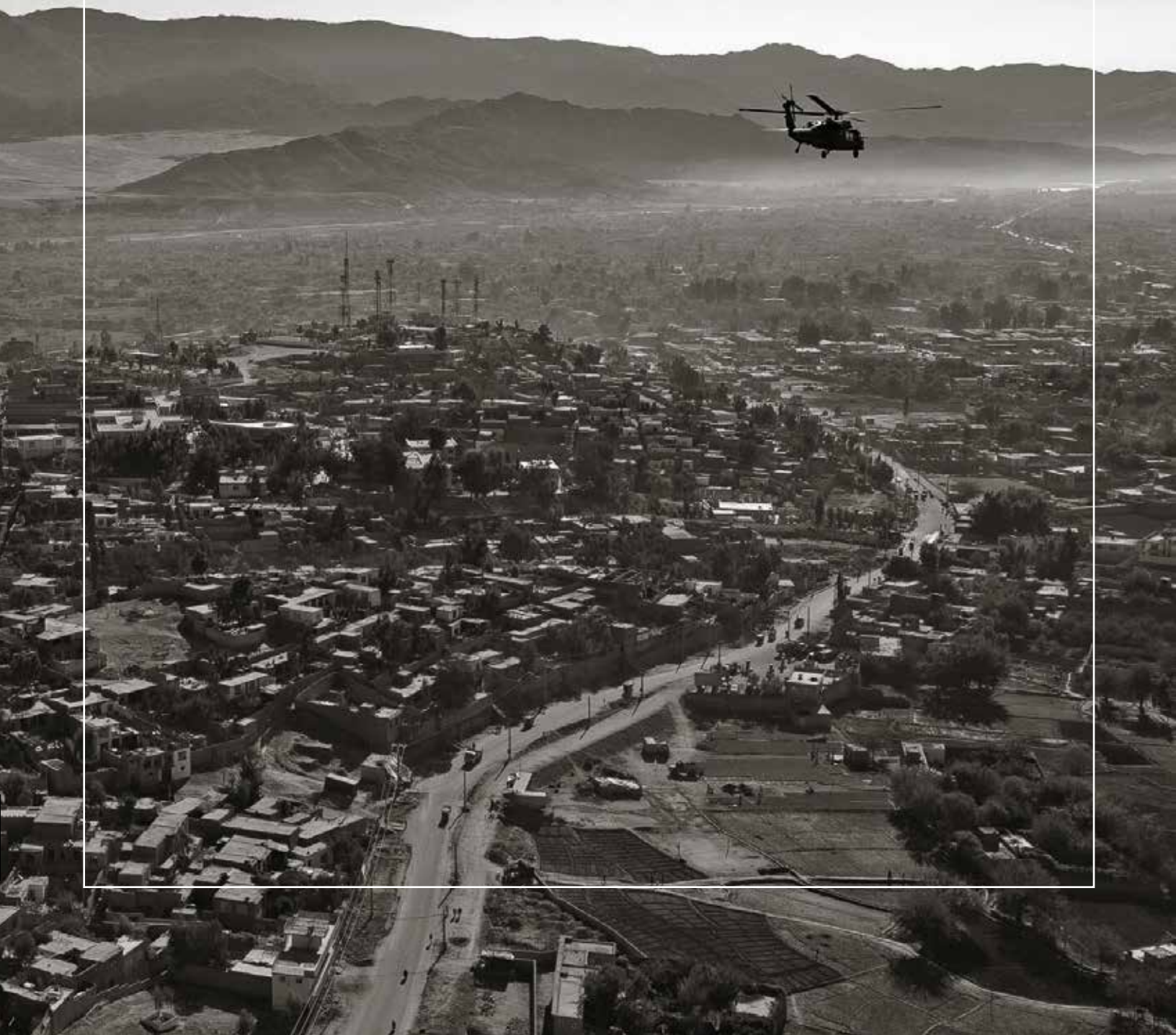


# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

JUL 30  
2017

QUARTERLY REPORT TO THE UNITED STATES CONGRESS





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

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

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

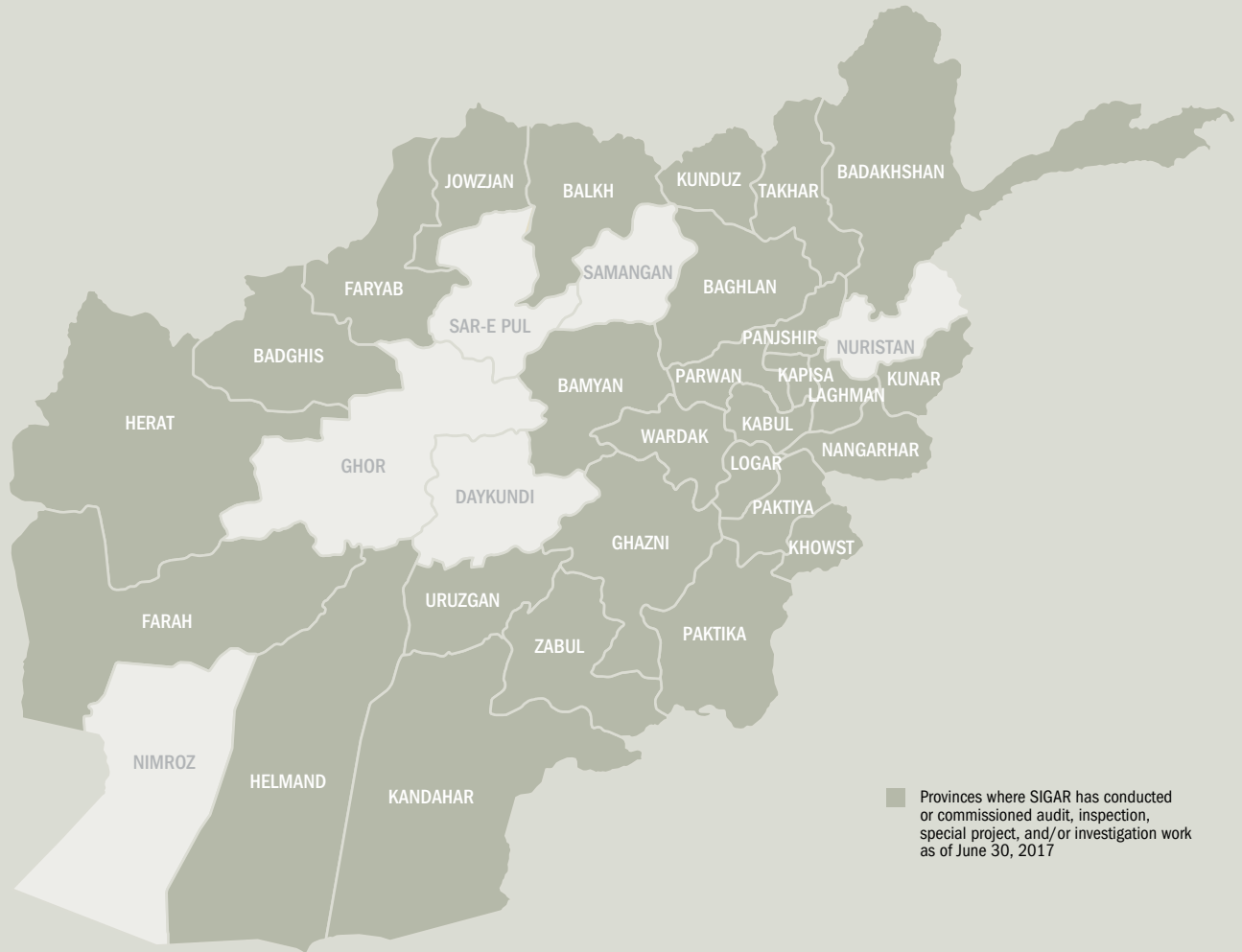
Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

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

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

### **Cover photo:**

A U.S. helicopter moves personnel and supplies between airfields in Kabul Province, Afghanistan.  
(Photo by Sgt. Phillip Hickman, Massachusetts Air National Guard)





SPECIAL INSPECTOR GENERAL FOR  
AFGHANISTAN RECONSTRUCTION

I am pleased to submit to Congress and the Secretaries of State and Defense, SIGAR's 36th quarterly report on the status of the U.S. reconstruction effort in Afghanistan.

The Administration directed the Department of Defense (DOD) this quarter to update troop levels in Afghanistan as part of a forthcoming new American strategy for the country. On June 13, 2017, Secretary of Defense James N. Mattis told the Senate Armed Services Committee the United States is "not winning in Afghanistan right now, and we will correct this as soon as possible." According to SIGAR analysis published in this report, the new strategy comes after the United States has obligated an estimated \$714 billion for all spending—including war fighting and reconstruction—in Afghanistan over more than 15 years. Of this amount, an estimated \$675 billion has been obligated by DOD.

Insurgents and terrorists carried out a number of deadly high-profile and insider attacks this quarter. On April 21, 2017, there was a suspected insider attack on the Afghan National Army's (ANA) 209th Corps' Camp Shaheen near Mazar-e Sharif. While the attack remains under investigation by Afghan authorities and Coalition forces, reports suggest that 10 heavily armed Taliban fighters wearing Afghan army uniforms infiltrated the camp and killed up to 250 Afghan soldiers. One of the worst terror attacks of the Afghan war occurred on May 31, when a truck bomb exploded in the center of Kabul's diplomatic quarter during rush hour, killing some 150 people and injuring several hundred.

At the same time, there were some positive developments this quarter. As discussed in the security section of this report, President Ashraf Ghani has already begun implementing policies laid out in his forthcoming four-year reform plan for the Afghan National Defense and Security Forces (ANDSF). In addition, ANDSF force strength also increased for the second quarter in a row. The number of districts under the control of the government also appears to have stabilized at 59.7%, the same as last quarter.

This report also contains an essay meant to alert U.S. policy makers of the critical need to correctly balance the goals of our mission in Afghanistan with the requirement to manage risks to U.S. civilian personnel. While Afghanistan remains highly dangerous, SIGAR is concerned that overly restrictive limitations hinder U.S. personnel's ability to travel—even with U.S. military protection—outside the Kabul embassy to accomplish the reconstruction mission in a whole-of-government approach.

SIGAR's mission, for example, is expanding. This quarter, for the first time, Congress directed the agency to assess the Afghan government's anticorruption efforts. The Joint Explanatory Statement for the Consolidated Appropriations Act for Fiscal Year 2017 directs SIGAR to assess the Afghan government's implementation of an anticorruption strategy called for at the Brussels Conference on Afghanistan held October 4–5, 2016.

In addition, at the request of a bipartisan, bicameral group of 93 members of Congress, SIGAR this quarter issued a report to Congress on DOD and State's implementation of the Leahy Laws in Afghanistan. The report concerned allegations of sexual abuse of children by members of the Afghan security forces. Under the Leahy Laws, DOD and State are prohibited from providing assistance to any unit of the security forces of a foreign country if the Secretaries of State or Defense have credible information that the unit has committed a gross violation of human rights. In June, SIGAR completed the report, notified the requestors, and provided copies. The report reviews guidance on Leahy Laws implementation, and discusses the extent to which the U.S. holds Afghan security forces accountable. SIGAR also makes recommendations to both the Departments of State and Defense to improve implementation of the Leahy Laws in Afghanistan.

Because DOD has classified much of the information on which the SIGAR report is based, the report is classified. SIGAR has requested that DOD declassify the report so that it can be released to the public.

Two provisions of the National Defense Authorization Act for Fiscal Year 2018, passed by the U.S. House of Representatives on July 14, implement recommendations made by SIGAR. One provision requires that within 120 days of the start of a contingency operation, DOD, State, and the United States Agency for International Development (USAID) must develop a joint strategy to prevent corruption in any related reconstruction efforts, and that the strategy contain measurable benchmarks that must be met before reconstruction funds are made available. Another provision requires DOD, prior to entering into any new contracts to procure uniforms for the Afghan security forces, to conduct a cost-benefit analysis that takes into account whether the uniform design is appropriate for the environment it is to be used in, and whether using a pattern already owned by the department may be more cost effective than using a proprietary product.

Including the classified report, this quarter SIGAR issued 16 audits, inspections, reviews, and other products. SIGAR work to date has identified about \$2.1 billion in savings for the U.S. taxpayer.

SIGAR published two performance audit reports. These audits examined the State Department's and USAID's implementation of SIGAR recommendations regarding salary-support funding and assessed the impact of the DOD's intelligence-capacity-building programs for the ANDSF.

SIGAR completed four financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified more than \$27.2 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$414.5 million in questioned costs.

SIGAR also published one inspection report examining renovations of the Pol-i-Charkhi prison.

SIGAR's Office of Special Projects issued eight products addressing a range of issues including DOD procurement of ANA uniforms, seven reconstructed schools in Kunar Province, and 35 USAID-supported health facilities in Takhar Province.

During the reporting period, SIGAR investigations resulted in three criminal indictments, one criminal information, three arrests, three convictions, one sentencing, over \$200,000 in restitutions, and more than \$5.5 million in savings for the U.S. government. One indictment was against the Afghan-American former owner of Equity Capital Mining LLC, a now-defunct marble-mining company in Afghanistan, for defrauding the Overseas Private Investment Corporation, a U.S. government agency, and defaulting on a \$15.8 million loan. SIGAR initiated 11 new cases and closed eight, bringing the total number of ongoing investigations to 267.

SIGAR's suspension and debarment program referred 13 individuals and 16 companies for suspension or debarment based on evidence developed as part of SIGAR investigations conducted in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 866—encompassing 478 individuals and 388 companies.

With the help of Congress and other stakeholders, my staff and I will continue to conduct vigorous oversight of Afghanistan reconstruction projects and programs, and provide lessons learned for the future.

Respectfully,

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

John F. Sopko  
Special Inspector General for Afghanistan Reconstruction



# EXECUTIVE SUMMARY

**This report summarizes SIGAR’s oversight work and updates developments in the four major sectors of Afghanistan’s reconstruction effort from April 1 to June 30, 2017.\* It also includes an essay on the challenge of conducting effective reconstruction oversight under seemingly unduly restrictive restraints on movement. During this reporting period, SIGAR published 16 audits, inspections, reviews, and other products assessing the U.S. efforts to build the Afghan security forces, improve governance, facilitate economic and social development, and combat the sale and production of narcotics. During the reporting period, SIGAR criminal investigations resulted in three criminal indictments, one criminal information charge, three arrests, three convictions, one sentencing, over \$200,000 in restitutions, and more than \$5.5 million in savings for the U.S. government. SIGAR initiated 11 new cases and closed eight, bringing the total number of ongoing investigations to 267. Additionally, SIGAR’s suspension and debarment program referred 13 individuals and 16 companies 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 published two performance audits, four financial audits, one classified report, and one inspection report.

The **performance audits** found:

- State and USAID need to address SIGAR’s prior recommendations for safeguarding payments for Afghan government employees and embedded technical advisors.
- DOD spent \$457.7 million on intelligence-capacity-building programs, but the impact cannot be fully assessed because of a lack of performance metrics.

The **financial audits** identified \$27,229,340 in questioned costs as a result of internal-control deficiencies and noncompliance issues. These deficiencies and noncompliance issues included, among other things, incorrect employee payments and

miscalculations of travel costs, exceeding maximum budgets without prior approval, and insufficient documentation to support project expenses.

The **classified report**:

- At the request of a bipartisan, bicameral group of 93 members of Congress, SIGAR this quarter issued a report to Congress on DOD and State’s implementation of the Leahy Laws in Afghanistan. The report concerned allegations of sexual abuse of children by members of the Afghan security forces. Because DOD has classified much of the information on which the SIGAR report is based, the report is classified. SIGAR has requested that DOD declassify the report so that it can be released to the public.

\* SIGAR may also report on products and events occurring after June 30, 2017, up to the publication date.

# EXECUTIVE SUMMARY

The **inspection report** found:

- State awarded Al-Watan Construction Company (AWCC) a \$16.1 million contract to renovate Pol-i-Charkhi prison, Afghanistan's largest correctional facility, which had suffered 35 years of neglect. This contract was funded by Bureau of International Narcotics and Law Enforcement Affairs (INL). Despite the costs inflating to \$20.2 million, only about 50% of the renovation work was completed, and the AWCC contract was cancelled in 2010. In 2016, SIGAR found that INL had not completed the renovation work or corrected earlier deficiencies. SIGAR provided recommendations to INL on how to complete the work and protect the U.S. investment.

## SPECIAL PROJECTS

This quarter SIGAR's Office of Special Projects wrote eight products, reviews, and inquiry letters expressing concern on a range of issues including:

- DOD possibly spending \$28 million more than needed to procure ANA uniforms that are inappropriate for the Afghan environment
- schools in Kunar Province constructed or rehabilitated through funds provided by DOD's Commander's Emergency Response Program
- conditions at USAID supported health facilities in Takhar Province
- inquiries to the Asian Development Bank seeking documentation on the ongoing Qaisar-Laman Ring Road project

## INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in three criminal indictments, one criminal information, three arrests, three convictions, one sentencing, over \$200,000 in restitutions and more than \$5.5 million in savings for the U.S. government. SIGAR initiated 11 new cases and closed eight, bringing the total number of ongoing investigations to 267. SIGAR's suspension and debarment program referred 13 individuals and 16 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States.

**Investigations** highlights include:

- the indictment of former mining company owner for defrauding the U.S. government and defaulting on a \$15.8 million loan
- the investigation of a USAID implementing partner resulting in a \$5.5 million cost savings to the U.S. government
- a U.S. contractor indicted for theft and sale of U.S. government property
- a U.S. contractor indicted for a bribery scheme involving \$75,000 in kickback payments in exchange for delivering contracts
- the arrest of an Afghan national using a SIGAR identification card to justify carrying an illegal firearm

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“Failure in Afghanistan puts the American homeland at risk. Every soldier over there is an insurance policy against another 9/11.”

—*Senator Lindsey Graham*

# 1 AFGHANISTAN: RECONSTRUCTION IS NOT RISK-FREE



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**Photo on previous page**

Plaques at U.S. Embassy Kabul commemorate U.S. civilian personnel who died in Afghanistan. (SIGAR photo)

## AFGHANISTAN: RECONSTRUCTION IS NOT RISK-FREE

A devastating bomb attack near Afghanistan's presidential palace in Kabul on May 31, 2017, killed more than 150 people and wounded hundreds more.<sup>1</sup> It was yet another example of the deadly risks facing Afghans and international personnel as they go about their daily work. The suicide truck-bomb explosion heavily damaged several embassies and injured staff from the German, Japanese, and Pakistani embassies, as well as some U.S. citizens working as contractors.

Despite these risks, reconstruction in Afghanistan goes on, and U.S. officials are forced to balance the need to carry out their mission with the need to manage risks if they are to succeed.

U.S. law places executive-branch employees working out of country—except for Department of Defense (DOD) personnel under an area military commander and Voice of America correspondents on assignment—under the supervision and direction of the U.S. chief of mission.<sup>2</sup> That person is normally the ambassador in each foreign country where the United States has a diplomatic presence. For years, chief-of-mission personnel were able to travel throughout Afghanistan under chief-of-mission authority and protection. In the case of the Special Inspector General for Afghanistan Reconstruction (SIGAR), a special memorandum of agreement with the U.S. military allowed SIGAR personnel to also travel under military protection, subject to chief-of-mission review.

