghanistan, OCO-designated funding remains proportionally high. In fact, the cost per deployed troop supported by OCO-designated funding has grown from roughly \$1 million per troop in FY 2013 to \$4 Million per troop in FY 2015.

GAO has reported on the need for DOD to improve the reliability of its OCO cost reporting and to become more disciplined in its approach to developing OCO budgets, including moving long-term enduring costs funded by OCO-designated appropriations into the base defense budget to better account for the true costs of its operations and plan for future budget needs. Spending these funds for activities unrelated to war operations hides the true cost of government and inhibits the Congress's ability to knowledgeably set funding levels for government programs.

## **U.S. Army Audit Agency**

This quarter the USAAA has no ongoing audits related to Afghanistan reconstruction.

## **U.S. Agency for International Development Office of Inspector General**

This quarter USAID OIG has two ongoing audits related to reconstruction initiatives.

### **Audit of USAID/Afghanistan's New Development Partnership (Project No. FF1C0216, Initiated May 11, 2016)**

*Audit Objectives:* Has USAID/Afghanistan adopted internal policies and procedures to adequately verify the achievement of New Development Partnership indicators contained in the July 25, 2015 NDP results framework; and, has USAID/Afghanistan adequately verified the achievement of completed indicators under the New Development Partnership for any payments made to date?

### **Audit of USAID/Afghanistan's Use of the Afghanistan Reconstruction Trust Fund**

**(Project No. FF1C0116, Initiated January 19, 2016)**

*Audit Objective:* Has USAID/Afghanistan adopted effective and consistent practices to provide reasonable assurance that activities implemented through the Afghanistan Reconstruction Trust Fund contribute to achieving USAID's objectives 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 phrases in Dari (top) and Pashto (bottom) on the seal are translations of SIGAR's name.



# APPENDICES AND ENDNOTES



# APPENDICES

## APPENDIX A

### CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR’s enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 1229 (Table A.1), and to the semiannual reporting requirements prescribed for inspectors general more generally under the Inspector General Act of 1978, as amended (5 U.S.C. App. 3) (Table A.2).

TABLE A.1

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
<b>Purpose</b>			
Section 1229(a)(3)	To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress on corrective action.	Ongoing; quarterly report	Full report
<b>Supervision</b>			
Section 1229(e)(1)	The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense.	Report to the Secretary of State and the Secretary of Defense	Full report
<b>Duties</b>			
Section 1229(f)(1)	OVERSIGHT OF AFGHANISTAN RECONSTRUCTION – It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.	Review appropriated/available funds  Review programs, operations, contracts using appropriated/available funds	Full report
Section 1229(f)(1)(A)	The oversight and accounting of the obligation and expenditure of such funds	Review obligations and expenditures of appropriated/available funds	SIGAR Oversight Funding
Section 1229(f)(1)(B)	The monitoring and review of reconstruction activities funded by such funds	Review reconstruction activities funded by appropriations and donations	SIGAR Oversight
Section 1229(f)(1)(C)	The monitoring and review of contracts funded by such funds	Review contracts using appropriated and available funds	Note 1
Section 1229(f)(1)(D)	The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities.	Review internal and external transfers of appropriated/available funds	Appendix B
Section 1229(f)(1)(E)	The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]	Maintain audit records	SIGAR Oversight Appendix C Appendix D

*Continued on the next page*

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
Section 1229(f)(1)(F)	The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy	Monitoring and review as described	Audits
Section 1229(f)(1)(G)	The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies	Conduct and reporting of investigations as described	Investigations
Section 1229(f)(2)	<b>OTHER DUTIES RELATED TO OVERSIGHT –</b> The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1).	Establish, maintain, and oversee systems, procedures, and controls	Full report
Section 1229(f)(3)	<b>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 –</b> In addition, ... the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978.	Duties as specified in Inspector General Act	Full report
Section 1229(f)(4)	<b>COORDINATION OF EFFORTS –</b> The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development.	Coordination with the inspectors general of DOD, DOS, and USAID	Other Agency Oversight
<b>Federal Support and Other Resources</b>			
Section 1229(h)(5)(A)	<b>ASSISTANCE FROM FEDERAL AGENCIES –</b> Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee.	Expect support as requested	Full report
Section 1229(h)(5)(B)	<b>REPORTING OF REFUSED ASSISTANCE –</b> Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.	None reported	N/A

*Continued on the next page*

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
<b>Reports</b>			
Section 1229(i)(1)	QUARTERLY REPORTS – Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –	Report – 30 days after the end of each calendar quarter  Summarize activities of the Inspector General  Detailed statement of all obligations, expenditures, and revenues	Full report Appendix B
Section 1229(i)(1)(A)	Obligations and expenditures of appropriated/donated funds	Obligations and expenditures of appropriated/donated funds	Appendix B
Section 1229(i)(1)(B)	A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program	Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program	Funding Note 1
Section 1229(i)(1)(C)	Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of donor funds	Funding
Section 1229(i)(1)(D)	Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues	Revenues, obligations, and expenditures of funds from seized or frozen assets	Funding
Section 1229(i)(1)(E)	Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan	Operating expenses of agencies or any organization receiving appropriated funds	Funding Appendix B
Section 1229(i)(1)(F)	In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)*– (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition	Describe contract details	Note 1

*Continued on the next page*

# APPENDICES

TABLE A.1 (CONTINUED)

<b>CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229</b>			
<b>Public Law Section</b>	<b>SIGAR Enabling Language</b>	<b>SIGAR Action</b>	<b>Report Section</b>
Section 1229(i)(3)	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 <a href="http://www.sigar.mil">www.sigar.mil</a>  Dari and Pashto translation in process	Full report
Section 1229(i)(4)	FORM – Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary.	Publish report as directed	Full report
Section 1229(j)(1)	Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.	Submit quarterly report	Full report

Note 1: Although this data is normally made available on SIGAR's website ([www.sigar.mil](http://www.sigar.mil)), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for future SIGAR use and publication.

\* Covered "contracts, grants, agreements, and funding mechanisms" are defined in paragraph (2) of Section 1229(i) of Pub. L. No. 110-181 as being—

"any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes:

To build or rebuild physical infrastructure of Afghanistan.

To establish or reestablish a political or societal institution of Afghanistan.

To provide products or services to the people of Afghanistan."

# APPENDICES

TABLE A.2

<b>CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) (“IG ACT”)</b>			
<b>IG Act Section</b>	<b>IG Act Language</b>	<b>SIGAR Action</b>	<b>Section</b>
Section 5(a)(1)	Description of significant problems, abuses, and deficiencies	Extract pertinent information from SWA/JPG member reports List problems, abuses, and deficiencies from SIGAR audit reports, investigations, and inspections	Other Agency Oversight See Letters of Inquiry at www.sigar.mil
Section 5(a)(2)	Description of recommendations for corrective action...with respect to significant problems, abuses, or deficiencies	Extract pertinent information from SWA/JPG member I reports List recommendations from SIGAR audit reports	Other Agency Oversight See Letters of Inquiry at www.sigar.mil
Section 5(a)(3)	Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed	List all instances of incomplete corrective action from previous semiannual reports	In process
Section 5(a)(4)	A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted	Extract pertinent information from SWA/JPG member reports List SIGAR Investigations that have been referred	Other Agency Oversight
Section 5(a)(5)	A summary of each report made to the [Secretary of Defense] under section 6(b)(2) (instances where information requested was refused or not provided)	Extract pertinent information from SWA/JPG member reports List instances in which information was refused SIGAR auditors, investigators, or inspectors	Other Agency Oversight
Section 5(a)(6)	A listing, subdivided according to subject matter, of each audit report, inspection report and evaluation report issued...showing dollar value of questioned costs and recommendations that funds be put to better use	Extract pertinent information from SWA/JPG member reports List SIGAR reports	Other Agency Oversight
Section 5(a)(7)	A summary of each particularly significant report	Extract pertinent information from SWA/JPG member reports Provide a synopsis of the significant SIGAR reports	Other Agency Oversight A full list of significant reports can be found at www.sigar.mil
Section 5(a)(8)	Statistical tables showing the total number of audit reports and the total dollar value of questioned costs	Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of questioned cost from SIGAR reports	See reports of SWA/JPG members In process
Section 5(a)(9)	Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management	Extract pertinent information from SWA/JPG member reports Develop statistical tables showing dollar value of funds put to better use by management from SIGAR reports	See reports of SWA/JPG members In process
Section 5(a)(10)	A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision	Extract pertinent information from SWA/JPG member reports Provide a synopsis of SIGAR audit reports in which recommendations by SIGAR are still open	See reports of SWA/JPG members None

# APPENDICES

TABLE A.2 (CONTINUED)

<b>CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) (“IG ACT”)</b>			
<b>IG Act Section</b>	<b>IG Act Language</b>	<b>SIGAR Action</b>	<b>Section</b>
Section 5(a)(11)	A description and explanation of the reasons for any significant revised management decision	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which significant revisions have been made to management decisions	None
Section 5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which SIGAR disagreed with management decision	No disputed decisions during the reporting period
Section 5(a)(13)	Information described under [Section 804(b)] of the Federal Financial Management Improvement Act of 1996 (instances and reasons when an agency has not met target dates established in a remediation plan)	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Provide information where management has not met targets from a remediation plan	No disputed decisions during the reporting period
Section 5(a)(14)(A)	An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or	SIGAR has posted in full the results of, and reports from, SIGAR’s most recent peer reviews (completed during July 2010, prior to the current reporting period), on its website	Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(14)(B)	If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General	A peer review was conducted in the reporting period	Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(15)	A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete	None – all peer review recommendations effectively addressed, and remedial measures implemented, by 9/30/2015	Recommendations and related materials posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a>
Section 5(a)(16)	Any peer reviews conducted by SIGAR of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review . . . that remain outstanding or have not been fully implemented	Not applicable (SIGAR did not conduct, or participate in the conduct, of a peer review of another Office of Inspector General during the reporting period)	SIGAR Oversight

# 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, 2016. Table B.2 lists fund appropriated for counter-narcotics initiatives since 2002.

TABLE B.2

<b>COUNTERNARCOTICS, CUMULATIVE AMOUNT APPROPRIATED, SINCE 2002 (\$ MILLIONS)</b>	
ASFF	\$1,311.92
DOD CN	3,015.28
ESF	1,554.43
INCLE	2,178.47
DEA <sup>a</sup>	442.36
<b>Total</b>	<b>\$8,502.45</b>

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 (SMW), counternarcotics-related capacity building, and alternative agricultural development efforts. ESF and INCLE figures show the cumulative amounts appropriated for counternarcotics initiatives from those funds. SIGAR excluded ASFF funding for the SMW after FY 2013 from this analysis due to the decreasing number of counternarcotics missions conducted by the SMW.

<sup>a</sup> DEA receives funding from State's Diplomatic & Consular Programs account in addition to DEA's direct line appropriation listed in Appendix B.

Table B.2 Source: SIGAR, analysis of counternarcotics funding, 1/18/2017; State, response to SIGAR data call, 1/6/2017; DOD, response to SIGAR data calls, 1/13/2017 and 3/8/2016; USAID, response to SIGAR data call, 1/18/2017; DOJ, response to SIGAR data call, 12/16/2016.

Table B.1 Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD reprogrammed \$230 million into FY 2015 ASFF. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID.

<sup>a</sup> FY 2017 figures reflect amounts made available for obligation under continuing resolutions.

Table B.1 Source: DOD, response to SIGAR data calls, 1/13/2017, 1/12/2017, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 1/18/2017, 1/6/2017, 10/18/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012 and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 1/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 12/16/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

TABLE B.1

U.S. FUNDING SOURCES	AGENCY	Total	FY 2002-05
<b>Security</b>			
Afghanistan Security Forces Fund (ASFF)	DOD	66,021.97	995.00
Train & Equip (DOD)	DOD	440.00	440.00
Foreign Military Financing (FMF)	State	1,059.14	1,059.14
International Military Education and Training (IMET)	State	17.07	2.18
Drug Interdiction & Counter-Drug Activities (DOD CN)	DOD	3,015.28	296.34
<b>Total - Security</b>		<b>70,553.45</b>	<b>2,792.65</b>
<b>Governance &amp; Development</b>			
Commander's Emergency Response Program (CERP)	DOD	3,684.50	176.00
Afghanistan Infrastructure Fund (AIF)	DOD	988.50	0.00
Task Force for Business and Stability Operations (TFBSO)	DOD	822.85	0.00
Economic Support Fund (ESF)	USAID	19,411.27	2,531.05
Development Assistance (DA)	USAID	886.50	383.18
Afghanistan Freedom Support Act (AFSA)	DOD	550.00	550.00
Child Survival & Health (CSH + GHAI)	USAID	554.63	128.60
Commodity Credit Corp (CCC)	USAID	31.48	8.80
USAID (Other)	USAID	52.11	5.50
Non-Proliferation, Antiterrorism, Demining & Related (NADR)	State	730.94	186.25
Provincial Reconstruction Team Advisors	USDA	5.70	0.00
Treasury Technical Assistance	Treasury	4.45	2.91
International Narcotics Control & Law Enforcement (INCLE)	State	4,875.86	989.28
Drug Enforcement Administration (DEA)	DOJ	232.94	23.93
<b>Total - Governance &amp; Development</b>		<b>32,831.72</b>	<b>4,985.52</b>
<b>Humanitarian</b>			
Pub. L. No. 480 Title I	USDA	5.00	5.00
Pub. L. No. 480 Title II	USAID	891.28	254.80
Disaster Assistance (IDA)	USAID	629.38	298.23
Transition Initiatives (TI)	USAID	37.59	32.58
Migration & Refugee Assistance (MRA)	State	1,163.77	313.00
Voluntary Peacekeeping (PKO)	State	69.33	69.33
Emergency Refugee & Migration Assistance (ERMA)	State	25.20	25.00
Food for Progress	USDA	109.49	44.14
416(b) Food Aid	USDA	95.18	95.18
Food for Education	USDA	50.49	25.41
Emerson Trust	USDA	22.40	0.00
<b>Total - Humanitarian</b>		<b>3,099.11</b>	<b>1,162.66</b>
<b>Civilian Operations</b>			
Oversight		458.35	0.00
Other		10,307.45	539.63
<b>Total - Civilian Operations</b>		<b>10,765.80</b>	<b>539.63</b>
<b>Total Funding</b>		<b>117,250.09</b>	<b>9,480.47</b>



# APPENDICES

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017*
	1,908.13	7,406.40	2,750.00	5,606.94	9,166.77	10,619.28	9,200.00	4,946.20	3,962.34	3,939.33	3,652.26	1,869.31
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.98	1.19	1.66	1.40	1.76	1.56	1.18	1.42	1.50	1.05	1.20	0.00
	108.05	290.97	192.81	230.06	392.27	379.83	472.99	255.81	238.96	0.00	138.76	18.43
	<b>2,017.17</b>	<b>7,698.57</b>	<b>2,944.47</b>	<b>5,838.40</b>	<b>9,560.80</b>	<b>11,000.67</b>	<b>9,674.16</b>	<b>5,203.44</b>	<b>4,202.80</b>	<b>3,940.38</b>	<b>3,792.22</b>	<b>1,887.74</b>
	215.00	209.00	488.33	550.67	1,000.00	400.00	400.00	200.00	30.00	10.00	5.00	0.50
	0.00	0.00	0.00	0.00	0.00	299.00	400.00	145.50	144.00	0.00	0.00	0.00
	0.00	0.00	0.00	14.44	59.26	239.24	245.76	138.20	122.24	3.72	0.00	0.00
	473.39	1,224.75	1,399.51	2,077.48	3,346.00	2,168.51	1,836.76	1,802.65	907.00	831.90	812.27	0.00
	185.08	166.81	149.43	0.40	0.30	0.00	0.00	0.35	0.00	0.95	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	41.45	100.77	63.04	58.23	92.30	69.91	0.00	0.25	0.01	0.06	0.00	0.00
	0.00	0.00	10.77	4.22	4.22	3.09	0.38	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	21.96	2.81	4.90	6.25	7.10	1.84	0.80	0.82	0.13	0.00
	35.72	36.72	29.72	59.92	70.74	69.30	65.32	52.60	43.20	43.50	37.96	0.00
	0.00	0.00	0.00	5.70	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.19	0.13	0.75	0.47	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	232.65	251.74	307.56	493.90	589.00	400.00	357.92	593.81	225.00	250.00	185.00	0.00
	23.66	20.38	40.59	18.88	19.20	18.70	18.70	17.00	18.70	9.05	3.31	0.85
	<b>1,207.14</b>	<b>2,010.30</b>	<b>2,511.66</b>	<b>3,287.12</b>	<b>5,185.92</b>	<b>3,673.99</b>	<b>3,331.93</b>	<b>2,952.19</b>	<b>1,490.96</b>	<b>1,149.99</b>	<b>1,043.66</b>	<b>1.35</b>
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	56.60	60.00	60.00	177.00	58.13	112.55	0.00	46.20	66.00	0.00	0.00	0.00
	0.04	0.03	16.84	27.13	29.61	66.23	56.00	21.50	28.19	25.71	39.89	20.00
	0.00	0.00	0.00	0.75	0.85	1.08	0.63	0.32	0.83	0.52	0.04	0.00
	41.80	54.00	44.25	76.79	80.93	65.00	99.56	76.07	107.89	129.27	75.21	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	23.24	9.47	20.55	12.09	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	25.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	22.40	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>146.76</b>	<b>123.50</b>	<b>164.04</b>	<b>293.96</b>	<b>169.52</b>	<b>244.85</b>	<b>156.18</b>	<b>144.09</b>	<b>202.91</b>	<b>155.50</b>	<b>115.14</b>	<b>20.00</b>
	0.00	2.50	14.30	25.20	34.40	37.20	59.00	58.70	62.65	68.60	62.37	33.43
	131.90	207.80	435.51	1,065.86	1,761.70	905.10	1,425.47	1,272.55	852.52	909.50	793.92	6.00
	<b>131.90</b>	<b>210.30</b>	<b>449.81</b>	<b>1,091.06</b>	<b>1,796.10</b>	<b>942.30</b>	<b>1,484.47</b>	<b>1,331.25</b>	<b>915.17</b>	<b>978.10</b>	<b>856.29</b>	<b>39.43</b>
	<b>3,502.96</b>	<b>10,042.67</b>	<b>6,069.97</b>	<b>10,510.54</b>	<b>16,712.33</b>	<b>15,861.81</b>	<b>14,646.73</b>	<b>9,630.96</b>	<b>6,811.83</b>	<b>6,223.97</b>	<b>5,807.31</b>	<b>1,948.53</b>