Over the past year, however, as security incidents have multiplied, SIGAR has observed that Embassy Kabul has increasingly restricted chief-of-mission personnel travel to mostly inside the international zone in Kabul. Moreover, the Embassy has shown reluctance to authorize SIGAR personnel to travel anywhere that chief-of-mission personnel cannot normally travel. This reluctance has extended to cases where SIGAR has obtained U.S. military escorts to inspect locations where U.S. military personnel routinely operate and which the U.S. military has requested SIGAR to visit.

At the same time, the work of the State, Justice, and Treasury Departments, the United States Agency for International Development (USAID), the Drug Enforcement Administration (DEA), and other



**A SIGAR investigator** traveling with U.S. military personnel confirmed that anti-terrorist gratings had been falsely reported as installed at this highway culvert. A court proceeding related to the fraud was conducted in July 2017. (SIGAR photo)



# RECONSTRUCTION IS NOT RISK-FREE



**SIGAR engineers inspect** unfinished construction at a Kabul hotel project that was backed by a U.S.-guaranteed loan. (SIGAR photo)

chief-of-mission personnel continues to be critical to accomplishing our nation's 15-year-long mission—and may even be more important in light of the additional troops and programs currently under consideration by the Administration. Those responsibilities, including the audits, inspections, and investigations required to carry out SIGAR's statutory mandate to protect U.S. taxpayers' funds, cannot be performed exclusively through email, phone calls, and drone cameras. They require U.S. personnel to be able to inspect projects, examine documents, and meet in person with Afghan officials and contract personnel in the field, even if doing so entails some risk.

A core requirement for the missions of the Department of State and USAID is the ability for State's Foreign Service officers and civilian personnel to meet with their foreign-government counterparts. And, as USAID issues grants, cooperative agreements, and contracts to international or Afghan organizations, it is critical that they be able to monitor projects and importantly meet with the local population to confirm their development needs and judge whether those needs are being met. Diplomats, likewise, may need information from local politicians to understand the true political dynamics in a country as politically complicated as Afghanistan. Other chief-of-mission personnel from the Treasury, Justice, and Commerce Departments, to name a few, also need such access to fulfill their mission to advise and assist their Afghan partners.

While Afghans can, under heavy security scrutiny, meet with U.S. personnel at the U.S. Embassy, the selection and vetting process may often lead to embassy personnel only hearing from those Afghans they are already

# RECONSTRUCTION IS NOT RISK-FREE

aware of, or who represent the best-funded or politically connected non-governmental organizations in the country. It is a sad fact that some U.S. diplomatic and civilian personnel only see Afghanistan outside of Kabul's international zone during the short helicopter ride from the Hamid Karzai International Airport to the U.S. Embassy on their way in and out of country. During the Special Inspector General's most recent visit to Afghanistan, there was an almost universal complaint from U.S. Embassy personnel that they were unable to get out to do their jobs as they have in other postings. The vacuum created by their absence was also noted by the U.S. military, donor community, and Afghan officials.

Diplomacy, international development, and reconstruction have never been risk-free. As the Administration develops its new strategy for Afghanistan, it is important that policy-makers and Congress find that reasonable balance between risk aversion and risk avoidance for chief-of-mission personnel in the future. It should be noted that this issue transcends recent resource debates: staffing levels are irrelevant if staff cannot get out to do their jobs. This essay is meant to assist in this analysis and hopefully enhance the prospects for a successful utilization of the expertise and strength that comes from a "whole of government" approach to Afghanistan reconstruction.

## AFGHANISTAN REMAINS A DANGEROUS PLACE

Embassy Kabul's concern for the safety of Americans in Afghanistan is well founded. In 1979, the Embassy suffered one of the first post-World War II murders of an American ambassador with the tragic killing of Ambassador Adolph Dubs as the result of a bungled hostage rescue attempt by Soviet and Afghan troops after he was kidnapped by terrorists.<sup>3</sup> As the memorial wall in front of our Kabul embassy so poignantly commemorates, since 2001, more than 10 chief-of-mission personnel have died in the performance of their duties in Afghanistan.

The U.S. State Department has long cautioned U.S. citizens against travel there, and warns:

Travel to all areas of Afghanistan remains unsafe due to the ongoing risk of kidnapping, hostage taking, military combat operations, landmines, banditry, armed rivalry between political and tribal groups, militant attacks, direct and indirect fire, suicide bombings, and insurgent attacks, including attacks using vehicle-borne or other improvised explosive devices (IED). Attacks may also target official Afghan and U.S. government convoys and compounds, foreign embassies, military installations, commercial entities, non-governmental organization (NGO) offices, restaurants, hotels, airports, and educational centers.<sup>4</sup>



**SIGAR inspectors** at the U.S.-funded Ministry of Interior compound in Kabul found that contractors had installed hundreds of non-certified, non-factory-labelled fire doors, some including fake logos of Underwriters Laboratories. (SIGAR photo)

# RECONSTRUCTION IS NOT RISK-FREE



**SIGAR engineers log observations** at Camp Commando in Afghanistan. (SIGAR photo)

Nor is the State Department alone in its concern. DOD’s latest report to Congress on security and stability in Afghanistan notes that the country “faces a continuing threat from as many as 20 insurgent and terrorist networks present or operating in the Afghanistan-Pakistan region, including the Taliban, the Haqqani Network, [Islamic State-Khorasan], and al-Qaeda, in what is the highest concentration of extremist and terrorist groups in the world.”<sup>5</sup>

The United States is not the only country concerned about the security and safety of its citizens. The government of the United Kingdom’s travel advice for Afghanistan notes that in addition to terrorists, “There is a high threat of kidnapping throughout the country,” and adds, “Travel by road throughout the country ... is extremely dangerous.”<sup>6</sup> The Canadian government advises, “Avoid all travel” to Afghanistan, and adds, “If you are already in Afghanistan, you should leave.”<sup>7</sup>

The presence of pervasive and aggressive insurgents and terrorists has long been an obstacle for U.S. agencies conducting reconstruction and development operations in Afghanistan, as well as for SIGAR and other oversight entities. For example, the U.S. Department of Justice reports that in early 2017, “Security concerns, and limited and costly air lift capacity ... have reduced the number of movements, their regularity, their destinations, and the time on venue the single federal law enforcement official within the Office of Justice Attaché [in Kabul] is allowed. Ideally, future Justice Attachés would be allowed to travel with, co-locate, or even embed with [Resolute Support] or UK units to extend time on venue.” The same report observes that inviting Afghans to meet at Embassy Kabul is “less

# RECONSTRUCTION IS NOT RISK-FREE

than ideal” because visiting there is “time-consuming, intrusive, and, since [Afghan government] officials cannot and often should not travel through the city with case files, the specificity of the discussions is limited.”<sup>8</sup>

USAID has frequently noted the difficulties its staff and implementing partners face in Afghanistan. USAID’s Office of Inspector General wrote in a 2012 memo (when the U.S. military presence in Afghanistan was much larger than it is now), “Managing a development program in a high-threat environment such as Afghanistan presents special risks and challenges. For example, Kabul-based [contract-monitoring staff] are sometimes unable to visit project sites in high-risk locations.”<sup>9</sup>

To help mitigate such constraints, USAID has adopted alternative methods to monitor projects and collect data using multiple sources that can be crosschecked against each other. SIGAR has also made use of third-party and remote monitoring and verification to carry out its mission. Meanwhile, fighting continues, with high casualties among Afghan security forces as well as Afghan civilians, as detailed in the security sections of SIGAR’s quarterly reports to Congress.

## RISK MITIGATION IS NOT UNIQUE TO AFGHANISTAN

Although Afghanistan is an unusually dangerous environment, the State Department is also obliged to mitigate risk in other countries around the world.

As State’s most recent *Quadrennial Diplomacy and Development Review* (QDDR) notes, “More than one-third of the 185 countries where our diplomats work have a high risk of conflict or groups that pose a direct threat to Americans,” as well as nearly half of the countries where USAID operates.<sup>10</sup>

But hazards extend well beyond known arenas of conflict. As the QDDR notes, “We know all too well that ambassadors and other personnel face threats even in the most stable of allied countries.”<sup>11</sup> For example, in 2016–2017, France, Germany, Sweden, and the United Kingdom have seen terrorist attacks. No country is immune.

This harsh reality is a security challenge for the Department of State, which operates more than 275 embassies, consulates, and other posts in host countries that are staffed by almost 19,000 Foreign Service employees and more than 49,000 locally employed staff, including foreign nationals. The department also has about 12,000 civil service employees supporting its overall operations.<sup>12</sup>

U.S. law recognizes that diplomatic and security concerns can arise anywhere and accordingly entrusts U.S. chiefs of mission with broad responsibilities and broad authorities in their host-country posts.

In Kabul, as in many other places with a U.S. diplomatic presence, the chief of mission is assisted in his or her security responsibilities by a



**A SIGAR inspector** checks work at the new Afghan Ministry of Defense headquarters. (SIGAR photo)

# RECONSTRUCTION IS NOT RISK-FREE



**Brig. Gen. Charles Aris**, commander of Train, Advise, Assist Command-South greets Inspector General Sopko. (SIGAR photo by Tom Niblock)

Regional Security Office (RSO). The Embassy Kabul website explains that the RSO's primary responsibility is “to create a safe environment in which the U.S. Government can carry out its diplomatic mission ... by instituting procedures and countermeasures that decrease the possibility that our personnel and facilities can be targeted by hostile elements.” Among the RSO's other duties, it “coordinates the protective requirements for visiting officials as appropriate.”<sup>13</sup>

Although these policies and procedures are generally practical, they are not “risk-free”—especially given the volatile security situations that confront U.S. chiefs of mission in Afghanistan and elsewhere. Indeed, implicit in the responsibilities to safeguard chief-of-mission employees is the primacy of carrying out the U.S. mission in Afghanistan and elsewhere. Simply being located in Afghanistan inside the embassy walls or on a base is not enough to further our mission there—even though it would obviously be much safer.

Common sense has always dictated that a balance needs to be struck between the need for risk mitigation and the need for U.S. organizations, such as USAID, DEA, Department of Justice, SIGAR, the Government Accountability Office, and others, to accomplish their missions. Hunkering down behind blast walls while positive from a security perspective, damages not only the U.S. civilian mission but also handicaps the U.S. military mission to create a stable and functioning Afghan military and police free from corruption and incompetence.



# RECONSTRUCTION IS NOT RISK-FREE

Both the military and diplomatic missions are essential. As General James Mattis, then leading U.S. Central Command, said in congressional testimony in 2013, “I would start with the Department of State budget. Frankly, they need to be as fully funded as Congress believes appropriate, because if you don’t fund the State Department fully then I need to buy more ammunition ultimately.”<sup>14</sup> On February 27, 2017, a letter to congressional leaders from 121 retired U.S. generals and admirals seconded Mattis’s sentiment and added, “The State Department, USAID, Millennium Challenge Corporation, Peace Corps, and other development agencies are critical to preventing conflict and reducing the need to put our men and women in uniform in harm’s way. . . . We urge you to ensure that resources for the International Affairs Budget keep pace with the growing global threats and opportunities we face.”<sup>15</sup>

Risk-avoidance policies, if taken to an extreme, may unintentionally reduce the prospects for mission success—not just for SIGAR, but for other agencies that need direct access to people, facilities, equipment, and information systems involved in the work of reconstructing Afghanistan. Simply reviewing centralized data banks or sending out email inquiries is not enough. USAID’s Office of Inspector General, for example, has reported that, “Some implementing partners did not record performance in Afghan Info [the mission’s electronic data and reporting system],” while “mission officials did not consistently validate data reported to them.”<sup>16</sup> SIGAR quarterly reports to Congress have repeatedly noted instances in which U.S. civilian and military contract-oversight staff have failed to monitor projects, demand contract compliance, inspect work before sign-off, or properly and fully document work performed.

It is clear that effective oversight to detect and prevent waste, fraud, and abuse requires site visits to inspect work, examine original—often untranslated and unforwarded—documents, conduct interviews, and perform other tasks that may not be done as effectively or at all through remote intermediary means. It is also clear that imposing highly restrictive rules on travel within Afghanistan impedes such work. Yet when asked in June, “Has State applied any metrics or sought any empirical evidence to judge whether constraints on staffing or mobility have affected the delivery of reconstruction activities?” State replied that it had not.<sup>17</sup>

SIGAR’s data call in preparation for this quarterly report posed other questions regarding travel and security in Afghanistan that State declined to answer, saying they were internal operational matters and not part of reconstruction activities. However, SIGAR is concerned that U.S. officials, whether at State, USAID, Justice, Treasury, Commerce, or elsewhere, cannot oversee the billions of dollars the United States is dedicating to Afghan reconstruction if, for the most part, they cannot leave the U.S. embassy compound.



**SIGAR personnel** and mission security officer on a U.S. military helicopter en route to a site visit. (SIGAR photo)

It goes without saying that diplomacy, reconstruction and oversight cannot be done by phone or by teleworking from home—it must be done in person and in the field. It is also noteworthy that members of other diplomatic missions in Kabul move more freely around the city and countryside than do U.S. civilian personnel, and they do so with smaller security teams.

## PRUDENT ACCEPTANCE OF RISKS IS ESSENTIAL

The U.S. Department of State has acknowledged the importance of getting people out in the field, and of unavoidable risks to the diplomatic mission.

In 2006, Secretary of State Condoleezza Rice said, “More and more often, over the course of this new century, we will ask the men and women of the State Department to be active in the field. We will need them to engage with private citizens in emerging regional centers, not just with government officials in their nations’ capitals.”<sup>18</sup>

In his prefatory message to the 2015 edition of the QDDR, Secretary of State John Kerry noted that plaques at the entrances to the State Department and USAID “bear the names of 341 American diplomats and development professionals, including those killed in recent years in Afghanistan, Iraq, Haiti, Sudan, and Libya.” Continuing, he wrote, “Risk is a real part of this job ... effective diplomacy and development work require the assumption of risks that cannot be eliminated. As public servants, we accept that risk.”<sup>19</sup>

The subsequent text of the 2015 QDDR reinforces Secretary Kerry’s message: “Diplomacy and development carry inherent risks. ... Our diplomats and development professionals advance American interests in dangerous environments; those interests certainly do not diminish when threats increase.”<sup>20</sup>

In a similar vein, State’s policy-codifying *Foreign Affairs Manual* explicitly states, “Advancement of U.S. foreign policy objectives inherently involves diverse types of risk, and the Department recognizes that taking considered risks is essential to creating value for our stakeholders.” The manual goes on to say it is “a key tenet” to assess risk, implement mitigation, and evaluate remaining risks “to judge whether the benefits of an activity outweigh the residual risk potential.”<sup>21</sup>

State has a formal process to execute that policy. According to a former director of State’s Diplomatic Security Service, “The Vital Presence Validation Process (known as VP2), instituted in 2014, involves a full-scope examination of a high-threat, high-risk post. In this process, the compelling national security and policy reasons for a U.S. government presence, the threats to post personnel and facilities, and the measures being taken to mitigate the risk are all spelled out; and an assessment is made as to whether the remaining risk is acceptable.” VP2 and other mechanisms are intended to constitute “shared accountability” for risk



**SIGAR inspects kitchen facilities**  
at the Kabul Military Training Center.  
(SIGAR photo)

# RECONSTRUCTION IS NOT RISK-FREE



**Fake-label fire extinguishers** with identical serial numbers were discovered during a SIGAR inspection of a women's dorm in Herat. (SIGAR photo)

management among Diplomatic Security, regional bureaus, and other interagency stakeholders.<sup>22</sup>

The question is whether the official rhetoric on risk aligns in the real world with actual practice and the calculus of possible repercussions facing diplomatic decision makers in the field.

Despite the policy-manual prose and the institutional process that recognizes unavoidable risk in carrying out the State Department's mission, some people believe the institutional culture still tilts heavily in the direction of risk avoidance—and that the assault on the U.S. consulate that led to the deaths of U.S. Ambassador J. Christopher Stevens and U.S. Foreign Service Information Management Officer Sean Smith in Benghazi, Libya, in December 2012 tipped the scale even further in that direction.

U.S. Representative Seth Moulton (D-MA), a member of the House Armed Services Committee and a Marine veteran of four combat deployments, told attendees at a U.S. Institute of Peace event, “I think from my time in Iraq, the State Department was incredibly risk-averse and frankly, I don't get political here, but the Benghazi situation makes this a lot worse.”<sup>23</sup>

Century Fund scholar Thanassis Cambanis has also concluded that, “The Benghazi killings have made it even harder for diplomats to take what they consider reasonable risks. ... Few, if any, US diplomats today are given the freedom to exercise their professional judgment of what risks are worth taking.” In a column for the *Boston Globe*, Cambanis quoted two former ambassadors to Afghanistan on risk-aversion: Ronald Neumann said, “We are now too restrictive. We need a course correction,” while Ryan Crocker



**Inspector General Sopko**, second from right, and staff receive a briefing from Coalition military officers at Camp Marmal in northern Afghanistan. (SIGAR photo by Beth Faulkner)

cautioned, “You cannot practice diplomacy with a zero-loss mentality.” Addressing the impact of the Benghazi attack, Crocker said, “Chris Stevens would roll over in his grave if he knew how his death has been misused.”<sup>24</sup>

Officials’ concern for personnel, fear of political backlash, and anxiety over possible career consequences from risk decisions that turned out poorly may be understandable, but they do have consequences.

## **MITIGATE RISK, BUT LET PEOPLE DO THEIR JOBS**

Deciding just where prudent risk mitigation creeps into the realm of risk aversion, and where protecting personnel undercuts prospects for mission success, is not a simple matter. SIGAR recognizes the challenge and the possible consequences of misjudgment or simple bad luck that attend every decision by a chief of mission.

The requirements of this complex war demand—especially within the context of the current stalemate—that U.S. chief-of-mission staff, mentors, advisors, and implementers have the greatest feasible freedom of movement if we and our Afghan partners are to achieve the results vital to the reconstruction mission.

Policies and mindsets must adjust at the highest level to recognize that while risks are ubiquitous in Afghanistan, they differ only in number and frequency from risks in every other host country. Reflexive avoidance of risk must give way to what stated policy already requires: risk mitigation and balancing of residual risk against expected benefits.



# RECONSTRUCTION IS NOT RISK-FREE

In this environment, leaving such decisions entirely to chiefs of mission and regional security officers may be unrealistic: it appears to require near-heroic dedication and detachment to undertake risky decisions without feeling the hot breath of irate second-guessers at one's back. The State Department's current high-level posture appears to place an unreasonable and counterproductive burden on field officials to avoid any risk, even if a different approach could enhance prospects for mission success.

Critical diplomatic missions inevitably entail risk, especially in places like Afghanistan. Keen assessment and prudent mitigations of risk are essential, but as in military endeavors, the mission should ultimately take priority so long as it is deemed vital. And, few missions can be executed if the responsible actors are locked down in compounds behind blast walls. In any event, the embassies scarred by the Kabul bomb attack of May 31 show that, too, is no guarantee of safety.