# APPENDICES

## APPENDIX C

### SIGAR WRITTEN PRODUCTS\*

#### SIGAR Audits

##### Completed Alert Letters

SIGAR completed one alert letter during this reporting period.

##### COMPLETED SIGAR ALERT LETTERS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Issued
SIGAR 17-14 AL	Response to Congressional Request for Information about TFBSO Villas	12/2016

##### Completed Performance Audits

SIGAR completed one performance audit during this reporting period.

##### COMPLETED SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Issued
SIGAR 17-22-AR	USAID's Use of Unreliable Data Presents Challenges in Assessing Health Care Program Performance and the Extent of Progress	1/2017

##### New Performance Audits

SIGAR initiated three performance audits during this reporting period.

##### NEW SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Project Identifier	Project Title	Date Initiated
SIGAR 118A	Department of Defense's Efforts to Advise the Afghan Ministries of Defense and Interior	1/2017
SIGAR 117A	U.S. Agency for International Development's Regional Agricultural Development Program	12/2016
SIGAR 116A	Promoting Gender Equity in National Priority Programs (Promote)	11/2016

##### Ongoing Performance Audits

SIGAR had 10 performance audits in progress during this reporting period.

##### ONGOING SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Project Identifier	Project Title	Date Initiated
SIGAR 115A	U.S. Government Efforts to Increase the Supply, Quantity, and Distribution of Electric Power from the Kajaki Dam	4/2016

*Continued on the next page*

\* SIGAR may also report on products and events occurring after December 31, 2016, up to the publication date.

# APPENDICES

## ONGOING SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Project Identifier	Project Title	Date Initiated
SIGAR 114A	Task Force for Business and Stability Operations' Programs and Activities in Afghanistan from 2010 through 2014	3/2016
SIGAR 112A	Administration, Monitoring, and Reporting of the Afghanistan Reconstruction Trust Fund	12/2015
SIGAR 111A	Award, Administration, and Performance of Legacy Research Contracts	8/2015
SIGAR 110A	Effectiveness of the Commander's Emergency Response Program in Afghanistan	8/2015
SIGAR 109A	U.S. Salary Supplements for Afghan Government Employees and Technical Advisors	6/2015
SIGAR 108A	USAID's Efforts to Support Land Reform in Afghanistan	5/2015
SIGAR 106A	Accountability for ANSF Organizational Clothing and Individual Equipment	4/2015
SIGAR 102A	Afghanistan Infrastructure Fund Follow-Up	11/2014
SIGAR 100A	DOD Oversight of Infrastructure Projects Transferred to the Afghan Government	8/2014

## Completed Financial Audits

SIGAR completed three financial audits during this reporting period.

## COMPLETED SIGAR FINANCIAL AUDITS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Issued
SIGAR 17-20 FA	USAID Contract with Black & Veatch Special Projects Corporation for the Kandahar-Helmand Power Program	1/2017
SIGAR 17-23 FA	State Grant with Aga Khan Foundation USA for the Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) Program	1/2017
SIGAR 17-24 FA	State Grant with Sayara Media and Communications for Afghanistan Counternarcotic Program	1/2017

## New Financial Audits

SIGAR initiated seven financial audits during this reporting period.

## NEW SIGAR FINANCIAL AUDITS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Initiated
F-110	DOD Contract with Friends of the American University of Afghanistan for Village Stability Operations Project Subject Matter Experts	11/2016
F-109	DOD Contract with Alion Science and Technology Corporation for Kabul Business Incubator	11/2016
F-108	DOD Contract with Development Alternatives Inc. for Professional Business Analysis, Advisory and Assistance Support Services	11/2016
F-107	DOD Contract with SRK Consulting Inc. for Mineral Tender Development and Geological Services	11/2016
F-106	DOD Contract with Leidos Inc. (previously SAIC) for Economic Impact Assessment	11/2016
F-105	DOD Contract with aXseum Solutions LLC for Banking and Financial Infrastructure Development	11/2016
F-104	DOD Contract with Curtis, Mallet-Prevost, Colt & Mosle LLP for Advisory Services and International Hydrocarbons Sector	11/2016

# APPENDICES

## Ongoing Financial Audits

SIGAR had 14 financial audits in progress during this reporting period.

ONGOING SIGAR FINANCIAL AUDITS AS OF DECEMBER 31, 2016		
Project Identifier	Project Title	Date Initiated
F-103	DOD Contract with AAR Parts Trading Inc.; AAR Defense Systems and Logistics Subsidiary for C-130H Contractor Logistic Support for the Afghan Air Force	6/2016
F-102	DOD Contract with Sierra Nevada Corp. for Afghan National Army Special Operations Forces Contractor Logistics Support for PC-12 Fixed Wing Aircraft	6/2016
F-101	DOD Contract with Lockheed Martin Integrated Systems Inc. for Afghan Air Force Spare Parts Surge Buy in Support of the Afghan Security Forces	6/2016
F-100	DOD Contract with Textron Inc. for Training and Logistics Support with the Afghan National Army Mobile Strike Force Vehicle Program	6/2016
F-099	DOD Contract with Textron Inc. for Mobile Strike Force Vehicle Interim Contractor Training Support for the Afghan National Army	6/2016
F-098	State Grant with Sesame Street for Media Programs	5/2016
F-096	USAID Cooperative Agreement with International Relief and Development (IRD) for the Kandahar Food Zone (KFZ) Program	3/2016
F-095	USAID Cooperative Agreement with Volunteers for Economic Growth Alliance (VEGA) for Assistance in Building Afghanistan by Developing Enterprise (ABADE)	3/2016
F-094	USAID Cooperative Agreement with Roots of Peace for Commercial Horticulture and Agriculture Marketing Program (CHAMP)	3/2016
F-093	USAID Cooperative Agreement with Management Sciences for Health (MSH) for Strengthening Pharmaceutical Systems (SPS)	3/2016
F-092	USAID Contract with Chemonics International Inc. for Financial Access for Investing in the Development of Afghanistan (FAIDA)	3/2016
F-091	USAID Implementation Letter with Da Afghanistan Breshna Sherkat (DABS) for Kajaki Dam Unit 2	3/2016
F-090	USAID Contract with Checchi and Company Consulting Inc (CCCI) for Services Under Program Project Offices for Results Tracking (SUPPORT II)	3/2016
F-089	DOD Contract with Sterling Global Operations for Afghanistan-wide Mine, Battle Area, and Range Clearance-Phase II	11/2015

## SIGAR Inspections

### Completed Inspections

SIGAR completed one inspection report this reporting period.

COMPLETED SIGAR INSPECTIONS AS OF DECEMBER 31, 2016		
Product Identifier	Product Title	Date Issued
SIGAR 17-19-IP	Sheberghan Teacher Training Facility	12/2016

## SIGAR Special Projects Completed Special Projects

SIGAR completed six Special Project products this reporting period.