Better results in Afghanistan reconstruction require more than a greater acceptance of risk by senior leaders in the executive branch. The United States also needs to incentivize and empower a cadre of civilian officials who stay longer, dig deeper, and develop the important personal connections with Afghans than the common practice of short deployments permits.

Adjusting the official and the practical attitude toward risk is a good start. As the report from the 2015 Aspen Institute's public-diplomacy conference put it: "No one wants to endanger American lives; however, it is one thing to take needless risks and quite another to allow the fear of any risk to inhibit action."<sup>25</sup> The State Department's commitment to a "whole-of-government approach" to diplomacy is commendable, but it cannot be fully realized if strict constraints on chief-of-mission travel create a "hole-in-government" obstacle for U.S. efforts in Afghanistan.

Ironically, in the long run, such extreme risk aversion and avoidance may even contribute to greater insecurity, since it limits U.S. diplomatic reach to the very Afghan agencies, officials, and community leaders necessary to foster stability, rule of law, and economic growth, while sending an unintended but dangerous message to friend and foe alike that the terrorists should be feared and may actually be winning.



**Inspector General Sopko**, right, and SIGAR staff talk with a military officer about MRAP (Mine-Resistant Ambush-Protected) vehicles at the Train, Advise, Assist Command-East base at Camp Gamberi in eastern Afghanistan. (SIGAR photo)



“If you look at the wars from probably Korea, Vietnam, Iraq, [and] dare I say Afghanistan, every time we go into a war and we don’t figure out what the political end state is, ... we don’t know how to end them. Then you’ve got a real problem.”

—*Secretary of Defense James Mattis*

# 2 SIGAR OVERSIGHT



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A U.S. Air Force colonel briefs IG Sopko, right, on Train, Advise, Assist Command-Air operations. (SIGAR photo by Tom Niblock)

## SIGAR OVERSIGHT ACTIVITIES

This quarter, SIGAR issued 16 audits, inspections, reviews, and other products. SIGAR work to date has identified about \$2.1 billion in savings for the U.S. taxpayer.

SIGAR published two performance audit reports this quarter. These audits examined the Department of State (State) and the United States Agency for International Development's (USAID) implementation of SIGAR recommendations for salary-support funding and assessed the impact of the Department of Defense's (DOD) intelligence-capacity-building programs.

SIGAR completed four financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified more than \$27.2 million in questioned costs as a result of internal-control deficiencies and noncompliance issues. To date, SIGAR's financial audits have identified more than \$414.5 million in questioned costs.

In addition, SIGAR completed a classified evaluation of DOD and State's implementation of the Leahy Laws in Afghanistan. SIGAR also published one inspection report examining the Pol-i-Charkhi prison.

SIGAR's Office of Special Projects issued eight products on a range of issues, including DOD procurement of Afghan National Army (ANA) uniforms, site visits to seven reconstructed schools in Kunar Province, and visits to 35 USAID-supported health facilities in Takhar Province.

During the reporting period, SIGAR investigations resulted in three criminal indictments, one criminal information, three arrests, three convictions, one sentencing, over \$200,000 in restitutions, and more than \$5.5 million in savings for the U.S. government. SIGAR initiated 11 new cases and closed eight, bringing the total number of ongoing investigations to 267.

This quarter, SIGAR's suspension and debarment program referred 13 individuals and 16 companies 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 866, encompassing 478 individuals and 388 companies to date.

### COMPLETED PERFORMANCE AUDITS

- Audit 17-56-AR: U.S. Salary Supplements for Afghan Government Employees and Technical Advisors
- Audit 17-57-AR: Award, Administration, and Performance of Legacy Research Contracts

### COMPLETED FINANCIAL AUDITS

- Financial Audit 17-44-FA: USAID Cooperative Agreement with Management Sciences for Health (MSH) for Strengthening Pharmaceutical Systems (SPS)
- Financial Audit 17-50-FA: USAID Cooperative Agreement with Volunteers for Economic Growth Alliance (VEGA) for Assistance in Building Afghanistan by Developing Enterprise (ABADE)
- Financial Audit 17-54-FA: State Grant with Sesame Street for Media Programs
- Financial Audit 17-55-FA: USAID Implementation Letter with Da Afghanistan Breshna Sherkat (DABS) for Kajaki Dam Unit 2

### COMPLETED CLASSIFIED EVALUATION

- Evaluation 17-47-IPC: Leahy Laws

### COMPLETED INSPECTION REPORTS

- Inspection Report 17-46-IP: Pol-i-Charkhi Prison

### COMPLETED SPECIAL PROJECT PRODUCTS

- Special Project Review 17-48-SP: ANA Proprietary Camouflaged Uniforms
- Special Project Review 17-51-SP: USAID Supported Health Facilities in Takhar Province
- Special Project Review 17-53-SP: Schools in Kunar Province
- Special Project Inquiry Letter 17-42-SP: INL Prison Construction and Rehabilitation
- Special Project Inquiry Letter 17-43-SP: Asian Development Bank's Qaisar-Laman Road Project
- Special Project Inquiry Letter 17-45-SP: Initiative to Strengthen Local Administrations (ISLA) Program
- Special Project Inquiry Letter 17-49-SP: Stabilization in Key Areas
- Special Project Inquiry Letter 17-52-SP: Follow-up Letter: Qaisar-Laman Road Project

## AUDITS

SIGAR conducts performance audits, inspections, and financial audits of programs and projects connected to the reconstruction effort in Afghanistan. Since its last report to Congress, SIGAR has issued two performance audits, four financial audits, and one inspection report, as well as one classified evaluation. This quarter, SIGAR has 12 ongoing performance audits.

### Performance Audit Reports Published

SIGAR published two performance audit reports this quarter. These audits examined State and USAID's implementation of SIGAR recommendations for salary support funding and assessing the impact of DOD's intelligence-capacity-building programs.

#### Performance Audit 17-56-AR: Salary Support

##### State and USAID Need to Address SIGAR's Prior Recommendations for Safeguarding Payments for Afghan Government Employees and Embedded Technical Advisors

SIGAR first reported on salary support paid by State and USAID to the Afghan government in October 2010. At that time, SIGAR concluded that weaknesses in hiring, promoting, and paying Afghan recipients of salary support had put the U.S. government's and other donors' salary support funding at risk of waste, misuse, or corruption.

Based on that conclusion, SIGAR made 10 recommendations to the U.S. Ambassador to Afghanistan—with implementing actions to be conducted by State and USAID—to ensure that the necessary internal controls were put in place to safeguard U.S. funding for salary support, and to improve the long-term sustainability and capacity of the Afghan government. The ambassador concurred with all the recommendations and agreed to take actions.

The objective of this follow-up audit was to determine the extent to which State and USAID addressed SIGAR's prior recommendations, and if not, whether additional actions should be taken. SIGAR considered a recommendation to be fully addressed if State and USAID took appropriate action to implement it for their respective agency.

For the purposes of this report, SIGAR defined salary support as payments made for the salaries or benefits of Afghan government employees and technical advisors embedded within the Afghan ministries. To maintain continuity with the scope of the prior audit, SIGAR limited its review to the salary support State and USAID provided through bilateral assistance to Afghan government employees and embedded technical advisors in non-security ministries.

After nearly seven years, most of the recommendations SIGAR made in the October 2010 report have not been fully addressed by State and USAID. SIGAR reviewed the 10 recommendations from its 2010 report, and determined that State did not fully address eight recommendations and USAID did not fully address five. By not fully addressing these recommendations, both

### COMPLETED PERFORMANCE AUDITS

- Audit 17-56-AR: U.S. Salary Supplements for Afghan Government Employees and Technical Advisors
- Audit 17-57-AR: Award, Administration, and Performance of Legacy Research Contracts



# SIGAR OVERSIGHT ACTIVITIES

State and USAID continue to provide salary support to Afghan government employees and embedded technical advisors, respectively, without implementing safeguards designed to ensure that the funds are used as intended.

State fully addressed two recommendations: (1) to use a standardized salary scale for its salary support, and (2) to require that U.S.-funded positions within the Afghan government be on its official list of approved staff positions. USAID also fully addressed two recommendations: (1) to use a standardized salary scale for its salary support, and (2) to identify its existing and planned salary support and determine whether it aligns with the agency's guidance and strategic goals.

State has not fully addressed SIGAR's eight prior recommendations to:

1. Establish principles and reporting requirements for salary support that facilitate a transition to Afghan responsibility.
2. Define key salary support-related terms to facilitate information-sharing and transparency.
3. Designate a representative to serve as a focal point for U.S. agencies for salary support requests and monitoring.
4. Issue salary support guidance that includes priorities, coordination mechanisms, and standardized salary ranges.
5. Identify the extent of existing and planned salary support, and whether it is in line with issued guidance and strategic goals.
6. Conduct a risk assessment of Afghan government payroll and human resources systems used for salary support, and institute requirements to mitigate identified weaknesses.
7. Develop a mechanism to detect when employees receive multiple salary payments.
8. Require that recipients of salary support be paid electronically, if appropriate financial controls exist.

For example, State continues to provide funds for salary support through Afghan government payroll systems, but has not conducted any risk assessments of those systems to ensure they are able to account for those funds. Additionally, although State acknowledges that using electronic payments is a best practice, it does not have a policy in place requiring their use for salary support when feasible.

USAID has not fully addressed SIGAR's five prior recommendations to:

1. Establish principles and reporting requirements for salary support that facilitate a transition to Afghan responsibility.
2. Define key salary support-related terms to facilitate information-sharing and transparency.
3. Designate a representative to serve as a focal point for U.S. agencies for salary support requests and monitoring.
4. Issue salary support guidance that includes priorities, coordination mechanisms, and standardized salary ranges.

# SIGAR OVERSIGHT ACTIVITIES

5. Require that recipients of salary support be paid electronically, if appropriate financial controls exist.

For example, although USAID guidance discusses its technical-assistance priorities and includes standardized salary ranges, it does not have guidance that would help facilitate coordination with State. In addition, like State, USAID does not include requirements for electronic payments in all of its active awards through which it provides salary support for embedded technical advisors.

Without these safeguards, State and USAID increase the risk that these funds may be used inefficiently, misused, or wasted.

SIGAR is repeating prior recommendations that have not been not fully addressed, with modifications to account for actions taken by State and USAID since the 2010 report.

To mitigate the negative effects of donor salary support on long-term sustainability and capacity development, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for International Narcotics and Law Enforcement Affairs (INL), and the USAID Mission Director for Afghanistan:

1. Coordinate with other international donors and the Afghan government through formal mechanisms to collectively establish principles and reporting requirements that guide how and under what conditions donors may provide salary support in a way that facilitates a transition to Afghan responsibility.
2. Coordinate with other international donors and the Afghan government through formal mechanisms to collectively define key terms, such as “salary support,” “salary supplement,” “technical advisor,” and other related terms, to facilitate information sharing and improve transparency over donor salary support.

To ensure State’s and USAID’s salary support is strategically targeted toward prioritized needs and goals and is consistently applied across the agencies, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for INL, and the USAID Mission Director for Afghanistan:

3. Designate a representative to serve as a focal point to respond to requests for salary support and monitor salary support provided by the agencies.

To ensure USAID’s salary support is strategically targeted toward prioritized needs and goals and is consistently applied, SIGAR recommends that the USAID Mission Director for Afghanistan:

4. Issue guidance that includes interagency salary support coordination mechanisms.

To ensure State's salary support is strategically targeted toward prioritized needs and goals and is consistently applied, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for INL:

5. Issue guidance that includes salary support priorities, interagency coordination mechanisms, and standardized salary ranges.
6. Identify the full extent of planned salary support, and determine whether that support aligns with this guidance and U.S. strategic goals and objectives.

To enhance safeguards and improve accountability over State funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for INL:

7. Conduct a risk assessment of the Afghan government's payroll and human resources systems and procedures used to disburse State-funded salary support to identify weaknesses in the systems, and institute conditions or requirements to address those weaknesses.
8. Work with the Ministry of Finance, in coordination with other donors, to develop a mechanism to detect when Afghan government employees receive multiple salary payments.

To enhance safeguards and improve accountability over State and USAID funding for salary support, SIGAR recommends that the U.S. Ambassador to Afghanistan, in coordination with the Assistant Secretary for INL and the USAID Mission Director for Afghanistan:

9. Require salary support recipients to be paid electronically when appropriate financial controls exist.

## **Performance Audit 17-57-AR: Afghan National Defense and Security Forces Intelligence-Capacity-Building Programs**

### **DOD Spent \$457.7 Million on Intelligence-Capacity-Building Programs, but Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics**

From 2010 to 2013, the Department of Defense, through the Army Contracting Command (ACC), awarded five task order contracts (referred to in this report as "contracts"), valued at \$536.1 million, to develop the Afghan National Defense and Security Forces' (ANDSF) intelligence capabilities. ACC awarded the initial four research and development (R&D) contracts, valued at \$332.8 million, to Jorge Scientific Corporation—rebranded as Imperatis Corporation in 2013—which subcontracted with New Century Consulting Limited (NCC). The R&D task order and contracts—Legacy Afghanistan, Legacy Kabul, Legacy South, and Legacy East—became known as the Legacy Afghanistan R&D intelligence training and mentoring program. In 2013, Army Contracting Command awarded a \$203.3 million contract to NCC to implement the Afghanistan Source

# SIGAR OVERSIGHT ACTIVITIES

Operations Management (ASOM) intelligence capacity development program. By the end of the programs, the Legacy and ASOM task orders and contracts cost \$457.7 million.

ACC appointed the Army Research Laboratory (ARL) as the contracting officer's representative and the Combatting Terrorism Technical Support Office (CTTSO) as the contracting officer's technical representative for Legacy and ASOM. ACC also delegated administrative-contracting-officer responsibility to the Defense Contract Management Agency to review and approve contractor invoices, which it did with assistance from the Defense Contract Audit Agency (DCAA).

The objectives of this audit were to determine the extent to which: (1) Imperatis and NCC successfully performed the tasks required by the contracts and developed the ANDSF intelligence capability; (2) ACC awarded the Legacy and ASOM contracts in accordance with federal and DOD regulations; and (3) ARL and CTTSO properly monitored contract performance and the Defense Contract Management Agency monitored contract costs.

DOD awarded the Legacy and ASOM contracts to train and mentor Afghan Ministry of Defense and Ministry of Interior intelligence officers, with the goal of improving their intelligence capabilities. However, the Legacy contracts did not have performance metrics to track progress toward that goal. This was because DOD awarded the Legacy contracts as R&D contracts, which have fewer oversight requirements than standard services contracts.

Later, with the modification of the Legacy East contract and the award of the ASOM services contract, DOD did include some performance metrics to measure the progress of the programs; however, SIGAR found that even with this added requirement and the regular contractor reports, clear metrics were not available to assess the overall success of each contract. Under Legacy East and ASOM, the contractor was required to provide continued training and mentoring to Afghan intelligence officers at various sites throughout Afghanistan. Under ASOM, contract success was measured, in part, by the capabilities and independence of intelligence training sites where the contractor had conducted training and mentoring to the Afghan government. However, it was left up to the contractor to measure each intelligence training site's readiness to transition to the Afghan government.

In addition, CTTSO's attempts to assess contractor performance relied, in part, on contractor-provided data, such as NCC's self-assessments created by its mentors and compliance officers. SIGAR reviewed the self-assessments and found that NCC deemed the Legacy and ASOM programs a success, but provided few specifics to support its claim. Further, through a review of NCC's status reports, SIGAR determined that those reports focused on administrative data, with little information describing the program's success or failure. For example, NCC's November 2012 monthly status report for the Legacy East program included the billeting status of

# SIGAR OVERSIGHT ACTIVITIES

contractor employees, training records, and narrative descriptions of program events, but made no mention of how these details related to program performance. Similarly, a June 2015 weekly NCC status report for the ASOM program listed training statistics and capability ratings for each ANDSF site where NCC conducted training and mentoring, but the report did not mention how these figures related to program performance. Because of a lack of performance metrics for the Legacy R&D program and a reliance on contractor-provided data for the ASOM program, it is almost impossible to gauge the government's return on investment for the \$457.7 million spent.

DOD hired the RAND National Defense Research Institute (RAND) to evaluate the Legacy program, and RAND's evaluations showed mixed results. In 2012, RAND noted that the program's model warranted some basis for cautious optimism. However, in 2014, RAND stated that the Legacy R&D program was not properly planned prior to its implementation. In 2015, in its final Legacy assessment, RAND reported mixed results for the program's overall success and expressed concerns related to program implementation and assessment. However, the report also noted that the complex nature of the program limited RAND's ability to make a definitive assessment of the program's success.

Due to the lack of performance metrics for the Legacy program, SIGAR reviewed the extent to which existing records demonstrated that individual ANDSF officers completed the required number of courses to be considered intelligence instructors or trainers, as a possible indicator of the Legacy program's success. Although this review showed that 70 of 71 Afghan National Army instructors completed all four mandatory courses required to be an instructor, SIGAR found that significant portions of other groups of ANDSF intelligence trainers and instructors failed to meet the minimally established training requirements. Specifically,

- Ten of 24 police intelligence student trainers completed all nine courses required to be a Ministry of the Interior trainer, while the 14 remaining trainers completed between one and eight of the required courses.
- None of the four Afghan National Army student trainers completed all six courses required to be a Ministry of Defense trainer. While all the trainers completed at least three of the required courses, no one completed more than four of the courses.
- Five of six Afghan National Army student instructors did not complete any of the four courses required to be a Ministry of Defense instructor, and one student instructor completed only one required course.

Starting with the modified Legacy East and ASOM contracts, the successful transition of intelligence training sites to the Afghan government became the primary way that NCC measured the program's success. Under ASOM, the capabilities and independence of each intelligence training site were judged by NCC using "aspect ratio scores" on a scale of 0 to 5. A score



# SIGAR OVERSIGHT ACTIVITIES

above 4.0 meant the site was ready for transitioning to the Afghan government; a score between 3.5 and 4.0 meant the site could be transitioned, but that the capabilities carried a risk of being reversible. A score below 3.5 meant the site was not ready to be transitioned. In August 2013, NCC reported on 103 out of 111 Ministry of Defense and Ministry of the Interior intelligence sites and found that 47 sites had aspect ratio scores above 3.5; 46 sites had aspect ratio scores below 3.5, but were turned over with handover plans to address deficiencies; and 10 sites were assessed as not capable of self-sustainment. When DOD directed the mentoring teams to vacate these 10 sites, due to troop withdrawals, they were left with an undeveloped intelligence capability. By July 2014, NCC reported 58 intelligence sites were successfully transferred, 42 sites were transferred with capability handover plans, and the remaining 11 sites were not reported. In addition, NCC reported that one of the 14 General Command of Police Special and Investigative Surveillance sites was successfully transferred and were transferred with handover plans by the time the ASOM program ended in February 2016. As a result, 59 of the 125 (47%) of Legacy and ASOM intelligence training and mentoring sites were fully transitioned to the Afghan government, with the remaining being transitioned with varying levels of capability or no longer reported.

Although the aspect-ratio scores indicate some success in transitioning MOD and MOI intelligence sites, DOD and the Afghan government continue to report that there is a need for Coalition assistance and that the ANDSF is only partially capable with respect to its overall intelligence operations. For example, in its semiannual reports to Congress from 2011 to 2014 on *Progress Toward Security and Stability in Afghanistan*, produced while Legacy and ASOM were under way, DOD found that the MOD and MOI intelligence units required Coalition assistance to accomplish their missions.