### COMPLETED SIGAR SPECIAL PROJECTS AS OF DECEMBER 31, 2016

Product Identifier	Product Title	Date Issued
SIGAR 17-21-SP	Nonpayment to Afghan Subcontractors Update	1/2017
SIGAR 17-18-SP	USAID-Supported Health Facilities in Baghlan	12/2016
SIGAR 17-17-SP	Women's Cricket Leadership Exchange Grant: Efforts to Increase Women's Participation in Cricket Hindered by a Lack of Support from Afghanistan Cricket Board	12/2016
SIGAR 17-16-SP	USAID Implementation and Oversight of the Promoting Gender Equity in National Priority Programs (Promote) Initiative	12/2016
SIGAR 17-13-SP	Abandonment of OPIC Projects in Kabul	11/2016
SIGAR 17-12-SP	Schools in Herat Province: Observations from Site Visits at 25 Schools	11/2016

## SIGAR Lessons Learned Projects Ongoing Lessons Learned Projects

SIGAR has six ongoing Lessons Learned projects this reporting period.

### ONGOING SIGAR LESSONS LEARNED PROJECTS AS OF DECEMBER 31, 2016

Product Identifier	Product Title	Date Initiated
SIGAR LL-07	Stabilization	2/2016
SIGAR LL-06	Security Sector Reconstruction	2/2016
SIGAR LL-05	Private Sector Development and Economic Growth	10/2015
SIGAR LL-04	Counternarcotics in Afghanistan Reconstruction	4/2015
SIGAR LL-02	U.S. Coordination with External Partners in Administering Aid	12/2014
SIGAR LL-01	Interagency Coordination on Strategy and Planning	12/2014

## Other SIGAR Written Products

SIGAR completed one other written product this reporting period.

### OTHER COMPLETED SIGAR WRITTEN PRODUCTS AS OF DECEMBER 31, 2016

Product Identifier	Product Title	Date Issued
SIGAR-17-25-HRL	High-Risk List	1/2017

## APPENDIX D

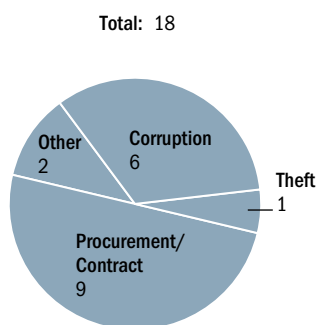
### SIGAR INVESTIGATIONS AND HOTLINE

#### SIGAR Investigations

This quarter, SIGAR opened 18 new investigations and closed 13, bringing the total number of ongoing investigations to 259. Of the new investigations, most were related to corruption and procurement/contract fraud, as shown in Figure D.1. Of the closed investigations, most were closed due to lack of investigative merit, as shown in Figure D.2.

FIGURE D.1

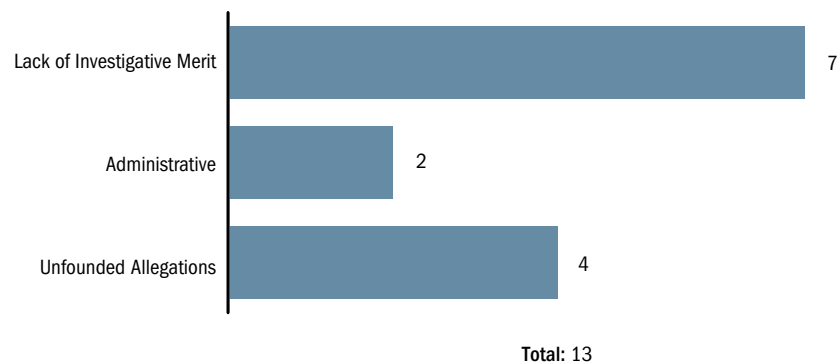
**SIGAR NEW INVESTIAGIONS,  
OCTOBER 1-DECEMBER 31, 2016**



Source: SIGAR Investigations Directorate, 01/05/2017.

FIGURE D.2

**SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1-DECEMBER 31, 2016**



Source: SIGAR Investigations Directorate, 01/06/2017.

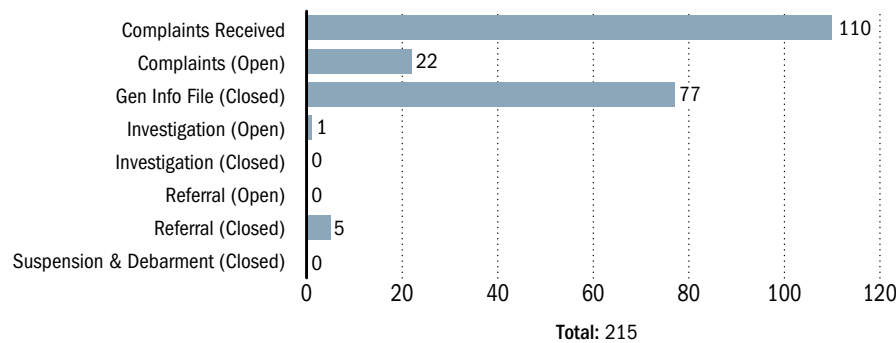
# APPENDICES

## SIGAR Hotline

The Investigations directorate continued its work this quarter on complaints received prior to December 31, 2016. This quarter, the directorate processed 215 complaints, most of which are under review or were closed, as shown in Figure D.3. The SIGAR Hotline received 110 complaints this quarter. As shown in Figure D.4, most were received electronically.

FIGURE D.3

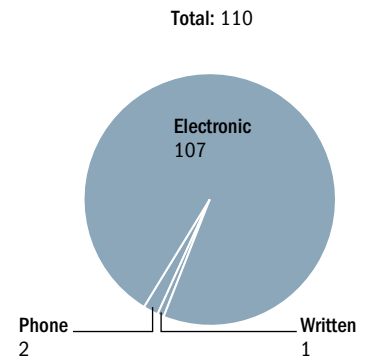
STATUS OF SIGAR HOTLINE COMPLAINTS: OCTOBER 1-DECEMBER 31, 2016



Note: 110 complaints received during quarter; total includes status changes for complaints made in earlier periods.

FIGURE D.4

SOURCE OF SIGAR HOTLINE COMPLAINTS, OCTOBER 1-DECEMBER 31, 2016



Source: SIGAR Investigations Directorate, 1/13/2017.

## SIGAR SUSPENSIONS AND DEBARMENTS

Table D.1 is a comprehensive list of finalized suspensions, debarments, and special entity designations relating to SIGAR's work in Afghanistan as of December 31, 2016. SIGAR *lists its suspensions, debarments and special entity designations for historical purposes only*. For the current status of any individual or entity listed herein as previously suspended, debarred or listed as a special entity designation, please consult the System for Award Management, [www.sam.gov](http://www.sam.gov).

Entries appearing in both the suspension and debarment sections are based upon their placement in suspended status following criminal indictment or determination of non-responsibility by agency suspension and debarment official. Final debarment was imposed following criminal conviction in U.S. Federal District Court and/or final determination by agency suspension and debarment official regarding term of debarment.