Similarly, in SIGAR's January 2016 *Quarterly Report to Congress*, SIGAR stated that based on Afghan assessments in 2015, the "MOD and MOI intelligence capabilities were rated as high as 'partially capable,' but none were rated as fully operational." DOD's June 2016 report on *Enhancing Security and Stability in Afghanistan*, which followed the conclusion of Legacy and ASOM, noted that persistent capability gaps in the Afghan security forces' intelligence collection and dissemination, along with other gaps, "have hampered more rapid improvement in their ability to maintain security and stability." This same report also noted that the Afghan National Army is making progress in intelligence collection and analysis, but is still developing its ability to conduct intelligence-driven operations and that the MOI is "progressing in their intelligence capabilities, however, there is much room for improvement." Although these reports focus on the intelligence operations as a whole and not solely on human intelligence, which was the focus of the Legacy and ASOM contracts, there was no indication of improvement because of the Legacy and ASOM contracts. CTTSO stated that there

# SIGAR OVERSIGHT ACTIVITIES

were a number of factors that undermined the potential for program success, such as the difficulty in finding program candidates from the Afghan security forces, which contributed to the mixed results of the Legacy and ASOM programs.

SIGAR found that in 2013, ACC awarded NCC the ASOM cost-plus-fixed-fee contract, even though NCC did not have an acceptable accounting system, as required. According to ACC, prior to the award, ACC found that NCC's accounting system to be acceptable for determining applicable contract costs by a "very simplistic" pre-award accounting system survey. DCAA conducted a post-contract award audit of NCC's accounting system and determined that the system was not acceptable for accumulating and billing costs for U.S. government contracts.

Based on the audit results, in 2014, DCAA and the Defense Contract Management Agency disapproved NCC's accounting system. The Defense Contract Management Agency's final determination letter informed NCC "that current contracts modified to contain or future contracts that contain [Defense Federal Acquisition Regulation Supplement] clause 252.242-7005 ... could be subject to withholding" due to significant deficiencies in NCC's accounting system. However, SIGAR was not provided with evidence showing that the contracting officer sought to modify the ASOM contract to include Defense Federal Acquisition Regulation Supplement clause 252.242-7005, which would have permitted the government to withhold payments to the contractor. Instead, the Defense Contract Management Agency appears to have simply continued approving payments to NCC for billed services until the contract ended in February 2016.

SIGAR found that NCC deployed staff and incurred costs under the Legacy Afghanistan, Kabul, and South contracts either before ACC awarded the contracts or before the approved start date for charging program costs. For example, under the Legacy Afghanistan contract, which was the first in Afghanistan, Imperatis deployed training and mentoring teams on January 9, 2010, four months before the contract was awarded on April 9, 2010, even though it did not authorize precontract costs. According to ACC, it modified the Legacy Iraq task order on June 9, 2009, for Imperatis to begin adapting the Legacy Iraq methodology for use in Afghanistan. Imperatis used about \$7.7 million in funding from the Legacy Iraq task order to pay for this effort until ACC awarded the Legacy Afghanistan contract. Similarly, under Legacy Kabul and Legacy South, deployed mentoring teams to Afghanistan prior to the base contract's pre-contract cost authorization date of July 27, 2010.

Although the Federal Acquisition Regulation allows for the use of pre-contract cost clauses, they are supposed to be limited to costs that would have been allowable if incurred after the contract award date. However, SIGAR's financial audit and subsequent review of Imperatis' monthly billings, along with a DCAA financial audit, identified questionable costs.

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As noted in SIGAR’s April 2015 financial audit report on the Legacy East contract, Imperatis did not have the supporting documentation for NCC’s costs, preventing SIGAR’s auditors from performing a complete review of subcontractor invoice costs, leading SIGAR to question more than \$134 million in unsupported costs. SIGAR also found that Imperatis billed, on average, more than \$1.8 million per month under the Legacy Afghanistan contract for the 10-month period from March 2011 to December 2011, even though the training courses it was supposed to conduct were canceled in February 2011. For comparison, the average monthly billings for the five months prior to the training courses being cancelled was less than \$180,000.

DCAA conducted an incurred-cost audit of NCC’s subcontractor invoices and supporting documentation for invoiced amounts from August 1, 2007, through December 31, 2013. During its audit, the agency questioned \$51 million in costs incurred under both the Legacy R&D contracts in Afghanistan and Iraq. According to ACC, Imperatis failed to monitor and evaluate its subcontractor costs and, therefore, misrepresented some costs as allowable and allocable when it submitted invoices for payment. This resulted in DOD paying for costs the U.S. government was not legally responsible to pay, thereby increasing those contracts’ costs.

SIGAR recommends that the Secretary of Defense (1) review ACC’s, ARL’s, and CTTSO’s award and oversight of the Legacy and ASOM contracts to identify remedies to provide better oversight controls and performance measurements for future R&D contracts; and (2) review ongoing ANDSF intelligence training and mentoring contracts, and incorporate into them requirements to enable the measurement and verification of contractor performance and contract outcomes, including training and mentoring results, and impacts on the ANDSF’s human intelligence capability.

## 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. SIGAR has 21 ongoing financial audits with \$606.8 million in auditable costs, as shown in Table 2.1.

This quarter, SIGAR completed four financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These audits help provide the U.S. government and the American taxpayer reasonable assurance that the funds spent on these awards were used as intended.

TABLE 2.1

<b>SIGAR’S FINANCIAL AUDIT COVERAGE</b> (\$ BILLIONS)	
95 completed audits	\$7.2
21 ongoing audits	0.6
<b>Total</b>	<b>\$7.8</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.

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The audits question expenditures that cannot be substantiated or are potentially unallowable.

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on **questioned amounts** identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified nearly \$414.5 million in **questioned costs** and \$363,244 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of June 30, 2017, funding agencies had disallowed nearly \$25.2 million in questioned amounts, which are subject to collection. It takes time for funding agencies to carefully consider audit findings and 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 347 compliance findings and 370 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 four financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These financial audits identified \$27,229,340 in questioned costs as a result of internal control deficiencies and noncompliance issues. This quarter, SIGAR completed four financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. These deficiencies and

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

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

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

## COMPLETED FINANCIAL AUDITS

- Financial Audit 17-44-FA: USAID Cooperative Agreement with Volunteers for Economic Growth Alliance (VEGA) for Assistance in Building Afghanistan by Developing Enterprise (ABADE)
- Financial Audit 17-50-FA: USAID Cooperative Agreement with Management Sciences for Health (MSH) for Strengthening Pharmaceutical Systems (SPS)
- Financial Audit 17-54-FA: State Grant with Sesame Workshop for Media Programs
- Financial Audit 17-55-FA: USAID Implementation Letter with Da Afghanistan Breshna Sherkat (DABS) for Kajaki Dam Unit 2

# SIGAR OVERSIGHT ACTIVITIES



**A welder at Maisam Steel Mill**, an enterprise established with aid from USAID's Assistance in Building Afghanistan by Developing Enterprises Program. (ABADE photo by Sulaiman Latifi)

noncompliance issues included, among other things, incorrect employee payments and misclassification of travel costs, exceeding maximum budgets without prior approval, and insufficient documentation to support project expenses.

## **Financial Audit 17-44-FA: USAID's Assistance in Building Afghanistan by Developing Enterprises**

### **Audit of Costs Incurred by Volunteers for Economic Growth Alliance**

On October 16, 2012, USAID awarded a \$104,997,656 cooperative agreement to Volunteers for Economic Growth Alliance (VEGA) to support the Assistance in Building Afghanistan by Developing Enterprises (ABADE) program. The program's objectives were to work primarily with the private sector to strengthen the overall effectiveness of enterprises that offer the best opportunity for sustained growth and job creation. ABADE aimed to create jobs, increase domestic and foreign investment, and improve sales of domestic products. After seven modifications, the period of performance was extended from October 16, 2016, to April 15, 2017.

Mayer Hoffman McCann (MHM) reviewed \$30,895,654 in expenditures charged to the cooperative agreement from January 1, 2015, through December 31, 2015.

MHM identified two internal-control deficiencies and no instances of noncompliance with the terms and conditions of the cooperative agreement. The deficiencies resulted in two findings. Most notably, MHM found that VEGA incorrectly paid one employee's vacation time and misclassified travel costs as other direct costs on the SPFS.

As a result of these internal-control deficiencies, MHM identified \$214 in total questioned costs, consisting entirely of ineligible costs—costs



prohibited by the cooperative agreement, applicable laws, or regulations. MHM did not identify any unsupported costs—costs not supported with adequate documentation or that did not have required prior approval.

MHM identified four prior engagements with findings and recommendations that were within the scope of this audit. Eleven findings in those engagements were material to VEGA's SPFS. MHM determined that VEGA has corrected all previous findings except for one regarding unsupported payroll charges. MHM issued an unmodified opinion on the fair presentation of VEGA's Special Purpose Financial Statement (SPFS).

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

1. Determine the allowability of and recover, as appropriate, \$214 in questioned costs identified in the report.
2. Advise VEGA to address the report's two internal control findings.

## **Financial Audit 17-50-FA: USAID's Strengthening Pharmaceutical Systems Program**

### **Audit of Costs Incurred by Management Sciences for Health Inc.**

On August 29, 2011, USAID awarded a cooperative agreement to Management Sciences for Health Inc. (MSH) to implement the Strengthening Pharmaceutical Systems program. The program was intended to strengthen the Ministry of Public Health's (MOPH) ability to manage pharmaceutical services; monitor the quality of pharmaceutical products entering and used within Afghanistan; and establish a coordinated procurement and distribution system. The cooperative agreement's original period of performance spanned August 29, 2011, through August 27, 2015. As of December 18, 2016, there were 15 modifications, which increased the total estimated costs from \$24,499,936 to \$34,399,936 and extended the period of performance to July 10, 2017.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed \$13,831,476 in expenditures charged to the cooperative agreement from July 1, 2014, through June 30, 2016.

MHM identified two significant deficiencies in MSH's internal controls and one instance of noncompliance with the terms and conditions of the cooperative agreement. MHM found that MSH charged \$995,891 to the agreement for consultants, exceeding the \$154,913 maximum budgeted amount by \$840,978, or 542%. MSH did not have prior approval from USAID to exceed the maximum budgeted amount, as required by the agreement. MHM also found a lack of evidence to support that MSH supervisors reviewed and approved monthly bank reconciliations. MHM stated that not documenting management's review of the reconciliations implies that monitoring controls are either not designed or operating effectively, and could result in identified or unidentified errors or irregularities in transactions that may not be resolved in a timely manner.

# SIGAR OVERSIGHT ACTIVITIES

As a result of these internal-control deficiencies and instance of non-compliance, MHM identified \$840,978 in total questioned costs, consisting entirely of ineligible costs. MHM did not identify any unsupported costs.

MHM requested copies of prior reports, including audits, reviews, and evaluations, that were pertinent to MSH's activities under the agreement. MHM identified 18 findings and recommendations from four prior reports that could have a material effect on MSH's SPFS. MHM determined that MSH had taken adequate corrective action on all 18 findings and recommendations.

MHM issued a qualified opinion on the SPFS because of the \$840,978 in questioned costs that was identified. As mentioned, these costs, which exceeded MSH's budget by more than five times, did not have USAID's prior approval. As a result, MHM considered the total questioned-cost amount to be material to the SPFS.

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

1. Determine the allowability of and recover, as appropriate, \$840,978 in questioned costs identified in the report.
2. Advise MSH to address the report's two internal control findings.
3. Advise MSH to address the report's one noncompliance finding.

## **Financial Audit 17-54-FA: Department of State's Production and Support of Sesame Street Radio and Television Programs in Afghanistan Audit of Costs Incurred by Sesame Workshop**

On September 16, 2010, State awarded a grant to Sesame Workshop (Sesame) to produce and support the first season of *Sesame Street* in Afghanistan. On July 15, 2011, and June 14, 2012, State awarded two additional grants to Sesame to produce *Sesame Street* radio programs and additional television seasons, respectively. The goals of the programming were to use radio and television to distribute messages that promote early childhood education, respect and understanding, and national identity, and to counter extremist voices. After three amendments, the grants' combined period of performance spanned September 16, 2010, through June 30, 2017. As of November 15, 2016, the total estimated cost of all three grants was \$8,569,783, with a cost-share requirement of \$925,400.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed \$8,091,721 in expenditures charged to the agreements and \$981,935 in total cost-share submissions from September 16, 2010, through November 30, 2016.

MHM identified five significant deficiencies in Sesame's internal controls and eight instances of noncompliance with the terms and conditions of the grants. Specifically, MHM found that Sesame had insufficient source documentation to support expenses, charged unallowable expenses to the grants, and lacked evidence that it competitively procured vendors.

# SIGAR OVERSIGHT ACTIVITIES



**Grover (“Kajkoal”) visits** with children coloring at the Sesame Street Afghanistan workshop. (Department of State photo)

Further, MHM found a lack of subcontractor monitoring and cost sharing support over airtime contributions and intellectual property. The other issues are missing or insufficient source documentation, lack of prior State approval.

As a result of these internal control deficiencies and instances of non-compliance, MHM identified \$586,970 in total questioned costs, consisting of \$41,052 in ineligible costs and \$545,918 in unsupported costs.

MHM requested copies of prior reports, including audits, reviews, and evaluations, that were pertinent to Sesame’s activities under the grants. MHM identified one prior report with a finding and recommendation on inaccurate indirect costs charged to the grants. MHM determined that Sesame had taken adequate corrective action on the finding and recommendation.

MHM issued a qualified opinion on the SPFS because the auditors identified several transactions totaling \$586,970 that were questionable based on their review of the underlying support. The questioned costs were due to missing or insufficient source documentation, lack of prior State approval, unallowable expenses charged to the grants, lack of adherence to procurement policies and requirements, and lack of subcontractor monitoring. As a result, MHM considered the total questioned costs to be material to the SPFS.

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

1. Determine the allowability of and recover, as appropriate, \$586,970 in questioned costs identified in the report.
2. Advise Sesame to address the report’s five internal-control findings.
3. Advise Sesame to address the report’s eight noncompliance findings.



**U.S. officials view** the dynamo room at the Kajaki Dam. (U.S. State Department photo by Musadeq Sadeq)

## **Financial Audit 17-55-FA: USAID's Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant Audit of Costs Incurred by Da Afghanistan Breshna Sherkat**

On April 22, 2013, USAID signed a \$75 million implementation letter (IL) for Da Afghanistan Breshna Sherkat (DABS) to install turbine generator Unit 2 at the Kajaki Dam hydropower plant, located in Helmand Province. The IL's purpose was to support the Kajaki Unit 2 Project in expanding and improving Afghanistan's electricity generation capacity to provide affordable, reliable, and sustainable power to Afghans. In early 2013, at the Afghan government's request, USAID removed the installation of Unit 2 from its Kandahar Helmand Power Project and transferred that responsibility to the Afghan government. USAID amended the IL to extend the period of performance from December 1, 2014, to February 29, 2016.

SIGAR's financial audit, performed by Mayer Hoffman McCann (MHM), reviewed \$35,644,275 in expenditures that DABS charged to the IL for the period from January 1, 2015, through December 31, 2015.

MHM identified three material weaknesses in DABS's internal controls, two of which also were instances of noncompliance with the terms and conditions of the IL and applicable regulations. First, MHM found that DABS's subcontractor, GFA Consulting Ltd (GFA), could not provide sufficient documentation, such as personnel records, direct costs, contracts, and procurement files, for \$15,203,531 in costs. Therefore, MHM could not determine whether those costs were reasonable, allowable, and allocable to the IL. Second, MHM found that another DABS subcontractor, 77 Construction Company, could not provide documentation to support competitive procurements or sole-source justifications, resulting in \$10,597,647 in questioned costs. Third, MHM found that DABS did not prepare bank reconciliations for its bank account, and GFA did not provide any bank reconciliations, which resulted in an internal control finding but no questioned costs.

As a result of these internal-control deficiencies and instances of noncompliance, MHM identified \$25,801,178 in total questioned costs, consisting of \$7,366 in ineligible costs and \$25,793,812 in unsupported costs.

MHM identified nine prior audit findings and recommendations pertinent to DABS's performance under the IL that could have a material effect on the SPFS. Accordingly, MHM reviewed the corrective actions DABS has taken and determined that it only implemented two of the nine recommendations adequately. Two of the unimplemented recommendations addressed GFA using sole source procurement for goods and services without justification, and not selecting the lowest bidder in the procurement process, resulting in excessive costs.

MHM issued a qualified opinion on DABS's SPFS because several transactions, totaling \$25,801,178, were questionable due to missing or insufficient documentation, or a lack of evidence of competitive bidding.

# SIGAR OVERSIGHT ACTIVITIES

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

1. Determine the allowability of and recover, as appropriate, \$25,801,178 in questioned costs identified in the report.
2. Advise DABS to address the report's three internal control findings.
3. Advise DABS to address the report's two noncompliance findings.

## Evaluations Published

SIGAR published one classified evaluation this quarter.

### Evaluation 17-47-IPc: Leahy Laws

#### DOD and State Implementation of the Leahy Laws in Afghanistan

At the request of a bipartisan, bicameral group of 93 members of Congress, SIGAR this quarter issued a report to Congress on DOD and State's implementation of the Leahy Laws in Afghanistan. The report concerned allegations of sexual abuse of children by members of the Afghan security forces. Under the Leahy Laws, DOD and State are prohibited from providing assistance to any unit of the security forces of a foreign country if the Secretaries of State or Defense have credible information that the unit has committed a gross violation of human rights. In June, SIGAR completed the report, notified the requestors, and provided copies. The report reviews guidance on Leahy Laws implementation, and discusses the extent to which the U.S. holds Afghan security forces accountable. SIGAR also makes recommendations to both the Departments of State and Defense to improve implementation of the Leahy Laws in Afghanistan. Because DOD has classified much of the information on which the SIGAR report is based, the report is classified. SIGAR has requested that DOD declassify the report so that it can be released to the public.

## INSPECTIONS

### Inspection Reports Published

This quarter, SIGAR published one inspection report that examined the Pol-i-Charkhi prison.

#### Inspection Report 17-46-IP: Pol-i-Charkhi Prison

##### Renovation Work Remains Incomplete More than Seven Years after the Project Began

Pol-i-Charkhi prison—Afghanistan's largest correctional facility—was built in 1973 to hold about 5,000 inmates. In June 2009, in response to damage caused by 35 years of neglect, State's Regional Procurement Support Office awarded a renovation contract to Al-Watan Construction Company (AWCC) for \$16.1 million. INL funded the contract. The primary purpose was to reconfigure large, undivided prisoner holding areas into smaller

#### COMPLETED INSPECTION REPORTS

- Inspection Report 17-46-IP: Pol-i-Charkhi Prison



# SIGAR OVERSIGHT ACTIVITIES

minimum-, medium-, and maximum-security cells. The contract also specified electrical and plumbing improvements, as well as construction of additional facilities, such as water well houses and conjugal buildings. After two modifications, the contract's value increased to \$20.2 million.