# APPENDICES

TABLE D.1

<b>SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016</b>		
<b>Special Entity Designations</b>		
Arvin Kam Construction Company	Khan, Haji Mohammad Almas	Saadat, Wakil
Arvin Kam Group LLC, d.b.a. "Arvin Kam Group Security," d.b.a. "Arvin Kam Group Foundation," d.b.a. "Arvin Global Logistics Services Company"	Noh-E Safi Mining Company Noor Rahman Company Noor Rahman Construction Company	Triangle Technologies Wasim, Abdul Wakil Zaland, Yousef
Ayub, Mohammad	Nur Rahman Group, d.b.a. "NUCCL Construction Company," d.b.a. "RUCCL Rahman Umar Construction Company," d.b.a. "Rahman Trading and General Logistics Company LLC	Zurmat Construction Company Zurmat Foundation Zurmat General Trading
Fruzi, Haji Khalil	Rahman, Nur, a.k.a. "Noor Rahman," a.k.a. "Noor Rahman Safa"	Zurmat Group of Companies, d.b.a. "Zurmat LLC"
Haji Amir Muhammad	Rhaman, Mohammad	Zurmat Material Testing Laboratory
Haji Dhost Mohammad Zurmat Construction Company		
Jan, Nurullah		
<b>Suspensions</b>		
Al-Watan Construction Company	Yousef, Najeebullah	Everest Faizy Logistics Services
Basirat Construction Firm	Rahimi, Mohammad Edris	Faizy Elham Brothers Ltd.
Brophy, Kenneth	Wooten, Philip Steven	Faizy, Rohullah
Naqibullah, Nadeem	Domineck, Lavette Kaye	Hekmat Shadman General Trading LLC
Rahman, Obaidur	Markwith, James	Hekmat Shadman Ltd., d.b.a. "Hikmat Shadman Ltd."
Campbell, Neil Patrick	All Points International Distributors Inc.	Hikmat Shadman Construction and Supply Company
Borcata, Raul A.	Cipolla, James	Hikmat Shadman Logistics Services Company, d.b.a. "Hikmat Shadman Commerce Construction and Supply Company," d.b.a. "Hikmat Shadman Commerce Construction Services"
Close, Jarred Lee	Hercules Global Logistics	Saif Hikmat Construction Logistic Services and Supply Co.
Logistical Operations Worldwide	Schroeder, Robert	Shadman, Hikmatullah, a.k.a. "Hikmat Shadman," a.k.a. "Haji Hikmatullah Shadman," a.k.a. "Hikmatullah Saadulah"
Robinson, Franz Martin	AISC LLC	Travis, James Edward
Taylor, Zachery Dustin	American International Security Corporation	Sherzai, Akbar Ahmed
Aaria Group Construction Company	Brothers, Richard S.	Bertolini, Robert L.
Aaria Group	David A Young Construction & Renovation Inc.	Kahn, Haroon Shams, a.k.a. "Haroon Shams"
Aaria Herai General Trading	Force Direct Solutions LLC	Shams Constructions Limited
Aaria M.E. General Trading LLC	Harris, Christopher	Shams General Services and Logistics Unlimited
Aaria Middle East	Hernando County Holdings LLC	Shams Group International, d.b.a. "Shams Group International FZE"
Aaria Middle East Company LLC	Hide-A-Wreck LLC	Shams London Academy
Aaria Middle East Company Ltd. - Heart	Panthers LLC	Shams Production
Aaria Supplies Company Ltd	Paper Mill Village, Inc	Shams Welfare Foundation
Aaria Supply Services and Consultancy	Shroud Line LLC	Autry, Cleo Brian
Aftech International	Spada, Carol	Chamberlain, William Todd
Aftech International Pvt. Ltd.	Taylor, Michael	Cook, Jeffrey Arthur
Alam, Ahmed Farzad	Welventure LLC	Harper, Deric Tyrone
Albahar Logistics	World Wide Trainers LLC	Swim, Alexander
American Aaria Company LLC	Young, David	Walls, Barry Lee, Jr.
American Aaria LLC	Espinoza, Mauricio	
Barakzai, Nangialai	Long, Tonya	
Formid Supply and Services	Brophy, Kenneth Michael	
Greenlight General Trading	Rivera-Medina, Franklin Delano	
Kabul Hackle Logistics Company	Peace Thru Business	
Sharpway Logistics	Pudenz, Adam Jeff Julias	
United States California Logistics Company	Elham, Yaser, a.k.a. "Najibullah Saadullah"	



# APPENDICES

TABLE D.1 (CONTINUED)

<b>SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016</b> (CONTINUED)		
<b>Suspensions (continued)</b>		
Ciampa, Christopher	Al Iraq Al Waed	Edmondson, Jeffrey B.
Casellas, Luis Ramon	Al Quraishi Bureau	Lugo, Emanuel
International Contracting and Development	Al Zakoura Company	Montague, Geoffrey K.
Sobh, Adeeb Nagib, a.k.a. "Ali Sobh"	Al-Amir Group LLC	Pena, Ramiro
Stallion Construction and Engineering Group	Al-Noor Contracting Company	Ware, Marvin
Wazne Group Inc., d.b.a. "Wazne Wholesale"	Al-Noor Industrial Technologies Company	Green, Robert Warren
Wazne, Ayman, a.k.a. "Ayman Ibrahim Wazne"	California for Project Company	Bailly, Louis Matthew
Hampton, Seneca Darnell	Civilian Technologies Limited Company	Albright, Timothy H.
Green, George E.	Industrial Techniques Engineering	Bailly, Louis Matthew
Tran, Anthony Don	Electromechanically Company	Bunch, Donald P.
Vergez, Norbert	Jamil, Omar K.	Epps, Willis
Mayberry, Teresa	Pulsars Company	Kline, David
Addas, James	San Francisco for Housing Company	Morgan, Sheldon J.
Advanced Ability for U-PVC	Sura Al Mustakbal	
Al Bait Al Amer	Top Techno Concrete Batch	
<b>Debarments</b>		
Farooqi, Hashmatullah	Safi, Fazal Ahmed	Nasrat, Sami
Hamid Lais Construction Company	Shin Gul Shaheen, a.k.a. "Sheen Gul Shaheen"	National General Construction Company
Hamid Lais Group	Espinoza-Loor, Pedro Alfredo	Passerly, Ahmaad Saleem
Lodin, Rohullah Farooqi	Campbell, Neil Patrick	Rabi, Fazal
Bennett & Fouch Associates LLC	Navarro, Wesley	Rahman, Atta
Brandon, Gary	Hazrati, Arash	Rahman, Fazal
K5 Global	Midfield International	Roshandil, Mohammad Ajmal
Ahmad, Noor	Moore, Robert G.	Saber, Mohammed
Noor Ahmad Yousufzai Construction Company	Noori, Noor Alam, a.k.a. "Noor Alam"	Safi, Azizur Rahman
Ayeni, Sheryl Adenike	Northern Reconstruction Organization	Safi, Matiullah
Cannon, Justin	Shamal Pamir Building and Road Construction Company	Sahak, Sher Khan
Constantino, April Anne	Wade, Desi D.	Shaheed, Murad
Constantino, Dee	Blue Planet Logistics Services	Shirzad, Daulet Khan
Constantino, Ramil Palmes	Mahmodi, Padres	Uddin, Mehrib
Crilly, Braam	Mahmodi, Shikab	Watson, Brian Erik
Drotleff, Christopher	Saber, Mohammed	Wooten, Philip Steven
Fil-Tech Engineering and Construction Company	Watson, Brian Erik	Espinoza, Mauricio
Handa, Sdiharth	Abbasi, Shahpoor	Alam, Ahmed Farzad
Jabak, Imad	Amiri, Waheedullah	Greenlight General Trading
Jamally, Rohullah	Atal, Waheed	Aaria Middle East Company LLC
Khalid, Mohammad	Daud, Abdulillah	Aaria Middle East Company Ltd. - Herat
Khan, Daro	Dehati, Abdul Majid	Aaria M.E. General Trading LLC
Mariano, April Anne Perez	Fazli, Qais	Aaria Middle East
McCabe, Elton Maurice	Hamdard, Mohammad Yousuf	Barakzai, Nangialai
Mihalcz, John	Kunari, Haji Pir Mohammad	Formid Supply and Services
Qasimi, Mohammed Indress	Mushfiq, Muhammad Jaffar	Aaria Supply Services and Consultancy
Radhi, Mohammad Khalid	Mutallib, Abdul	Kabul Hackle Logistics Company

# APPENDICES

TABLE D.1 (CONTINUED)

<b>SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016 (CONTINUED)</b>		
<b>Debarments (continued)</b>		
Yousef, Najeebullah	Luqman Engineering Construction Company, d.b.a. "Luqman Engineering"	Abdul Haq Foundation
Aaria Group	Safiullah, a.k.a. "Mr. Safiullah"	Adajar, Adonis
Aaria Group Construction Company	Sarfarez, a.k.a. "Mr. Sarfarez"	Calhoun, Josh W.
Aaria Supplies Company Ltd.	Wazir, Khan	Clark Logistic Services Company, d.b.a. "Clark Construction Company"
Rahimi, Mohammad Edris	Akbar, Ali	Farkas, Janos
All Points International Distributors Inc.	Crystal Construction Company, d.b.a. "Samitullah Road Construction Company"	Flordeliz, Alex F.
Hercules Global Logistics	Samitullah (Individual uses only one name)	Knight, Michael T., II
Schroeder, Robert	Ashna, Mohammad Ibrahim, a.k.a. "Ibrahim"	Lozado, Gary
Helmand Twinkle Construction Company	Gurvinder, Singh	Mijares, Armando N., Jr.
Waziri, Heward Omar	Jahan, Shah	Mullakhiel, Wadir Abdullahmatin
Zadran, Mohammad	Shahim, Zakirullah a.k.a. "Zakrullah Shahim", a.k.a. "Zikrullah Shahim"	Rainbow Construction Company
Afghan Mercury Construction Company, d.b.a. "Afghan Mercury Construction & Logistics Company"	Alyas, Maiwand Ansunullah a.k.a. "Engineer Maiwand Alyas"	Sardar, Hassan, a.k.a. "Hassan Sardar Inqilab"
Mirzali Naseeb Construction Company	BMCSC	Shah, Mohammad Nadir, a.k.a. "Nader Shah"
Montes, Diyana	Maiwand Haqmal Construction and Supply Company	Tito, Regor
Naseeb, Mirzali	New Riders Construction Company, d.b.a. "Riders Construction Company," d.b.a. "New Riders Construction and Services Company"	Brown, Charles Phillip
Robinson, Franz Martin	Riders Constructions, Services, Logistics and Transportation Company	Sheren, Fasela, a.k.a. "Sheren Fasela"
Smith, Nancy	Riders Group of Companies	Anderson, Jesse Montel
Sultani, Abdul Anas a.k.a. "Abdul Anas"	Domineck, Lavette Kaye	Charboneau, Stephanie, a.k.a. "Stephanie Shankel"
Faqiri, Shir	Markwith, James	Hightower, Jonathan
Hosmat, Haji	Martinez, Rene	Khan, Noor Zali, a.k.a. "Wali Kahn Noor"
Jim Black Construction Company	Maroof, Abdul	Saheed, a.k.a. "Mr. Saheed;" a.k.a. "Sahill;" a.k.a. "Ghazi-Rahman"
Arya Ariana Aryayee Logistics, d.b.a. "AAA Logistics," d.b.a. "Somo Logistics"	Qara, Yousef	Weaver, Christopher
Garst, Donald	Royal Palace Construction Company	Al Kaheel Oasis Services
Mukhtar, Abdul a.k.a. "Abdul Kubar"	Bradshaw, Christopher Chase	Al Kaheel Technical Service
Noori Mahgir Construction Company	Zuhra Productions	CLC Construction Company
Noori, Sherin Agha	Zuhra, Niazzai	CLC Consulting LLC
Long, Tonya	Boulware, Candice a.k.a. "Candice Joy Dawkins"	Complete Manpower Solutions
Isranuddin, Burhanuddin	Dawkins, John	Mohammed, Masiuddin, a.k.a. "Masi Mohammed"
Matun, Navidullah, a.k.a. "Javid Ahmad"	Mesopotamia Group LLC	Rhoden, Bradley L., a.k.a. "Brad L. Rhoden"
Matun, Wahidullah	Nordloh, Geoffrey	Rhoden, Lorraine Serena
Navid Basir Construction Company	Kieffer, Jerry	Royal Super Jet General Trading LLC
Navid Basir JV Gaggar Baba Construction Company	Johnson, Angela	Super Jet Construction Company
NBCC & GBCC JV	Johnson, Keith	Super Jet Fuel Services
Noori, Navid	Military Logistic Support LLC	Super Jet Group
Asmatullah, Mahmood, a.k.a. "Mahmood"	Eisner, John	Super Jet Tours LLC, d.b.a. "Super Jet Travel and Holidays LLC"
Khan, Gul	Taurus Holdings LLC	Super Solutions LLC
Khan, Solomon Sherdad, a.k.a. "Solomon"	Brophy, Kenneth Michael	Abdullah, Bilal
Mursalin, Ikramullah, a.k.a. "Ikramullah"		Farmer, Robert Scott
Musafer, Naseem, a.k.a. "Naseem"		Mudiyanselage, Oliver
Ali, Esrar		Kelly, Albert, III
Gul, Ghanzi		Ethridge, James

# APPENDICES

TABLE D.1 (CONTINUED)

<b>SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016</b> (CONTINUED)		
<b>Debarments (continued)</b>		
Ferridge Strategic Partners	Atlas Sahil Construction Company	Afghan Royal First Logistics, d.b.a. "Afghan Royal"
AISC LLC	Bab Al Jazeera LLC	American Barriers
American International Security Corporation	Emar-E-Sarey Construction Company	Arakozia Afghan Advertising
David A Young Construction & Renovation Inc.	Muhammad, Pianda	Dubai Armored Cars
Force Direct Solutions LLC	Sambros International, d.b.a. "Sambros International Ltd," d.b.a. "Sambros-UK JV"	Enayatullah, son of Hafizullah
Harris, Christopher	Sambros JV Emar-E-Sarey Construction Company, d.b.a. "Sambros JV ESCC"	Farhas, Ahmad
Hernando County Holdings LLC	Antes, Bradley A.	Inland Holdings Inc.
Hide-A-Wreck LLC	Lakeshore Engineering & Construction Afghanistan Inc., d.b.a. "Lakeshore General Contractors Inc."	Intermaax, FZE
Panthers LLC	Lakeshore Engineering Services Inc.	Intermaax Inc.
Paper Mill Village Inc.	Lakeshore Engineering Services/Toltest JV LLC	Karkar, Shah Wali
Shroud Line LLC	Lakeshore Toltest - Rentenbach JV LLC	Sandman Security Services
Spada, Carol	Lakeshore Toltest Corporation, d.b.a. "Lakeshore Group," d.b.a. "LTC Newco d.b.a. "LTC CORP Michigan," d.b.a. "Lakeshore Toltest KK"	Siddiqi, Atta
Welventure LLC	Lakeshore Toltest Guam LLC	Specialty Bunkering
World Wide Trainers LLC	Lakeshore Toltest JV LLC	Spidle, Chris Calvin
Young, David Andrew	Lakeshore Toltest RRCC JV LLC	Vulcan Amps Inc.
Woodruff and Company	Lakeshore/Walsh JV LLC	Worldwide Cargomasters
Travis, James Edward	LakeshoreToltest METAG JV LLC	Aziz, Haji Abdul, a.k.a. "Abdul Aziz Shah Jan," a.k.a. "Aziz"
Khairfullah, Gul Agha	LTC & Metawater JV LLC	Castillo, Alfredo, Jr.
Khalil Rahimi Construction Company	LTC Holdings Inc.	Abbasi, Asim
Momand, Jahanzeb, a.k.a. "Engineer Jahanzeb Momand"	LTC Italia SRL	Muturi, Samuel
Yar-Mohammad, Hazrat Nabi	LTC Tower General Contractors LLC	Mwakio, Shannel
Walizada, Abdul Masoud, a.k.a. "Masood Walizada"	LTCCORP Commercial LLC	Ahmad, Jaweed
Alizai, Zarghona	LTCCORP E&C Inc.	Ahmad, Masood
Aman, Abdul	LTCCORP Government Services - OH Inc.	A & J Total Landscapes
Anwari, Laila	LTCCORP Government Services Inc.	Aryana Green Light Support Services
Anwari, Mezhgan	LTCCORP Government Services-MI Inc.	Mohammad, Sardar, a.k.a. "Sardar Mohammad Barakzai"
Anwari, Rafi	LTCCORP O&G LLC	Pittman, James C., a.k.a. "Carl Pittman"
Arghandiwal, Zahra, a.k.a. "Sarah Arghandiwal"	LTCCORP Renewables LLC	Poaipuni, Clayton
Azizi, Farwad, a.k.a. "Farwad Mohammad Azizi"	LTCCORP Inc.	Wiley, Patrick
Bashizada, Razia	LTCCORP/Kaya Djibouti LLC	Crystal Island Construction Company
Coates, Kenneth	LTCCORP/Kaya East Africa LLC	Afghan Columbia Constructon Company
Gibani, Marika	LTCCORP/Kaya Romania LLC	Ahmadi, Mohammad Omid
Haidari, Mahboob	LTCCORP/Kaya Rwanda LLC	Dashti, Jamsheed
Latifi, Abdul	LTCCORP Technology LLC	Hamdard, Eraj
McCammon, Christina	Toltest Inc., d.b.a. "Wolverine Testing and Engineering," d.b.a. "Toledo Testing Laboratory," d.b.a. "LTC," d.b.a. "LTC Corp," d.b.a. "LTC Corp Ohio," d.b.a. "LTC Ohio"	Hamidi, Mahrokh
Mohibzada, Ahmadullah, a.k.a. "Ahmadullah Mohebzada"	Toltest/Desbuild Germany JV LLC	Raising Wall Construction Company
Neghat, Mustafa	Veterans Construction/Lakeshore JV LLC	Artemis Global Inc., d.b.a. "Artemis Global Logistics and Solutions," d.b.a. "Artemis Global Trucking LLC"
Qurashi, Abdul		O'Brien, James Michael, a.k.a. "James Michael Wienert"
Raouf, Ashmatullah		Tamerlane Global Services Inc., d.b.a. "Tamerlane Global LLC," d.b.a. "Tamerlane LLC," d.b.a. "Tamerlane Technologies LLC"
Shah, David		Jean-Noel, Dimitry
Touba, Kajim		Hampton, Seneca Damell
Zahir, Khalid		
Aryubi, Mohammad Raza Samim		