SIGAR reported on its first inspection of Pol-i-Charkhi in October 2014. In that report, SIGAR noted that State terminated the contract with AWCC in November 2010 due to unsatisfactory contractor performance. At that time, only about 50% of the renovation work was complete, but State had paid AWCC \$18.5 million of the \$20.2 million. SIGAR also reported that not all of the work was completed according to contract requirements and that AWCC substituted building materials, such as wood for metal trusses, without authorization. Also, AWCC installed six backup generators but did not connect them to the prison's power grid as required.

The objectives of this follow-up inspection were to assess the extent to which: (1) progress has been made in completing the unfinished renovation work at Pol-i-Charkhi prison, and, if so, whether the work was completed in accordance with contract requirements and technical specifications; and (2) the prison is being used and maintained.

INL has not restarted renovation work at Pol-i-Charkhi prison since terminating its contract with AWCC in November 2010. Following the termination, another State contractor, Batoor Construction Company, reported that AWCC completed only about 50% of the required renovation work. Batoor also reported multiple instances of defective workmanship, such as AWCC's failure to backfill trenches and repair/replace broken electrical and plumbing fixtures. During SIGAR's 2016 site visits, it identified 20 design and construction deficiencies that remained after State terminated AWCC's contract. The deficiencies resulted from poor designs, AWCC's failure to comply with the contract's scope of work, noncompliance with contract requirements, and INL's poor oversight. For example, SIGAR found that:

- AWCC did not construct multiple buildings and structures, such as 20 of 32 visitor shades—covered areas that protect inmates and their visitors from the sun and rain during visits—in one prison block and five of 10 visitor shades in another prison block, one of two conjugal buildings, two of six new well houses, and two new transformer buildings. Several of the constructed buildings and structures are not being used because construction is incomplete.
- AWCC did not install emergency exit stairs for both sides of the three-story training center.
- AWCC did not install water heaters to provide warm water for showers and other washing needs in many of the buildings and facilities in the three blocks.
- AWCC did not install fire-rated doors in the staff barracks, as required. Instead, the contractor substituted nonrated steel doors, which create a fire and safety hazard.

# SIGAR OVERSIGHT ACTIVITIES

INL officials told SIGAR that they intend to complete the renovation work, but currently the area of Kabul province where the prison is located is not safe for State employees or contractors; therefore, they cannot travel to the site and perform the work. In January 2017, INL officials said the bureau developed plans for a new lagoon-style wastewater management system for the prison that will require less maintenance and accommodate more people than the current septic system, but they will not award a contract to build the new system or complete work until the security situation improves and INL can provide appropriate construction oversight. However, in its written response on a draft of this report, INL stated that it has now undertaken a security assessment and is planning to move forward with renovation of a new wastewater management system, but will not award a new contract to complete the renovation, and instead will support the Afghan General Directorate of Prisons and Detention Centers in developing plans to address the deficiencies and necessary renovations using MOI funding.

In October 2014, SIGAR reported that Pol-i-Charkhi prison was being used but was so overcrowded that inmates were housed in the hallways. At that time, the prison—which was originally designed to hold about 5,000 inmates—was holding about 7,400 inmates. During its March through April 2016 site visits, SIGAR found that prison was still overcrowded and inmates were still living in the hallways. However, those conditions would have even been worse, had it not been for action the MOI's General Directorate of Prisons and Detention Centers took that year to transfer more than 2,700 high-threat inmates from provincial prisons, such as Pol-i-Charkhi, to more secure facilities. Nonetheless, in January 2017, a directorate official told SIGAR that Pol-i-Charkhi prison is now holding between 9,500 and 10,000 inmates, nearly double its design capacity.

In October 2014, SIGAR reported that Pol-i-Charkhi prison had been relatively well maintained. However, during its March through April 2016 site visits, SIGAR found that the prison was suffering from poor maintenance. Overall, SIGAR identified nine maintenance issues. For example, electrical fixtures that AWCC installed were broken, inoperable, or missing throughout the prison. SIGAR also found plumbing fixtures, such as toilets, sinks, showerheads, floor drains, and water/sewer pipes that were broken or inoperable.

In January 2017, INL officials told SIGAR that although the 15 trained maintenance personnel currently on staff at the Pol-i-Charkhi prison were sufficient to maintain the prison, a number of factors contributed to the maintenance challenges, including the General Directorate of Prisons and Detention Centers reassigning staff, and the lack of replacement parts and equipment to perform maintenance. The officials noted that the directorate was still learning how to implement procedures to properly order and track the parts and equipment. The officials also said the directorate had been slow to embrace preventative maintenance.



**Overcrowding at Pol-i-Charkhi prison** forces inmates to live in hallways. (SIGAR photo)

# SIGAR OVERSIGHT ACTIVITIES

Furthermore, INL officials stated that the directorate must fully commit to establishing a dedicated maintenance staff, adding that sometimes trained staff are moved to other positions across the directorate. However, INL officials did note some positive steps being taken to improve maintenance.

To help protect the U.S. investment in Pol-i-Charkhi prison and improve conditions for its occupants, SIGAR recommends that the Secretary of State direct INL to: (1) prepare contract solicitations, so action can be taken immediately when the security situation improves, for a new wastewater management system; and (2) in coordination with the Afghan General Directorate of Prisons and Detention Centers, (a) develop a plan to establish dedicated Pol-i-Charkhi prison maintenance staff and procedures to order and account for replacement parts and maintenance equipment, and to prioritize and address current prison maintenance problems, and (b) ensure that the directorate's renovation work includes connection of the backup generators to the prison's power grid.

INL provided written comments on a draft of this report. In its comments, INL partially concurred with our first two recommendations and concurred with our third recommendation. INL also stated that instead of awarding a new contract to complete the renovation work as stated to us during fieldwork, INL now supports the Afghan Directorate of Prisons and Detention Centers in developing plans to address the 20 deficiencies and necessary renovations using MOI funding. As a result, SIGAR deleted its first recommendation and changed the second and third ones to reflect INL's comments.

## **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 27 recommendations contained in 10 audit and inspection reports. These reports contained recommendations that resulted in the recovery of \$1,012,618 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through June 2017, SIGAR published 267 audits, alert letters, and inspection reports and made 758 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 or inspection 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. This quarter, SIGAR continued to monitor agency actions on 129 recommendations. There were no

# SIGAR OVERSIGHT ACTIVITIES

recommendations more than 12 months old for which an 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 59 recommendations more than 12 months old for which SIGAR is waiting for the respective agencies to complete their agreed-upon corrective actions.

## SPECIAL PROJECTS

SIGAR's Office of Special Projects was created to examine emerging issues and deliver prompt, actionable reports to federal agencies and the Congress. The team conducts a variety of assessments, producing reports on all facets of Afghanistan reconstruction. The directorate is made up of auditors, analysts, investigators, lawyers, subject-matter experts, and other specialists who can quickly and jointly apply their expertise to emerging problems and questions. This quarter, SIGAR's Office of Special Projects wrote eight products, including reviews and inquiry letters, expressing concern on a range of issues including DOD procurement of ANA uniforms, site visits to seven reconstructed schools in Kunar Province, and visits to 35 USAID-supported health facilities in Takhar Province.

### Review 17-48-SP: Afghan National Army

#### **DOD May Have Spent up to \$28 Million More than Needed to Procure Camouflage Uniforms That may be Inappropriate for the Afghan Environment**

This report discusses the results of SIGAR's review of DOD's procurement of uniforms for the ANA. The report determines (1) how and why the U.S. government generated the requirement for the use of a proprietary camouflage pattern for ANA uniforms, and (2) the resulting cost to the U.S. government of using a proprietary camouflage pattern for ANA uniforms from November 2008 through January 2017.

Uniforms, consisting of one shirt and one pair of pants, are an example of organizational clothing and individual equipment (OCIE) that DOD has purchased for ANDSF personnel using the Afghanistan Security Forces Fund appropriation. As a general matter, uniforms may use camouflage patterns that are either proprietary or non-proprietary. Proprietary uniforms are made using camouflage patterns that are owned by another entity and may not be used, by DOD or anyone else, without the permission of the owner. Non-proprietary uniforms are made using camouflage patterns that are owned or available for use by DOD without the need for permission from another entity.

In 2007, DOD chose to purchase uniforms for the ANA that incorporated a proprietary pattern owned by HyperStealth Biotechnology Corporation (HyperStealth) and was patterned after the U.S. Army's combat uniform, which is more costly to produce and has different component specifications

### COMPLETED SPECIAL PROJECTS

- Special Project Review 17-48-SP: ANA Proprietary Camouflaged Uniforms
- Special Project Review 17-51-SP: USAID Supported Health Facilities in Takhar Province
- Special Project Review 17-53-SP: Schools in Kunar Province
- Special Project Inquiry Letter 17-42-SP: INL Prison Construction and Rehabilitation
- Special Project Inquiry Letter 17-43-SP: Asian Development Bank's Qaisar-Laman Road Project
- Special Project Inquiry Letter 17-45-SP: Initiative to Strengthen Local Administrations (ISLA) Program
- Special Project Inquiry Letter 17-49-SP: Stabilization in Key Areas
- Special Project Inquiry Letter 17-52-SP: Follow-up Letter: Qaisar-Laman Road Project

# SIGAR OVERSIGHT ACTIVITIES



**An ANA counter-IED specialist** wears the ANA-proprietary camouflage pattern during a training exercise. (Royal Logistic Corps by Cpl Paul Morrison)

than the U.S. Army battle dress uniform. That 2007 decision resulted in the purchase of 1,364,602 such uniforms through January 2017.

Our analysis found that DOD's decision to procure ANA uniforms using a proprietary camouflage pattern was not based on an evaluation of its appropriateness for the Afghan environment. SIGAR also found that the procurement costs to the U.S. government were 40–43% higher for an ANA uniform using proprietary camouflage and patterned after the U.S. Army's combat uniform than the costs for comparable Afghan National Police (ANP) uniforms that use a non-proprietary pattern and are patterned after the simpler U.S. Army battle dress uniform. DOD has spent approximately \$93.81 million to procure uniforms for the ANA using a proprietary pattern since it made the decision approximately 10 years ago. Given our historical and expected future security assistance for the ANA, our analysis found that changing the ANA uniform to a non-proprietary camouflage pattern based on the U.S. Army's battle dress uniform, similar to those procured for comparable ANP units, could save U.S. taxpayers between \$68.61 million and \$71.21 million over the next 10 years.

The current ANA uniform specification still requires the use of a proprietary camouflage pattern. Given the lack of evidence showing that the proprietary pattern is more effective in Afghanistan than lower-cost nonproprietary patterns, SIGAR suggests that a DOD organization with appropriate expertise in military uniforms conduct a cost-benefit analysis of the current ANA uniform specification to determine whether there is a more effective alternative available, considering both operational environment and cost.

SIGAR provided a draft of this report to DOD for comment on May 2, 2017. DOD provided technical comments on May 30, 2017. SIGAR incorporated DOD's technical comments in the report, as appropriate. In DOD's technical comments, as well as in subsequent correspondence and a meeting to discuss the draft on June 1, 2017, agency officials expressed general agreement with contents of the draft report. In its written comments, received on June 15, 2017, DOD concurred with our suggested action to conduct a cost-benefit analysis and stated that it "is working with the appropriate DOD Components and the Afghan Ministry of Defense to conduct this assessment." DOD also stated that it "is following up with the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics to ensure that current contracting practices for ANA uniforms as well as Afghan National Police (ANP) uniforms conform to all FAR requirements."

SIGAR conducted our work in Kabul, Afghanistan; Army Contracting Command's office at Rock Island Arsenal, Illinois; The Natick Soldier Research, Development and Engineering Center in Natick, Massachusetts; and Washington, D.C., from April 2016 through April 2017, in accordance with SIGAR's quality-control standards.



## Review 17-51-SP: USAID-Supported Health Facilities in Takhar Province

### Observations from Site Visits to 35 Locations

This review discusses the results of site inspections to verify the locations and operating conditions at 35 USAID-supported public health facilities in Takhar Province, Afghanistan. SIGAR found substantial inaccuracies in the geospatial coordinates USAID previously provided for many of these 35 health facilities, including 24 facilities that were at least 10 kilometers away from coordinates USAID provided. SIGAR also found that not all facilities had access to running water. This is the sixth in a series of health-facility reviews SIGAR is conducting in provinces throughout Afghanistan.

The facilities SIGAR reviewed are supported by USAID through the World Bank-administered System Enhancement for Health Action in Transition (SEHAT) project. Previously, the MOPH received funds through direct bilateral assistance from USAID to fund operations at these health facilities.

SIGAR provided a draft of this review to USAID for comment on June 21, 2017. USAID provided comments on July 6, 2017. In its comments, USAID stated that it welcomed feedback on the 35 health facilities visited by SIGAR and that all were open, operational, and benefiting the community and observed that this information is consistent with monitoring information USAID receives from the World Bank. USAID also stated that it “finds SIGAR’s continued focus on the inaccuracy of the geospatial coordinates misleading” and “the responsibility for management and oversight of these health centers, including the storage and potential use of geospatial coordinates, now lies fully with the Ministry of Public Health (MOPH), with the support of the World Bank-administered System Enhancement for Health Action in Transition (SEHAT) project.”



**A nurse checks** a child at a health facility supported by USAID through the World Bank System Enhancement for Health Action in Transition project. (World Bank photo by Ishaq Anis/Rumi Consultancy)

# SIGAR OVERSIGHT ACTIVITIES

While SIGAR agrees that both the MOPH and World Bank have critical oversight roles for the SEHAT program, USAID's comments appear to directly contradict the oversight responsibilities outlined in its implementation letter with the Afghan government concerning SEHAT. USAID's implementation letter for the SEHAT program require it to perform several monitoring and oversight activities, including field visits and household surveys, that would be made easier by maintaining accurate location information for the clinics it supports.

SIGAR conducted this special project in Washington, D.C.; Takhar, Afghanistan; and Kabul, Afghanistan, from April 2016 through March 2017, in accordance with SIGAR's quality-control standards. These standards require that SIGAR carry out work with integrity, objectivity, and independence, and provide information that is factually accurate and reliable.

## **Review 17-53-SP: Schools in Kunar Province**

### **Observations from Site Visits at Seven Schools that Received U.S. Reconstruction Funds**

This report is the third in a series that details SIGAR's findings from site visits at U.S.-built or U.S.-rehabilitated schools across Afghanistan. The seven schools discussed in this report were either constructed or rehabilitated using U.S. taxpayer funds provided by DOD's Commander's Emergency Response Program (CERP). In a 2016 audit report, SIGAR estimated that DOD spent approximately \$142 million in CERP funds on 2,284 education-related projects between fiscal year 2004 and fiscal year 2014. The purpose of this Special Project review was to determine the extent to which schools constructed or rehabilitated in Kunar Province using CERP funds are open and operational, and to assess their current condition. We estimated that the schools we visited in Kunar Province cost taxpayers a total of \$1.65 million.

SIGAR previously reviewed schools constructed and funded by USAID in Herat and Balkh Provinces. In general, SIGAR's observations from its site visits to these schools indicated that many schools suffered from structural deficiencies and had issues related to student and teacher absenteeism. SIGAR's assessment of the general usability and structural, operational, and maintenance condition for the seven schools that received CERP funding in Kunar found that most of the schools were structurally sound, safe for educational use, and well attended. However, SIGAR found that some schools faced unsanitary conditions, lacked reliable electricity, and were at risk of structural damage due to the high prevalence of earthquakes in the region.

SIGAR provided a draft of this review to DOD for comment on May 12, 2017. SIGAR worked closely with DOD CERP subject matter experts to verify the projects and data associated with the seven schools reviewed in this report. DOD officials also contributed technical comments to all draft versions of the report.

# SIGAR OVERSIGHT ACTIVITIES

SIGAR conducted work in Kunar and Kabul Provinces, Afghanistan, and in Washington, D.C., from March 2016 through May 2017 in accordance with SIGAR's quality-control standards.

## **Inquiry Letter 17-42-SP: INL Prison Construction and Rehabilitation**

On May 1, 2017, SIGAR sent an inquiry letter to the Assistant Secretary, Bureau of International Narcotics and Law Enforcement Affairs (INL), William R. Brownfield, and Special Chargé d'Affaires Hugo Llorens at the U.S. Embassy, Afghanistan, to request information regarding the efforts of INL to construct or rehabilitate Afghan prisons and their supporting infrastructure. Since 2014, SIGAR has reported on deficient contractor workmanship, as well as safety and security concerns associated with INL's prison infrastructure development projects. As a result of SIGAR's work, INL has taken action to address the deficiencies SIGAR identified.

Given the findings from past work, and SIGAR's shared interest with INL toward ensuring that contractors engaged by INL construct or rehabilitate prisons and supporting infrastructure in accordance with contract requirements, SIGAR plans to conduct additional inspections of INL's prison infrastructure development projects. Information about INL's work in this area will help SIGAR to better understand the agency's reconstruction activities and allow SIGAR to better plan oversight efforts.

SIGAR requested a list of all completed INL-funded projects to construct or rehabilitate prisons and supporting infrastructure in Afghanistan (including projects funded both on- and off-budget) by May 16, 2017.

A response arrived on May 19, 2017, with data presented in a spreadsheet.

## **Inquiry Letter 17-43-SP: Asian Development Bank's Qaisar-Laman Road Project**

On May 3, 2017, SIGAR sent an inquiry letter to Thomas Panella, the Country Director, Afghanistan Resident Mission, Asian Development Bank, to request information for a coming review of the Asian Development Bank's (ADB) Qaisar-Laman Road Project.

The project began in 2006 to construct a 233-kilometer portion of the Ring Road in northwestern Afghanistan. SIGAR is initiating this review based on information obtained during an investigation into the Afghan government's efforts to award a new contract to complete the Qaisar-Laman road. From January to August of 2016 the Afghan Ministry of Public Works (MOPW) negotiated a \$99-million, sole-source contract with a joint venture of Aziz Wali Construction Company, Shamshad Badin Construction Company, and Megayapi Construction Company (collectively "ASM JV"). The contract was supposed to be financed through a grant from ADB.



**The Qaisar-Laman Road Project** in Faryab Province. (PRT Meymaneh photo by Stephen Olsen)

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An engineering consulting firm hired by MOPW to oversee the Ministry's road-construction projects conducted a prequalification review of companies interested in bidding on the contract for construction of the Qaisar-Laman road in late 2015. Even though the prequalification deemed ASM JV not qualified to conduct the work and found two other bidders to be qualified, ASM JV was slated to receive this sole-source award. As detailed in SIGAR's January 2017 *Quarterly Report to the United States Congress*, SIGAR sent an official letter summarizing these and other investigative findings to President Ghani on August 14, 2016. After reviewing the letter, President Ghani cancelled the procurement in October 2016 and demanded that the solicitation for construction be reopened for competition and competitively awarded.