# APPENDICES

TABLE D.1 (CONTINUED)

<b>SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016 (CONTINUED)</b>		
<b>Debarments (continued)</b>		
Dennis, Jimmy W.	Top Techno Concrete Batch	Haq, Fazal
Timor, Karim	Albright, Timothy H.	Jahangir, Son of Abdul Qadir
Wardak, Khalid	Insurance Group of Afghanistan	Kaka, Son of Ismail
Rahmat Siddiqi Transportation Company	Ratib, Ahmad, a.k.a. "Nazari"	Khalil, Son of Mohammad Ajan
Siddiqi, Rahmat	Jamil, Omar K.	Khan, Mirullah
Siddiqi, Sayed Attaullah	Rawat, Ashita	Khan, Mukamal
Umbrella Insurance Limited Company	Casellas, Luis Ramon	Khoshal, Son of Sayed Hasan
Taylor, Michael	Saber, Mohammad a.k.a. "Saber," a.k.a. "Sabir"	Malang, Son of Qand
Gardazi, Syed	Zahir, Shafiullah Mohammad a.k.a. "Shafiullah," a.k.a. "Shafie"	Masom, Son of Asad Gul
Smarasinghage, Sagara	Achiever's International Ministries Inc., d.b.a. "Center for Achievement and Development LLC"	Mateen, Abdul
Security Assistance Group LLC	Bickersteth, Diana	Mohammad, Asghar
Bailly, Louis Matthew	Bonview Consulting Group Inc.	Mohammad, Baqi
Kumar, Krishan	Fagbenro, Oyetayo Ayoola, a.k.a. "Tayo Ayoola Fagbenro"	Mohammad, Khial
Raj, Janak	Global Vision Consulting LLC	Mohammad, Sayed
Singh, Roop	HUDA Development Organization	Mujahid, Son of Abdul Qadir
Masraq Engineering and Construction Company	Strategic Impact Consulting, d.b.a. "Strategic Impact KarKon Afghanistan Material Testing Laboratory"	Nangiali, Son of Alem Jan
Miakhil, Azizullah	Davies, Simon	Nawid, Son of Mashoq
Stratton, William G	Gannon, Robert, W.	Noorullah, Son of Noor Mohammad
Umeer Star Construction Company	Gillam, Robert	Qayoum, Abdul
Zahir, Mohammad Ayub	Mondial Defence Systems Ltd.	Roz, Gul
Marshal Afghan American Construction Company	Mondial Defense Systems USA LLC	Shafiq, Mohammad
Marshal, Sayed Abbas Shah	Mondial Logistics	Shah, Ahmad
Peace Thru Business	Khan, Adam	Shah, Mohammad
Pudenz, Adam Jeff Julias	Khan, Amir, a.k.a. "Amir Khan Sahel"	Shah, Rahim
Green, Robert Warren	Sharq Afghan Logistics Company, d.b.a. "East Afghan Logistics Company"	Sharif, Mohammad
Mayberry, Teresa	Hafizullah, Sayed; a.k.a. "Sadat Sayed Hafizullah"; a.k.a. "Sayed Hafizullah Delsooz"	Waheedullah, Son of Sardar Mohammad
Addas, James	Sadat Zohori Construction and Road Building Company; d.b.a. "Sadat Zohori Cons Co."	Wahid, Abdul
Advanced Ability for U-PVC	Abdullah, Son of Lal Gul	Wais, Gul
Al Bait Al Amer	Ahmad, Aziz	Wali, Khair
Al Iraq Al Waed	Ahmad, Zubir	Wali, Sayed
Al Quraishi Bureau	Aimal, Son of Masom	Wali, Taj
Al Zakoura Company	Ajmal, Son of Mohammad Anwar	Yaseen, Mohammad
Al-Amir Group LLC	Fareed, Son of Shir	Yaseen, Son of Mohammad Aajan
Al-Noor Contracting Company	Fayaz Afghan Logistics Services	Zakir, Mohammad
Al-Noor Industrial Technologies Company	Fayaz, Afghan, a.k.a. "Fayaz Alimi," a.k.a. "Fayaz, Son of Mohammad"	Zamir, Son of Kabir
California for Project Company	Gul, Khuja	Rogers, Sean
Civilian Technologies Limited Company	Habibullah, Son of Ainuddin	Slade, Justin
Industrial Techniques Engineering Electromechanically Company	Hamidullah, Son of Abdul Rashid	Morgan, Sheldon J.
Pena, Ramiro		Dixon, Reginald
Pulsars Company		Emmons, Larry
San Francisco for Housing Company		Epps, Willis
Sura Al Mustakbal		

## APPENDIX E

## ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
AABIS	Afghan Automated Biometric Identification System
AAEP	Afghanistan Agriculture Extension Project
AAF	Afghan Air Force
AAN	Afghan Analysts Network
ABADE	Assistance Building in Afghanistan by Developing Enterprises
ABP	Afghan Border Police
ACAP	Afghan Civilian Assistance Program
ACAS	Afghanistan Court Administration System
ACB	Afghanistan Cricket Board
ACE	Agricultural Credit Enhancement
ACEP	Afghan Civil Engagement Program
ACJC	Anti-Corruption Justice Center
AD	alternative-development
ADALAT	Afghanistan Development Assistance for Legal Access and Transparency
ADB	Asian Development Bank
ADF	Agricultural Development Fund
AERCA	Afghanistan Electoral Reform and Civic Advocacy Program
AFN	afghani (currency)
AFOSI	Air Force Office of Special Investigations
AGO	Attorney General's Office
AHRIMS	Afghan Human Resource Information Management System
AIF	Afghanistan Infrastructure Fund
AITF	Afghanistan Infrastructure Trust Fund
AKF	Aga Khan Foundation
ALBA	Assistance to Legislative Bodies of Afghanistan
ALP	Afghan Local Police
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ANA	Afghan National Army
ANASOC	ANA Special Command
ANCOP	Afghan National Civil Order Police
ANDSF	Afghan National Defense and Security Forces
ANP	Afghan National Police
ANPR	Afghanistan National Peace and Reconciliation Strategy
AO	abandoned ordinance
APA	Afghanistan Petroleum Authority

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ACRONYM OR ABBREVIATION	DEFINITION
APFM	Afghanistan Public Financial Management program
APPF	Afghan Public Protection Force
APPS	Afghan Personnel Pay System
APRP	Afghan Peace and Reintegration Plan
AROC	Afghanistan Resources Oversight Council
ARP	Afghans Read Program
ARTF	Afghanistan Reconstruction Trust Fund
ASFF	Afghanistan Security Forces Fund
ASSF	Afghan Special Security Forces
ATAR	Afghanistan Trade and Revenue Project
AUP	Afghan Uniform Police
AUW	Asian University for Women
AWDP	Afghanistan Workforce Development Program
BELT	Basic Education, Literacy, and Technical-Vocational Education and Training
BPHS	Basic Package of Health Services
BSB	Bridgade Support Battalion
BVSPC	Black & Veatch Special Projects Corporation
CBARD	Community-Based Agriculture and Rural Development Project
CBCMP	Capacity Building and Change Management Program
CBR	Capacity Building for Results Program
CERP	Commander's Emergency Response Program
CHAMP	Commercial Horticulture and Agricultural Marketing Program
CHW	community health worker
C-IED	counter-improvised-explosive device
CLRWG	Criminal Law Reform Working Group
CMS	case-management system
CN	Counternarcotics
CNCE	Counter Narcotics Community Engagement
CNPA	Counternarcotics Police of Afghanistan
COM	Council of Ministers
CoreIMS	Core Information Management System
CPCWG	Criminal Procedure Code Working Group
CPD	Central Prison's Directorate
CPMD	Construction and Properties Management Department
CSIS	Center for Strategic and International Studies
CSO	civil-society organization
CSSP	Corrections System Support Program
CSTC-A	Combined Security Transition Command-Afghanistan
CTA	Central Transfer Account
DABS	Da Afghanistan Breshna Sherkat