SIGAR's investigation into the proposed sole-source award to ASM JV identified additional concerns related to the Qaisar-Laman Road Project that warrant further review. Since 2006, ADB has been financing construction of this portion of the Ring Road, the road network circulating inside of Afghanistan connecting Mazar-e Sharif, Kabul, Kandahar, and Herat, using funds provided by the U.S. and other donors to ADB's Asian Development Fund. As the second-largest donor to the Asian Development Fund since at least 2005, the U.S. government has a vested interest in ensuring that donations to the fund are safeguarded from waste, fraud, and abuse. Accordingly, this review is intended to determine (1) what the Qaisar-Laman Road Project has accomplished with the funding provided by the United States and other donor nations; (2) how much construction remains to be done in order to finish this section of road; (3) how much of the ADB grant funding MOPW has spent; and (4) how much more money is required in order to finish the project.

SIGAR requested documents from ADB and interviews with relevant ADB officials in order to facilitate the review. The requested information and documents included:

1. The amount (dollar value) of funds spent since 2005 to construct the portion of the Ring Road from Qaisar to Laman; this includes construction, consulting, security, and life support costs associated with the project. Including how much of the road had been constructed under the auspices of the Qaisar-Laman Road Project since 2005, and how much remained to be constructed.
2. Copies of all grants, agreements, and contracts (as well as associated enclosures, modifications, and amendments) for the construction, consulting, security, and life support costs associated with the Qaisar-Laman Road Project since 2005.
3. All evaluations of the work completed by the prime construction contractors in ADB's possession.
4. Any documents reflecting Engineering, Compliance, & Construction Inc. and Metag Insaat Ticaret A.S. joint venture's ("EM JV") failure

to comply with the terms of the contract it received to construct the Qaisar-Laman section of the Ring Road, funded in part by ADB's \$340 million grant to MOPW.

5. All documents related to the decision to award a sole-source contract to ASM JV to complete the project. Also to be provided were documents in which ADB officials or employees indicated their support for the use of a sole source contract to complete the project.
6. All documents related to the decision to select Aziz Wali Construction Company as the contractor for the camp-maintenance contract beginning in February 2016, including cost estimates for the work to be performed on this contract.
7. All documents establishing ADB's oversight obligations related to the Qaisar-Laman Road Project, and all documents and correspondence establishing that ADB met those obligations.

SIGAR asked that a response to this request and all documentation be provided no later than May 31, 2017.

On May 12, 2017, ADB acknowledged receipt of SIGAR's request. On June 2, 2017, ADB responded directly to the questions in SIGAR's inquiry letter. ADB indicated that project information and grant agreements are publicly available on ADB's website. ADB also said requests concerning construction-related contracts, contractor evaluations and shortfalls, documents relating to the awarding of a sole-source contract, and contract cost estimates should be directed to MOPW.

## **Inquiry Letter 17-45-SP: USAID's Initiative to Strengthen Local Administrations (ISLA) Program**

On June 5, 2017, SIGAR sent an inquiry letter to Acting Administrator of USAID Wade Warren to request information regarding USAID's Initiative to Strengthen Local Administrations (ISLA) program.

The stated goal of the program is to "enable the Government of the Islamic Republic of Afghanistan to improve provincial governance in the areas of fiscal and development planning, representation of citizens, and enhanced delivery of public services." ISLA is focused on improving subnational governance and systems in order to enable the Afghan government at the local and provincial levels to deliver "services that more closely respond to all citizens' needs in health, education, security, justice, and urban services."

According to USAID, "ISLA aims to enhance the institutional and human capacity of provincial line directorates and provincial development committees to ensure that local priorities are integrated into the national budgets through provincial development plans." The fiscal year 2017 ISLA work plan states that, "The project will work within the existing system to improve its functionality. This is done by fostering a combination of top-down and bottom-up consultative processes between central and provincial levels, to



# SIGAR OVERSIGHT ACTIVITIES

formulate plans and budgets that align both with local community service delivery priorities and with national developmental priorities as well as available resources.” The contract to implement this five-year, \$48 million program, was awarded to Tetra Tech ARD in February 2015 and is expected to conclude in January 2020.

SIGAR first reported on issues related to subnational governance in an October 2010 audit of donor coordination and provincial capacity in Nangarhar Province. At that time, SIGAR raised concerns that Nangarhar’s provincial-development plan (PDP) may be, “outdated, unused, and not implemented” and that “the central ministries viewed PDPs as not fiscally constrained, prioritized, or reflective of the will of the populace. Moreover, the PDPs were not tied to any dedicated funding and were largely ignored by the national and provincial governments, the U.S. government, and the international community.” SIGAR also found that nearly all of the Afghan government’s core development activities are centralized in Kabul at the ministry level.

Building the capacity of subnational government structures in Afghanistan remains an important issue in Afghanistan and fosters closer ties between the Afghan government and the citizenry. The ISLA program appears to be a step in the right direction to remedy several of the issues related to subnational governance that SIGAR raised in 2010. Effective planning and budget execution, delivery of basic services, and construction of needed infrastructure projects are important to the safety and stability of Afghanistan, as well as to the improvement in the lives of the Afghan population.

Given the important purpose and anticipated expense of this program, SIGAR requested that the following documents be delivered no later than June 20, 2017:

1. Copies of ISLA’s three initial assessments, specifically
  - a. The Rapid Provincial Needs Assessment for each of the 16 participating provinces
  - b. The baseline assessment for each of the 16 participating provinces
  - c. The Rapid Capacity Assessment at the Independent Directorate of Local Governance (IDLG) and Ministry of the Economy (MoEc)
2. Available provincial development plans for the 16 participating provinces during the years ISLA has been or will be active
3. A list of all projects, training, or other activities facilitated by ISLA, including available meeting notes or training materials indicating the topics covered, outcomes, and/or recommendations made at those meetings

On June 13, 2017, USAID responded with the available documentation. USAID submitted its “Capacity Assessment” report on 16 provinces; its baseline assessment on eight randomly selected provinces; the Rapid

Capacity Assessment of IDLG and MoEc; 10 PDPs; and a list of projects, training, and other activities facilitated by ISLA 2015-17.

## **Inquiry Letter 17-49-SP: Stabilization in Key Areas**

On June 28, 2017, SIGAR sent an inquiry letter to Acting Administrator of USAID Wade Warren to request information regarding USAID's Stability in Key Areas (SIKA) program.

SIKA was intended to promote good governance in specific districts throughout Afghanistan, reduce the impact of the insurgency, increase confidence in the Afghan government, and pave the way for a peaceful security transition. Between December 2011 and April 2012, USAID awarded over \$203 million in contracts to AECOM International Development Inc. (AECOM) and Development Alternatives Inc. (DAI) to implement four regional SIKA programs—East, West, South, and North—designed to partner closely with existing subnational development and governance structures to help identify sources of instability and address needs and grievances identified by targeted communities.

Each contract had an 18-month base period of performance with the possibility of additional 18-month option periods. In 2013, USAID extended the period of performance for the three contracts awarded to AECOM, and signed a new contract with DAI. By the time the programs ended in September 2015, USAID had spent approximately \$306 million on contracts to implement SIKA.

SIGAR has previously examined various aspects of the four regional SIKA programs and found that they faced many challenges throughout their periods of performance. For example, in July 2013, we reported that SIKA programs had not met their essential objectives because USAID had not awarded grants on a timely basis or established a formal working agreement with the Afghan government for project implementation. In 2016, we conducted an audit of USAID's Measuring Impacts of Stabilization Initiatives (MISTI) program, which was intended to monitor and evaluate USAID's stabilization programs, including SIKA. We reported that USAID had difficulty overseeing its stabilization programs, including SIKA, due to high levels of violence and reduced security and protection, which impeded USAID personnel from accessing locations where the agency was implementing its programs.

SIGAR asked USAID to provide:

1. A complete list of SIKA projects implemented by AECOM and DAI by province, including information regarding:
  - a. The title and type of project
  - b. The location of the project (using the most specific information possible, including geospatial coordinates, if available)
  - c. Total cost per project
  - d. Last reported project status

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SIGAR asked that USAID provide a response to this request and all requested documentation no later than July 13, 2017.

On July 9, 2017, USAID responded and provided the necessary documentation to answer questions 1.a., 1.b., and 1.d. Regarding question 1.c., USAID stated that costs were not tracked down to the individual project level, but provided SIKA total expenses per award.

## **Inquiry Letter 17-52-SP: Follow-up Letter: Qaisar-Laman Road Project**

On July 14, 2017, SIGAR sent an inquiry letter to Sean M. O'Sullivan, Director General, Central and West Asia Department, Asian Development Bank (ADB), to again request information related to the construction of the Ring Road from Qaisar to Laman.

SIGAR found the response and supporting documentation to its May 3, 2017, request to be unresponsive and insufficient. ADB funded the Qaisar to Laman Ring Road construction since 2006 with grants totaling \$571 million. These grants came from ADB's Asian Development Fund and since 2005, the United States has pledged nearly \$1.5 billion to the Asian Development Fund and is the second largest donor to the fund.

Considering the importance to the reconstruction effort of the completion of this road, and the history of waste that has accompanied the project, SIGAR considered ADB's refusal to cooperate with its requests unacceptable. SIGAR remains concerned that a considerable portion of the money spent to construct this portion of the road has been wasted or diverted through fraud and corruption.

The initial SIGAR request sought documents clarifying (1) what the Qaisar-Laman Road Project accomplished with the funding provided, (2) how much work remained in order to complete the portion of the road, (3) how much money was actually spent on construction and related efforts, and (4) how much more money will be required to complete construction. ADB, however, refused even to provide the most basic information about what construction companies were engaged, how much they were paid, and how much work they completed. ADB's own procurement guidelines require that Grant recipients, in this case MOPW, provide this information to ADB.

These guidelines also require that "ADB review the borrower's procurement procedures, documents, bid evaluations, award recommendations, and contracts to ensure that the procurement process is carried out in accordance with agreed procedures," yet ADB's response gave no indication of whether or not ADB fulfilled this oversight role. ADB's response also leaves open to question whether or not ADB conducted any independent assessments before granting funds a second, third, or fourth time. Finally, ADB states that it was MOPW's decision to award a sole-source contract to a joint venture between Aziz Wali Construction Company,

# SIGAR OVERSIGHT ACTIVITIES

Shamshad Badin Construction Company, and Megayapi Construction Company. ADB's Procurement Guidelines only allow for sole-source contracting under certain circumstances, none of which appear to have applied. ADB was similarly silent on the justification for allowing the sole-source award to proceed despite obvious problems until SIGAR acted to notify Afghan President Ashraf Ghani of the potential for waste in the procurement process.

ADB's response delayed SIGAR's efforts to conduct an independent and objective analysis of the funds expended to construct the Ring Road from Qaisar to Laman, and evaluate what U.S. taxpayers, as significant contributors to the Asian Development Fund, have received in return for their sizable investment. Furthermore, ADB's refusal to provide basic information on how a grantee used hundreds of millions of grant dollars has undercut SIGAR confidence in ADB's commitment to transparency and integrity in development financing.

SIGAR intends to communicate ADB's refusal to appropriate committees of the U.S. Congress and renews its request for the information originally sought on May 3, 2017. If ADB continues to refuse to provide documents on its involvement in this project, SIGAR intends to pursue other channels in order to secure information and complete its review without ADB's cooperation.

## LESSONS LEARNED

SIGAR's Lessons Learned Program was created to identify and preserve lessons from the U.S. reconstruction experience in Afghanistan and to make recommendations to Congress and executive agencies on ways to improve efforts in current and future operations. The program currently has six projects in development: interagency strategy and planning, counternarcotics, private-sector development, security-sector reconstruction, stabilization, and monitoring and evaluation.

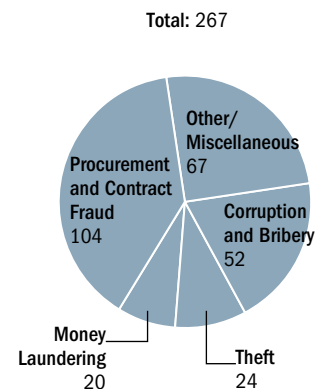
## INVESTIGATIONS

During the reporting period, SIGAR investigations resulted in three criminal indictments, one criminal information, three arrests, three convictions, one sentencing, over \$200,000 in restitutions, and more than \$5.5 million in savings for the U.S. government. SIGAR initiated 11 new cases and closed eight, bringing the total number of ongoing investigations to 267, as shown in Figure 2.1.

To date, SIGAR investigations have resulted in a cumulative total of 112 criminal convictions. Criminal fines, restitutions, forfeitures, civil settlement recoveries, U.S. government cost savings, and recoveries total approximately \$1.1 billion.

FIGURE 2.1

SIGAR INVESTIGATIONS: NUMBER OF OPEN INVESTIGATIONS, AS OF JUNE 30, 2017



Source: SIGAR Investigations Directorate, 7/11/2017.



**Marble blocks** at the now-defunct Equity Capital Mining LLC site. (SIGAR photo)

## **Former Owner of Mining Company Indicted for Defrauding U.S. Government and Defaulting on a \$15.8 Million Loan**

On June 7, 2017, in the District Court for the District of Columbia, an indictment was filed against Azam Doost, an Afghan-American and former owner of Equity Capital Mining LLC (ECM), a now-defunct marble mining company in Afghanistan, for defrauding the Overseas Private Investment Corporation (OPIC), a U.S. government agency, and defaulting on a \$15.8 million loan. Doost was charged with three counts of major fraud against the U.S. and aiding and abetting, causing an act to be done; eight counts of wire fraud; four counts of false statements on loan application or extension; and eight counts of money laundering.

In 2006, ECM obtained a 10-year lease from the Afghan Ministry of Mines for operation of a marble mine in western Afghanistan. In February 2010, Doost, acting as the representative of ECM, obtained a \$15.8 million loan from OPIC for the development, maintenance and operation of the marble mine. The loan proceeds were paid directly from OPIC to the alleged vendors who provided equipment for the mine, as reported to OPIC by Doost or his consultant. Doost was required to deal with these companies in arms-length transactions or, to the extent any transactions were other than at arms-length, he was required to report any affiliation he had with a vendor. Doost informed OPIC that he had no affiliation with any of the alleged vendors with whom he dealt, when in fact he allegedly had financial relationships with several of them. Doost's business partner was listed with the bank for a number of these alleged vendors and, upon receipt of money from OPIC into the respective accounts, significant amounts of this money were then transferred from that respective account to companies and individuals with whom Doost was associated, or to pay debts Doost owed. For instance, Doost's consultant allegedly received a commission of \$444,000 for his consulting services from OPIC, and shortly after \$40,000 was transferred from his account to a Doost company in California.

When the time came for ECM to repay the loan to OPIC, Doost provided purported reasons to OPIC why it was not able to make those repayments at a time when Doost had control of sufficient funds to make those repayments. Doost and his brother failed to repay any of the principal on the OPIC loan, and only a limited amount of interest, and ultimately defaulted on the loan.

SIGAR, with assistance from the FBI investigated the case.

## **U.S. Contractor Pleads Guilty to Making False Statements**

On April 10, 2017, in the Eastern District of North Carolina, William P. Anderson pled guilty to one count of making false statements. The plea stemmed from an investigation which revealed that between May 2013 and May 2014, Anderson denied smuggling criminal proceeds out of Afghanistan. He falsely claimed that money he wired back to the United



States resulted from the payments of gambling debts. In addition, he falsely denied concealing some of the criminal proceeds in plasma cutters he had stolen from Afghanistan.

The investigation was jointly conducted by SIGAR, the FBI, Defense Criminal Investigative Service (DCIS), and Criminal Investigation Command-Major Procurement Fraud Unit (CID MPFU).

## **U.S. Contractor Indicted for Theft and Sale of U.S. Government Property**

On May 16, 2017, in the District of Arizona, an indictment was filed against Michael D. Gilbert charging one count theft of government property, two counts unauthorized sale, conveyance, and disposition of government property, and one count interstate transportation of stolen property.

Beginning in April 2012, Gilbert was an employee of PAE, a U.S. government contractor, and served as an escort for the Department of State at Kandahar Air Field (KAF). Gilbert also served as the point of contact for the State Foreign Excess Property (FEP) program, which was the process by which usable government property no longer needed by the original user, was reallocated to other government users. Excess property transferred through the FEP program was in usable, and at times, new condition. Because there was no State General Services Officer assigned to KAF to facilitate the FEP program there, Gilbert was responsible for those duties on a part-time basis. Once equipment was requested by Gilbert or others for use by State, Gilbert arranged for its transfer.

In April 2014, Gilbert shipped approximately 40 boxes from KAF to the parents of his wife in Florida. The boxes contained among other things, government property, including computers, heavy construction items, work tools and firefighting equipment. In June of that same year, while on home leave in Arizona, Gilbert drove to Florida to obtain the government property he had shipped, and then transferred the items home. In December 2014, Gilbert shipped additional boxes of government-owned items to his home in Arizona. Some of the items shipped were subsequently sold for his personal gain.

SIGAR initiated this investigation based on a complaint filed by one of Gilbert's co-workers who observed Gilbert mailing approximately 40 boxes to his home in Phoenix, Arizona. The case is being worked jointly with State's Office of the Inspector General.

## **Investigation Results in \$5.5 Million Savings to U.S. Government**

On August 11, 2014, special agents of USAID-Office of Inspector General-Investigations (OIG-I), provided information to SIGAR relating to alleged improper conduct by GFA Consulting (GFA) on a USAID grant valued at \$36 million to Da Afghanistan Breshna Sherkat (DABS) in relation to the

# SIGAR OVERSIGHT ACTIVITIES

installation of a turbine generator in Afghanistan. DABS is the national electric power utility for Afghanistan; the grant provided funding for installing the 18.5 megawatt turbine, Unit 2, at the Kajaki Hydropower Plant.

Subsequently, USAID-OIG-I received a second allegation that GFA awarded a \$6.5 million subcontract for risk-management services to Intellegere Risk Management Consulting (IRMC) for security at the Kajaki Dam project. IRMC claimed that GFA had failed to pay several invoices and IRMC sought to “recoup” some of the monies they were owed.

An extensive investigation into this second allegation was conducted by SIGAR and USAID-OIG-I, including numerous interviews and analyses of bank records and other financial records of companies and subjects identified in the investigation.

As a result of this joint investigation and a USAID audit, USAID elected not to pay \$4,814,959 to DABS on several GFA invoices which had been previously submitted to and authorized by DABS for payment during the contract execution. Additionally, monies recovered by USAID included a \$693,000 credit note issued by GFA to DABS for vehicles purchased during the contract. The USAID non-payment to DABS was based in part on investigative findings of corruption and bid collusion within the contract involving GFA and IRMC. This resulted in a total cost savings of \$5,507,959.

The investigation was led by USAID-OIG-I and conducted jointly with SIGAR in Kabul, Afghanistan.

## **U.S. Military Members Plead Guilty to Theft of Government Property**

On May 1, 2017, in the Eastern District of North Carolina, two former U.S. Army specialists, Kenneth Preston Blevins and Michael Banks, each pled guilty to one count of theft of government property.

Federal agents conducted financial analysis and discovered that the spouse of Kenneth Blevins had received several suspicious wire transfers originating from Afghanistan in small denominations to skirt reporting requirements. These funds totaled more than \$17,000. Further investigation later revealed the funds previously wired were proceeds from a scheme orchestrated by Blevins and Banks to sell food and dry goods from the dining facility (DFAC) to which they were assigned at Camp Dyer, Afghanistan.

As food-service specialists responsible for the preparation and service of food at the DFAC, Blevins and Banks conspired to over-order government-appropriated food and supplies meant to feed U.S. Special Forces members. Once a substantial amount of supplies were set aside, Blevins and Banks used local Afghan DFAC daily workers who acted as negotiators and smuggled the stolen supplies off base to a local bazaar, where they were sold on the black market. A small portion of proceeds from the scheme was shared with the Afghan workers.

Both Blevins and Banks are scheduled for sentencing later this year.

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

On Thursday, April 27, 2017, in the Panama City, Florida Federal Courthouse, Patrick Shawn Kelley was sentenced to 15 months in prison and three years of supervised release, and ordered to pay \$210,397 in restitution to the Internal Revenue Service (IRS).

Kelley had previously pled guilty to evading taxes of approximately \$109,735 on taxable income of approximately \$521,120 for calendar year 2010, and for evading taxes of approximately \$74,380 on taxable income of approximately \$434,886 for calendar year 2011. Kelley was a partner in American Construction Logistics and Services (ACLS), a construction company that performed work for the U.S. government in Afghanistan. Kelley admitted he failed to file tax returns for the 2009, 2010, and 2011 tax years on income consisting of over \$1.1 million in wages for those years and never paid the IRS \$210,397 in taxes due and owing for the unreported income.

During the years 2010 and 2011, in an effort to conceal his income from the IRS and without the knowledge or consent of his business partners, Kelley made significant personal expenditures directly from the ACLS bank account, including over \$320,000 for the purchase of his personal residence and over \$156,000 for an ownership interest in a motorcycle shop, and he also diverted funds totaling more than \$353,500 from the ACLS corporate bank account to his personal bank accounts.

This investigation was initiated by SIGAR following a review of financial records and was subsequently joined by the FBI and the Internal Revenue Service-Criminal Investigations. SIGAR personnel were involved in all document reviews and interviews, including subject interviews, as well as subpoena service, the execution of a search warrant and meetings with prosecutor and other participating agencies.

## **U.S. Contractor Indicted for Bribery Scheme**

On April 25, 2017, in the Northern District of Georgia, Christopher McCray, an employee of a U.S. contractor, was indicted by a federal grand jury in connection with a scheme to award U.S. government-funded contracts in Afghanistan in exchange for bribes. McCray was charged with one count of conspiracy to commit offenses against the United States, namely to engage in unlawful kickback transactions, and 14 counts of accepting kickbacks.

According to the indictment, from August 2012 to September 2014, McCray was the country manager for a freight moving company while he was living at Bagram Airfield (BAF). The indictment alleges that he was responsible for helping to provide transportation and freight forwarding services on BAF and to other locations in Afghanistan, including awarding subcontracts to local trucking companies that moved the freight around Afghanistan.

The indictment alleges that McCray entered into an agreement with an Afghan trucking company whereby McCray received kickback payments worth 10–15% of the gross revenue earned on each contract. The kickback money was sent to McCray’s bank accounts in the Atlanta area in two ways and was used for McCray’s personal expenses for himself and his family. As a result of the conspiracy, McCray accepted kickback payments totaling at least \$75,000, the indictment alleges. The charges contained in an indictment are merely accusations and a defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law. A pre-trial conference is tentatively set for July 27, 2017.

SIGAR, DCIS, the FBI, and U.S. Army CID are investigating the case.

## **Arrest of Afghan National for Use of a SIGAR Identification Utilized to Carry Illegal Firearm**

On May 1, 2017, as a result of a SIGAR investigation, Sayed Mustafa Kazemi was arrested by the Kabul Police Department for possessing an illegal handgun and for possession and use of fraudulent SIGAR identification.

On April 26, 2017, SIGAR received information relating to the possible use of an illegal firearm by Kazemi. Allegedly, Kazemi had brought the firearm to his place of employment in Kabul. In addition, Kazemi was allegedly utilizing a fraudulent identification as a permit to illegally carry the firearm. The fraudulent identification was in the name of Sayed Mustafa Kazemi and contained the government identification symbols and seals of the Special Inspector General for Afghanistan Reconstruction (SIGAR) and the Department of Homeland Security (DHS). The identification also contained the heading of “Homeland Security-Task Force 74.” Subsequently, Kazemi’s handgun was seized by the local Afghan police assigned to Police District 4 in Kabul.

When SIGAR special agents were advised that Kazemi might have been detained by the local police and that he might attempt to pay a bribe to secure his release, they immediately coordinated with the Kabul Police Department, and were informed Kazemi had been released from custody.

On May 1, 2017, SIGAR special agents met with Kabul police officials to share evidence that had been obtained, and to inform them that the SIGAR name, and government symbols and seals were being fraudulently represented on the identification. Special agents advised that Kazemi was not a SIGAR employee nor was he authorized to carry a firearm in Afghanistan under the authority of SIGAR. Special agents emphasized the importance of the investigation, both from SIGAR’s credibility as an investigative agency in Afghanistan and the significance of an Afghan national illegally using a fraudulent SIGAR identification to carry firearms in Afghanistan. SIGAR and the Kabul Police Department agreed to further collaborate in the investigation and discussed investigative options.

That same day, Kazemi was summoned to the Kabul Police Department for further questioning. Upon arrival at the Police Station, Kazemi was arrested

for possessing an illegal handgun and for possession and use of a false identification. An official inquiry and criminal investigation was opened in the matter. Special agents of SIGAR provided further documentary evidence and official letters to the Kabul Police relating to the fraudulent identification being utilized by Kazemi. The matter was subsequently transferred to the Criminal Investigation Division of the Kabul Police who referred the matter to the Afghan Attorney General's Office for further legal action.

## **Criminal Information Filed Against Former U.S. Government Contractor**

On June 19, 2017, in the Northern District of Georgia, a criminal information was filed against a former project manager of a U.S. Department of Defense (DOD) prime contractor in Afghanistan, Nebraska McAlpine, charging him with one count of accepting illegal kickbacks.

McAlpine and an Afghan executive agreed that in exchange for illicit kickbacks, McAlpine would ensure that the executive's companies were awarded lucrative subcontracts. McAlpine repeatedly informed his supervisors that these companies should be awarded sole-source subcontracts, which allowed them to supply services to the prime contractor without having to competitively bid on them. As a result of the kickback scheme, the prime contractor paid over \$1.6 million to the subcontractor to assist with maintaining the Afghanistan Ministry of the Interior ultra-high frequency radio communications system in Kabul, Afghanistan.

The executive agreed to pay kickbacks to McAlpine totaling approximately 15% of the value of the subcontracts and, in 2015 and 2016, McAlpine accepted over \$250,000 in kickbacks. McAlpine hid these cash payments from his employer and took steps to secretly bring them back to his home in Georgia. Upon receipt of the cash in Afghanistan, defendant McAlpine stored the money at the secure facility near the Kabul Airport. When he traveled by airplane from Afghanistan to the United States on leave, he physically transported the cash on his person. McAlpine deposited the majority of these funds into his bank accounts at bank branches in the Atlanta metropolitan area. Between August 2015 and May 2016, McAlpine deposited approximately \$183,250 into his bank accounts.

This investigation is being conducted by the DCIS, SIGAR, and Army CID-MPFU.

## **Suspensions and Debarments**

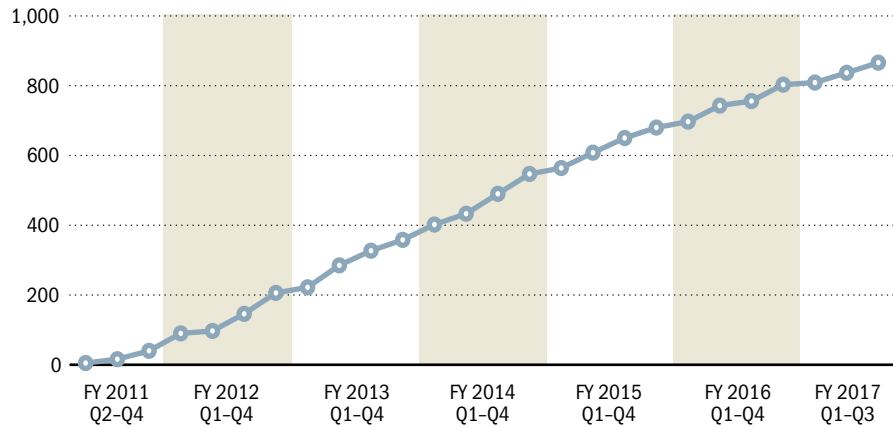
This quarter, SIGAR's suspension and debarment program referred 13 individuals and 16 companies for suspension or debarment based on evidence developed as part of investigations conducted by SIGAR in Afghanistan and the United States. These referrals bring the total number of individuals and companies referred by SIGAR since 2008 to 866, encompassing 478 individuals and 388 companies to date, see Figure 2.2 on the next page.



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FIGURE 2.2

## SIGAR INVESTIGATIONS: CUMULATIVE REFERRALS FOR SUSPENSION AND DEBARMENT, Q2 FY 2011–Q3 FY 2017



Source: SIGAR Investigations Directorate, 7/10/2017.

As of the end of June 2017, the efforts of SIGAR to use suspension and debarment to address fraud, corruption, and poor performance in Afghanistan have resulted in a total of 136 suspensions and 508 finalized debarments/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 third quarter of 2017, SIGAR's referrals resulted in three finalized suspensions and four finalized debarments of individuals and entities by agency suspension and debarment officials. An additional 20 individuals and companies are currently in proposed debarment status, awaiting final adjudication of their debarment decisions.

Suspensions and debarments are an important tool for ensuring that agencies award contracts only to responsible entities. SIGAR's program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the government's responses to these challenges through the innovative use of information resources and investigative assets both in Afghanistan and the United States. SIGAR makes referrals for suspensions and debarments—actions taken by U.S. agencies to exclude companies or individuals from receiving federal

contracts or assistance because of misconduct—based on completed investigations that SIGAR participates in.

In most cases, SIGAR's referrals occur in the absence of acceptance of an allegation for criminal prosecution or remedial action by a contracting office and are therefore the primary remedy to address contractor misconduct. In making referrals to agencies, SIGAR provides the basis for a suspension or debarment decision by the agency as well as all of the supporting documentation needed for an agency to support that decision should it be challenged by the contractor at issue. Based on the evolving nature of the contracting environment in Afghanistan and the available evidence of contractor misconduct and/or poor performance, on occasion SIGAR has found it necessary to refer individuals or companies on multiple occasions for consideration by agency suspension and debarment officials.

SIGAR's emphasis on suspension and debarment is exemplified by the fact that of the 866 referrals for suspension and debarment that have been made by the agency to date, 839 have been made since the second quarter of 2011. During the 12-month period prior to July 3, 2017, referrals by SIGAR's suspension and debarment program resulted in the exclusion of 90 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 \$150,086,202.

## OTHER SIGAR OVERSIGHT ACTIVITIES

### Inspector General Sopko Speaks at the International Bar Association's 15th Annual Anticorruption Conference

On June 14, 2017, Inspector General (IG) Sopko addressed the International Bar Association's 15th Annual Anti-Corruption Conference in Paris, France. He explained SIGAR's oversight mission, described the state of corruption in Afghanistan, and highlighted SIGAR's findings, lessons, and recommendations from *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, SIGAR's first Lessons Learned Program report.

### Inspector General Sopko Speaks at the Quarterly Meeting of the OECD Antibribery Working Group

On June 14, 2017, IG Sopko spoke to country representatives of the Organization for Economic Cooperation and Development's (OECD) Anti-Bribery Working Group in Paris, France. He explained SIGAR's oversight mission, described the status of corruption in Afghanistan, and highlighted SIGAR's findings, lessons, and recommendations from SIGAR's *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan* report.

#### OTHER SIGAR OVERSIGHT ACTIVITIES

- Inspector General Sopko Speaks at the International Bar Association's 15th Annual Anticorruption Conference
- Inspector General Sopko Speaks at the Quarterly Meeting of the OECD Antibribery Working Group
- Deputy Inspector General Aloise Speaks at a NATO Anticorruption Workshop



**Deputy Inspector General** Gene Aloise provides anticorruption training to NATO troops. (SIGAR photo)

## **Deputy Inspector General Aloise Speaks at a NATO Anticorruption Workshop**

In April 2017, DIG Aloise spoke to a NATO workshop on the development of mandatory training courses to counter corruption in Brussels, Belgium. SIGAR plays a major role in the development of anticorruption training for thousands of NATO troops. The training will be given prior to deployment of NATO troops in future conflict areas, as well as any troops sent to Afghanistan. The training is designed to make the troops aware that corruption is a mission-critical security threat to future NATO-led missions and operations.

## **Congress Directs SIGAR to Assess Afghanistan's Implementation of an Anticorruption Strategy**

The Joint Explanatory Statement for the Consolidated Appropriations Act for Fiscal Year 2017 directs SIGAR to assess the Afghan government's implementation of an anticorruption strategy called for at the Brussels Conference on Afghanistan held October 4–5, 2016. SIGAR was further instructed to report its findings to the House and Senate Appropriations Committees no later than May 31, 2018. This congressional request is notable because it is the first time Congress has directed SIGAR to assess the Afghan government's performance, rather than that of a U.S. government agency, on a key reconstruction objective.

## **House Armed Services Committee National Defense Authorization Act 2018**

On July 14, the U.S. House of Representatives passed the National Defense Authorization Act for Fiscal Year 2018. The legislation includes provisions to implement recommendations made by SIGAR. One provision, called for in SIGAR's report *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan* (SIGAR 16-58-LL), requires that within 120 days of the start of a contingency operation, DOD, State, and USAID must develop a joint strategy to prevent corruption in any related reconstruction efforts, and that the strategy contain measurable benchmarks that must be met before reconstruction funds are made available.

Another provision requires implementation of SIGAR's recommendation to DOD that prior to entering into any new contracts for the procurement of uniforms for the Afghan security forces, a cost-benefit analysis be conducted that takes into account whether the uniform design is appropriate for the environment it is to be used in and whether using a pattern already owned by the department may be more cost effective. This provision was based on SIGAR's report *Afghan National Army: DOD May Have Spent Up To \$28 million More Than Needed to Procure Camouflage Uniforms That May Be Inappropriate for the Afghan Environment* (SIGAR -17-48-SP).

## **SIGAR BUDGET**

SIGAR is fully funded through FY 2017 at \$54.9 million under the Consolidated Appropriations Act, 2017. The budget supports SIGAR's oversight activities and products by funding SIGAR's Audits and Inspections, Investigations, Management and Support, and 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 190 employees on board at the end of the quarter: 24 SIGAR employees were at the U.S. Embassy Kabul and two others were at Bagram Airfield. SIGAR employed six 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 20 employees on temporary duty in Afghanistan for a total of 241 days.

“Afghanistan faces dire prospects in its struggle to achieve fiscal sustainability. The long-term fiscal outlook is discouraging. ... Afghanistan will not be able to meet its public spending needs without substantial donor funding for the foreseeable future, even in the best-case scenarios for economic growth.”

—*World Bank*



# 3 RECONSTRUCTION UPDATE



## RECONSTRUCTION UPDATE CONTENTS

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**Photo on previous page**

A July meeting in Kabul of the Joint Coordination and Monitoring Board brought together Afghan officials, foreign diplomats, and representatives of international organizations, civil society, and the private sector to review development progress and challenges. (UNAMA photo by Fardin Waezi)

## RECONSTRUCTION UPDATE

Several top U.S. security officials characterized the war in Afghanistan this quarter as a stalemate that, if left unchecked, could deteriorate further in favor of the insurgency. The U.S. Administration directed the Department of Defense (DOD) to update troop levels in Afghanistan as part of a wider, forthcoming American strategy for the country. A key part of the strategy, according to Secretary of Defense James N. Mattis, will be giving U.S. personnel on the ground in Afghanistan the authorities and manpower they need to help train and advise the Afghan National Defense and Security Forces (ANDSF) and assist them in defeating the enemy.

Security incidents in Afghanistan increased this quarter compared to the same period last year, especially in eastern Afghanistan. Insurgents and terrorists carried out several deadly high-profile and insider attacks. Following a major suicide attack in the center of Kabul that killed as many as 150 people on May 31, 2017, President Ghani took several steps to reform the security sector. These included making major changes to the ANDSF's leadership and beginning to implement a new four-year ANDSF Road Map plan to continue to increase the capabilities of the ANDSF, secure major population centers, and incentivize the Taliban insurgency to reconcile with the Afghan government.

Over the past three months, Afghan National Army and Afghan National Police strength increased modestly, force readiness improved across all elements, and the ANDSF prevented Taliban attempts to take and hold district capitals and key population centers. However, Coalition air support continued to be essential to ANDSF success; airstrikes more than doubled in frequency this quarter compared to the same period in 2016.

The National Unity Government continued to grapple with high-level political realignments and tensions. As the U.S. Director of National Intelligence wrote in May, "Kabul's political dysfunction and ineffectiveness will almost certainly be the greatest vulnerability to stability in 2017." In June, the UN Special Representative for Afghanistan saw indications that "Afghanistan's broad political consensus was fraying," as various sides accused the others of "acting against the national interest."

Political rifts deepened following the May 31 suicide attack in Kabul. Large, at times violent, protests broke out in response to the bombing.

**Since 2001, the United States has obligated an estimated \$714 billion for its efforts in Afghanistan, according to the most recent data available, which includes an estimated \$110 billion obligated for relief, reconstruction, and civilian operations. This total includes war funding, relief and reconstruction, diplomatic and consular programs, Afghanistan-related operations of U.S. government entities, military and embassy construction projects, and oversight. About \$675 billion of the estimated \$714 billion was obligated by the Department of Defense.**

Note: Figure is an estimate that combines DOD-reported obligation data for Afghanistan with obligations from the non-DOD accounts tracked by SIGAR and outlined in Appendix B of this report. DOD obligation data is as of February 28, 2017. Non-DOD obligation data is as of June 30, 2017. To provide a more developed estimate, amounts allocated for Afghanistan were used when detailed agency-reported obligation data were not available.

Source: SIGAR analysis of DOD's *Cost of War Update* as of February 28, 2017, 5/18/2017, and agency-reported budget and obligation data of non-DOD funds outlined in Appendix B of this report.

# RECONSTRUCTION UPDATE



**An Afghan Air Force Cessna-208** performs a resupply mission for the Afghan Border Police. (Resolute Support photo)

Several Afghan politicians used the bombing and subsequent protests to make demands of the government. During an address to the Joint Coordination and Monitoring Board meeting in July, President Ghani acknowledged that political grievances are increasingly ethnic in nature.

In late June, senior Afghan government officials—who are also leaders of three of Afghanistan’s major ethnic political parties—met in Turkey and announced the creation of a new political coalition. Demands in the new coalition’s draft resolution included fully implementing the political agreement on the formation of the National Unity Government; decentralizing Afghanistan’s budget; and holding the presidential, parliamentary, and district council elections on time.

In the first six months of FY 1396 (which began December 22, 2016), Afghanistan’s domestic revenues declined nearly 25% year-on-year and covered about 40% of total government expenditures. This left a budget gap of \$1.1 billion in current dollars, which donor contributions narrowed to \$458 million. Donors are expected to finance approximately 62% of the country’s \$6.4 billion FY 1396 national budget.