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<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
DAP	Drug Advisory Programme
DCA	Development Credit Authority
DCAR	Delegated Cooperation Agreement
DCIS	Defense Criminal Investigative Service
DDM SEC	Deputy, Deputy Minister for Security
DEA	Drug Enforcement Administration (U.S.)
DEWS Plus	Disease Early Warning System Plus
DFID	Department for International Development
DIG	Deputy Inspector General
DOD	Department of Defense (U.S.)
DOD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DOD IG	Department of Defense Office of Inspector General
DOJ	Department of Justice (U.S.)
EF	essential function
EFT	electronic funds-transfer
EGRC	E-Government Resource Center
eMAT	expeditionary medical advising team
EMIS	Education Management Information System (Afghan)
EPHS	Essential Package of Hospital Services
EQUIP	Education Quality Improvement Project
ERW	Explosive Remnants of War
eSAT	expeditionary sustainment advisory team
ESF	Economic Support Fund
FAIDA	Financial Access for Investing in the Development of Afghanistan
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FMS	foreign military sales
FOB	Forward Operating Base
FY	fiscal year
GAO	Government Accountability Office (U.S.)
GCPSU	General Command of Police Special Units
GCPSU	General Command Police Support Unit
GDP	gross domestic product
GDPDC	General Directorate of Prisons and Detention Centers
GEC	Girls' Education Challenge Program
GIROA	Government of the Islamic Republic of Afghanistan
GIS	geographic information system
GLE	Governor-Led Eradication
GPI	Good Performer's Initiative
GPS	global positioning system

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ACRONYM OR ABBREVIATION	DEFINITION
GS IG	MOD General Staff Inspector General (Afghan)
GVHR	gross violations of human rights
HEDP	Higher Education Development Project
HEMAYAT	Helping Mothers and Children Thrive
HEMTTs	Heavy Equipment Mobility Tactical Trucks
HIG	Hezb-e Islami Gulbuddin
HMIS	(MoPH) Health Management Information System
HOO	High Office of Oversight for Anti-Corruption (aka "HOOAC") (Afghan)
HSR	Health Sector Resiliency
ICRC	International Committee of the Red Cross
ID	ANDSF Identification Card System
IDP	Internally Displaced Persons
IEC	Independent Election Commission (Afghan)
IECC	Independent Election Complaints Commission
IED	Improvised-Explosive Devices
IG	inspector general
IHSAN	Initiative for Hygiene, Sanitation, and Nutrition
IIU	Intelligence Investigation Unit
IMF	International Monetary Fund
IMSMA	Information Management System for Mine Action
INCLE	International Narcotics Control and Law Enforcement (U.S)
INL	Bureau of International Narcotics and Law Enforcement Affairs (U.S.)
IRD	International Relief and Development Inc.
IRS	Internal Revenue Service
ISAF	International Security Assistance Force
ISIL	Islamic State in Iraq and the Levant
ISLA	Initiative to Strengthen Local Administrations
ISR	intelligence, surveillance, and reconnaissance
IWA	Integrity Watch Afghanistan
JRD	Juvenile Rehabilitation Directorate
JSSP	Justice Sector Support Program (State)
JTTP	Justice Training Transition Program (State)
JWIP	Judicial Wire-Intercept Unit
KBR	Kabul Bank Receivership Organization
KFZ	Kandahar Food Zone
KHPP	Kandahar Helmand Power Project
KKA	Ktah Khas Counterterrorism Unit
LLP	Lessons Learned Program
LOTFA	Law and Order Trust Fund for Afghanistan
MACCA	Mine Action Coordination Centre of Afghanistan

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<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
MAIL	Ministry of Agriculture, Irrigation and Livestock (Afghan)
MAPA	Mine Action Programme of Afghanistan
MCN	Ministry of Counter-Narcotics (Afghan)
MCTF	Major Crimes Task Force
MEC	Monitoring and Evaluation Committee (Afghan)
MEDCOM	(ANA) Medical Command
MEW	Ministry of Energy and Water (Afghan)
MFNDU	Marshal Fahim National Defense University
MIDAS	Mining Investment and Development for Afghan Sustainability
MOCI	Ministry of Commerce and Industry (Afghan)
MOCIT	Ministry of Communications and Information Technology (Afghan)
MOD	Ministry of Defense (Afghan)
MOE	Minister of Education (Afghan)
MOF	Ministry of Finance (Afghan)
MOI	Ministry of Interior (Afghan)
MOI HQ & IS	Ministry of Interior Headquarters and Institutional Support (Afghan)
MOI IG	Ministry of Interior Inspector General (Afghan)
MOJ	Ministry of Justice (Afghan)
MOLSAMD	Ministry of Labor, Social Affairs, Martyrs, and Disabled
MOMP	Ministry of Mines and Petroleum (Afghan)
MOPH	Ministry of Public Health (Afghan)
MOPW	Ministry of Public Works (Afghan)
MORE	Ministry of Women's Affairs Organizational Restructuring and Empowerment project
MPD	Ministry of Interior and Police Development Project
MUNCH	Mothers Under-Five Nutrition and Child Health Program
NATO	North Atlantic Treaty Organization
NDAP	National Drug Action Plan
NEI	Northern Electrical Interconnect
NEPS	Northeast Power System
NGO	nongovernmental organization
NISTA	Not In Service for Training
NIU	National Interdiction Unit
NPA	National Procurement Authority
NPC	National Procurement Commission
NSOCC-A	NATO Special Operations Component Command-Afghanistan
NSRWA	Non-Standard Rotary Wing Aircraft
O&M	operations and maintenance
OBA	On-Budget Assistance
OCC	operational-coordinational center
OCHA	Office for the Coordination of Humanitarian Affairs

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ACRONYM OR ABBREVIATION	DEFINITION
OCO	overseas contingency operations
OFS	Operation Freedom's Sentinel
OIG	Office of the Inspector General
OPIC	Overseas Private Investment Corporation
OPPD	Office of Program and Project Development (USAID)
OR	operational readiness
OSD	Office of the Secretary of Defense (U.S.)
OTA	Office of Technical Assistance (U.S. Treasury)
PAI	Personnel Asset Inventory
PAS	Public Affairs Section (U.S. Embassy Kabul)
PCH	Partnership Contracts for Health
PFM	Public Financial Management
PICC	Presidential Information Coordination Center
PM/WRA	Bureau of Political-Military Affairs-Office of Weapons Removal and Abatement (U.S.)
PMP	Performance-Measurement Plan
POAM	Plan of Action and Milestones
POR	Proof of Residency
PPA	Public-Private Alliance
PTEC	Power Transmission Expansion and Connectivity
RADP	Regional Agriculture Development Program
RC	recurrent cost
RFP	request for proposal
RNIFC	regional narcotics interagency fusion cell
RS	Resolute Support
RSSP	Road Sector Sustainability Program
SAAF	Strengthening Afghan Agricultural Facilities
SAGAL	Strengthening Afghan Governance and Alternative Livelihoods
SASC	Senate Armed Services Committee
SCIP	Security Cooperation Information Portal
SEA	Strengthen Education in Afghanistan
SEHAT	System Enhancing for Health Actions in Transition Program
SEPS	Southeast Power System
SGDP	Sheberghan Gas Development Program
SHAHAR	Strong Hubs for Afghan Hope and Resilience
SHOPS Plus	Sustaining Health Outcomes through the Private Sector
SIU	Sensitive Investigation Unit
SMAF	Self-Reliance through Mutual Accountability Framework
SMART	specific, measurable, achievable, realistic, and time-bound
SME	Small-to-Medium Enterprise
SMW	Special Mission Wing (Afghan)

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<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
SOM	Senior Officials Meeting
SPFS	Special Purpose Financial Statement
SPM	Support to Payroll Management
State OIG	Department of State Office of the Inspector General
TAA	train-advise-assist
TAAC	Train, Advise, Assist Command
TAC	Transparency and Accountability Committees
TA-MOPW	Technical Assistance for the Ministry of Public Works Project
TF	task force
TFBSO	Task Force for Business and Stability Operations in Afghanistan
TMR	transportation movement request
TTHS	Trainee, Transient, Holdee, and Students
UAE	United Arab Emirates
UN	United Nations
UNAMA	UN Assistance Mission in Afghanistan
UNDP	UN Development Programme
UNHCR	UN High Commissioner for Refugees
UNMACA	UN Mine Action Centre for Afghanistan
UNODC	UN Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACID MPFU	U.S. Army Criminal Investigation Command Major Procurement Fraud Unit
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of the Inspector General
USCID	U.S. Army Criminal Investigation Command
USFOR-A	U.S. Forces-Afghanistan
UXO	unexploded ordnance
WIE	Women in the Economy Project
WIG	Women in Government Program
WTO	World Trade Organization

# ENDNOTES

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2. Organization for Economic Cooperation and Development, *Implementing the OECD Principles for Integrity in Public Procurement: Progress since 2008*, OECD Public Governance Reviews series, 2013, p. 21.
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4. SIGAR, “MOD Fuel Contract,” briefing package for CSTC-A, 1/11/2015, slides 19–22.
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**A worker looks** down on an Afghan valley where coal is mined. The country also has reserves of copper, gold, and iron. (UN Assistance Mission in Afghanistan photo by Eric Kanalstein)

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