The Financial Action Task Force, an intergovernmental organization established to combat money laundering and terror financing, decided on June 23, 2017, to remove Afghanistan from its list of countries with strategic anti-money-laundering/combating the financing of terrorism (AML/CFT) deficiencies. Afghanistan’s compliance will no longer be subject to FATF’s ongoing monitoring, although the government will continue to work with



FATF to strengthen its AML/CFT administration. The State Department listed Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds.

On May 24, 2017, the International Monetary Fund's (IMF) executive board completed the first review of Afghanistan's economic-reform program that began in July 2016. The IMF deemed Afghanistan's performance through December 31, 2016, satisfactory with all quantitative performance criteria and indicator targets met. Three of five structural benchmarks were implemented on time and one benchmark was implemented after the assessment; one remained outstanding, as of May 2017.

Despite the United States providing \$8.6 billion for counternarcotic efforts in Afghanistan since 2002, the area under cultivation continues to rise. It increased 10% to 201,000 hectares in 2016 compared to the previous year's total. The United Nations also reported that 685 hectares were eradicated this year; these results are provisional, as they are not verified by satellite imagery. Eradication results for 2016 were 355 hectares, but even the recent increase accounts for less than 0.5% of the area under opium-poppy cultivation.

Ambassador William Brownfield, Assistant Secretary of State for International Narcotics and Law Enforcement, met with President Ghani in July to discuss strategy and counternarcotic efforts in the region. The U.S. government is still operating under its 2012 counternarcotics strategy for the country: the revised strategy has been postponed until the Administration completes its review of a draft revised policy.

Cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$119.7 billion, as of June 30, 2017. This includes amounts appropriated DOD in the Consolidated Appropriations Act, 2017, however, FY 2017 allocations for State Department and U.S. Agency for International Development foreign assistance accounts were still undergoing the 653(a) congressional-consultation process when this report went to press. The FY 2017 total appropriated will increase when these amounts are known. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$101.2 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$8.1 billion of this amount remained available for potential disbursement, as of June 30, 2017.



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## STATUS OF FUNDS

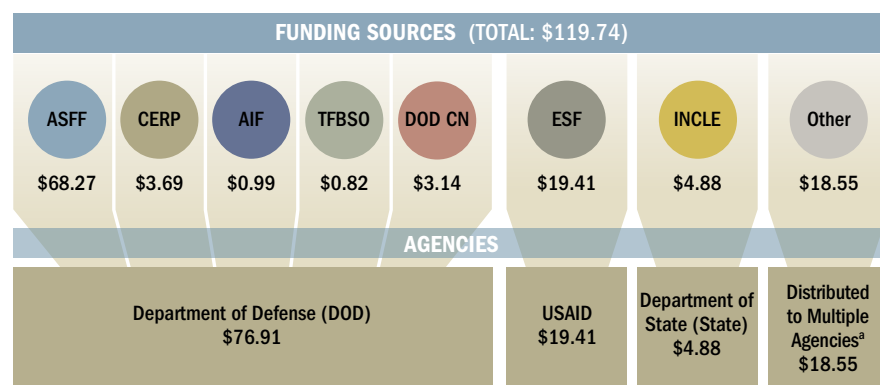
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of June 30, 2017, the United States had appropriated approximately \$119.74 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$73.54 billion for security (\$4.45 billion for counternarcotics initiatives)
- \$32.29 billion for governance and development (\$4.18 billion for counternarcotics initiatives)
- \$3.09 billion for humanitarian aid
- \$10.82 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)



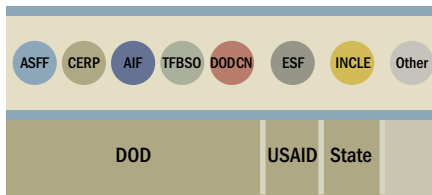
- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander’s Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-Drug Activities
- ESF:** Economic Support Fund
- INCLE:** International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

Note: Numbers have been rounded. Final FY 2017 appropriation amounts for State and USAID were still being determined when this report went to press.

<sup>a</sup> Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, BBG, and SIGAR.

Source: DOD, response to SIGAR data call, 7/17/2017, 6/25/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 7/11/2017, 4/21/2017, 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, 7/10/2017; OMB, response to SIGAR data call, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 7/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 6/30/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# FUNDING



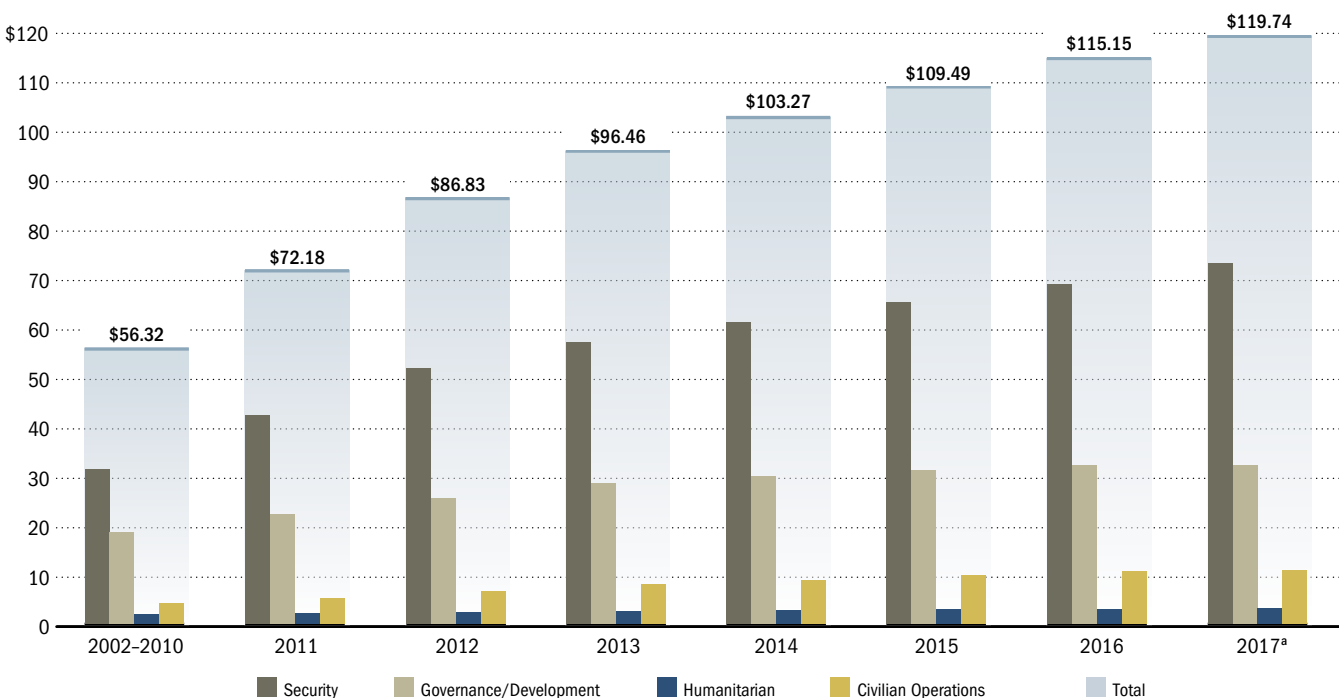
## U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of June 30, 2017, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$119.74 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 \$8.63 billion of these funds support counter-narcotics initiatives which crosscut both the security (\$4.45 billion) and governance and development (\$4.18 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

The amount provided to the seven major U.S. funds represents more than 84.5% (over \$101.19 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 91.7% (nearly \$92.77 billion) has been obligated, and nearly 87.5% (over \$88.51 billion) has been disbursed. An estimated \$4.62 billion of the amount appropriated to these funds has expired.

On May 5, President Donald Trump signed the Consolidated Appropriations Act, 2017, funding the U.S. government for the rest of the fiscal year. When this report went to press, final FY 2017 appropriations for State and USAID accounts were still being determined. The amount reported as appropriated for FY 2017 will increase from the \$4.59 billion shown in Figure 3.3 when funding levels for these accounts are known.<sup>26</sup>

FIGURE 3.2  
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF JUNE 30, 2017 (\$ 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. DOD reprogrammed \$230 million into FY 2015 ASFF. 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, \$400 million from FY 2015 in Pub. L. No. 114-113, and \$150 million from FY 2016 in Pub. L. No. 115-31. 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> Final FY 2017 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

Source: DOD, response to SIGAR data call, 7/17/2017, 6/25/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 7/11/2017, 4/21/2017, 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, 7/10/2017; OMB, response to SIGAR data call, 4/16/2015, 7/14/2014, 7/19/2013, and 1/4/2013; USAID, response to SIGAR data call, 7/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 6/30/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

# FUNDING

The United States aims to channel at least 50% of its development assistance on-budget to the Government of Afghanistan.<sup>27</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>28</sup> Since 2002, the United States has provided nearly \$10.44 billion in on-budget assistance. This includes about \$5.67 billion to Afghan government ministries and institutions, and nearly \$4.77 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

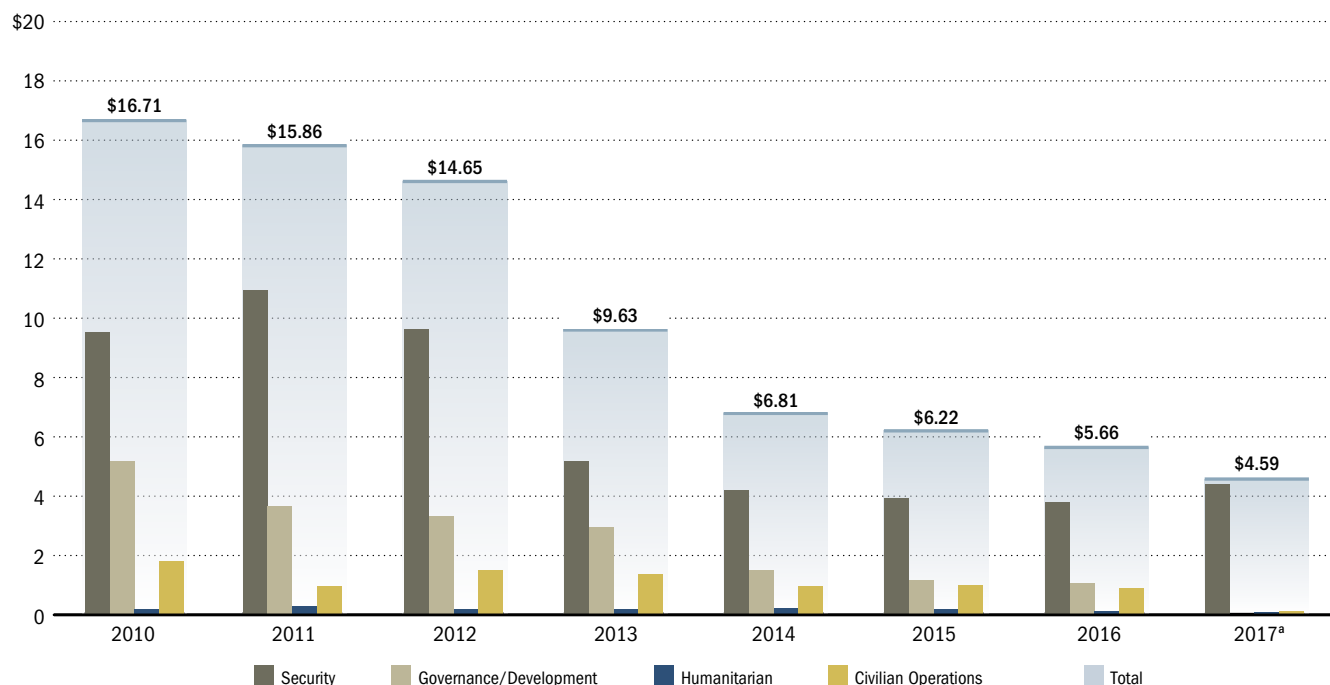
U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
<b>Government-to-Government</b>	
DOD	\$4,946
State	92
USAID	633
<b>Multilateral Trust Funds</b>	
LOTFA	\$1,662
ARTF	2,954
AITF	154

Note: Numbers have been rounded. Figures reflect amounts the United States has disbursed in on-budget assistance to Afghan government entities and multilateral trust funds. As of June 30, 2017, USAID had obligated approximately \$1.3 billion for government-to-government assistance.

Source: USAID, response to SIGAR data call, 7/10/2017; DOD, response to SIGAR data call, 6/25/2015; World Bank, "ARTF: Administrator's Report on Financial Status as of May 21, 2017 (end of 5th month of FY 1396)," p. 4; UNDP, response to SIGAR data call, 7/18/2017.

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. DOD reprogrammed \$230 million into FY 2015 ASFF. 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, \$400 million from FY 2015 in Pub. L. No. 114-113, and \$150 million from FY 2016 in Pub. L. No. 115-31. 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.

\* Final FY 2017 appropriation amounts for State and USAID accounts were still being determined when this report went to press

Source: DOD, response to SIGAR data call, 7/17/2017, 6/25/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 7/11/2017, 4/21/2017, 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, 7/10/2017; OMB, response to SIGAR data call, 4/16/2015, 7/14/2014, 7/19/2013, and 1/4/2013; USAID, response to SIGAR data call, 7/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 6/30/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, and 111-118.

# FUNDING

## AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated approximately \$119.74 billion for Afghanistan relief and reconstruction. Of this amount, \$101.19 billion (84.5%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

FIGURE 3.4

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

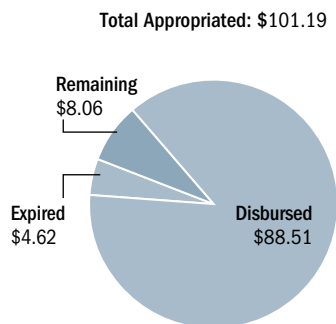


TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2017 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$68.27	\$63.49	\$62.56	\$3.64
Commander's Emergency Response Program (CERP)	3.69	2.28	2.28	0.01
Afghanistan Infrastructure Fund (AIF)	0.99	0.78	0.65	0.13
Task Force for Business & Stability Operations (TFBSO)	0.82	0.75	0.64	0.11
DOD Drug Interdiction and Counter-drug Activities (DOD CN)	3.14	3.05	3.05	0.10
Economic Support Fund (ESF)	19.41	17.86	15.23	3.45
International Narcotics Control & Law Enforcement (INCLE)	4.88	4.55	4.11	0.63
<b>Total Major Funds</b>	<b>\$101.19</b>	<b>\$92.77</b>	<b>\$88.51</b>	<b>\$8.06</b>
Other Reconstruction Funds	7.73			
Civilian Operations	10.82			
<b>Total</b>	<b>\$119.74</b>			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.6 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/19/2017.

As of June 30, 2017, approximately \$8.06 billion of the amount appropriated to the seven major reconstruction funds remained for possible disbursement, as shown in Figure 3.4. These funds will be used to train, equip, and sustain the ANDSF; complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; combat narcotics production and trafficking; and advance the rule of law, strengthen the justice sector, and promote human rights.

On May 23, President Trump released his FY 2018 budget request. The request, if approved, would provide an additional \$4.9 billion for the ASFF, an increase of \$674.3 million over the FY 2017 appropriation. The FY 2018 CERP request remained the same as the FY 2016 and 2017 appropriations at \$5 million.<sup>29</sup>



# FUNDING

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014 and more than \$5.03 billion for FY 2015. Of the combined \$10.66 billion, more than \$1.80 billion remained for possible disbursement, as of June 30, 2017, as shown in Table 3.3 and Figure 3.5.

TABLE 3.3

<b>FY 2014–2015 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED</b> (\$ MILLIONS)				
	<b>Appropriated</b>	<b>Obligated</b>	<b>Disbursed</b>	<b>Remaining</b>
ASFF	\$7,901.67	\$7,868.61	\$7,661.09	\$207.51
CERP	40.00	9.99	8.04	1.96
AIF	144.00	130.46	41.50	88.95
TFBSO	122.24	106.77	85.84	20.93
DOD CN	238.96	238.96	238.96	0.00
ESF	1,738.90	1,626.11	407.46	1,218.65
INCLE	475.00	474.69	211.10	263.59
<b>Total Major Funds</b>	<b>\$10,660.77</b>	<b>\$10,455.58</b>	<b>\$8,654.00</b>	<b>\$1,801.58</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$205 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/19/2017.

Congress appropriated more than \$4.64 billion to five of the seven major reconstruction funds for FY 2016. Of that amount, more than \$1.76 billion remained for possible disbursement, as of June 30, 2017, as shown in Table 3.4 and Figure 3.6.

TABLE 3.4

<b>FY 2016 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED</b> (\$ MILLIONS)				
	<b>Appropriated</b>	<b>Obligated</b>	<b>Disbursed</b>	<b>Remaining</b>
ASFF	\$3,502.26	\$3,073.52	\$2,739.23	\$763.03
CERP	5.00	2.98	2.46	0.52
DOD CN	138.76	138.76	138.76	0.00
ESF	812.27	0.00	0.00	812.27
INCLE	185.00	0.00	0.00	185.00
<b>Total Major Funds</b>	<b>\$4,643.29</b>	<b>\$3,215.26</b>	<b>\$2,880.45</b>	<b>\$1,760.82</b>

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$2 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 7/19/2017.

FIGURE 3.5

**FY 2014–2015 AMOUNT REMAINING TO BE DISBURSED** (\$ BILLIONS)

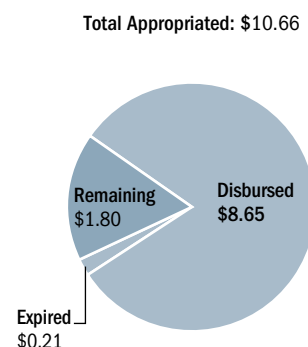
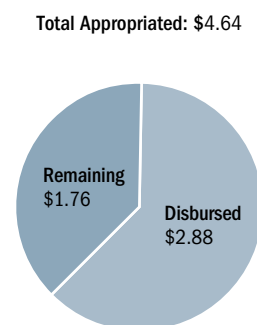
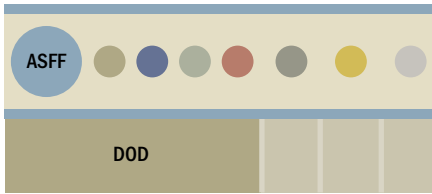


FIGURE 3.6

**FY 2016 AMOUNT REMAINING TO BE DISBURSED** (\$ BILLIONS)



# FUNDING



## 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>30</sup> The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.<sup>31</sup> A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.<sup>32</sup>

The Consolidated Appropriations Act, 2017, appropriated more than \$4.26 billion for the ASFF for FY 2017 and rescinded \$150 million of FY 2016 funds, bringing cumulative funding to nearly \$68.27 billion, as shown in Figure 3.7.<sup>33</sup> As of June 30, 2017, more than \$63.49 billion had been obligated from the ASFF, of which over \$62.56 billion had been disbursed.<sup>34</sup> The President is requesting an additional \$4.94 billion for the ASFF for FY 2018.<sup>35</sup>

DOD reported that cumulative obligations increased by more than \$930.34 million over the quarter, and cumulative disbursements increased by more than \$1.15 billion.<sup>36</sup> 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)

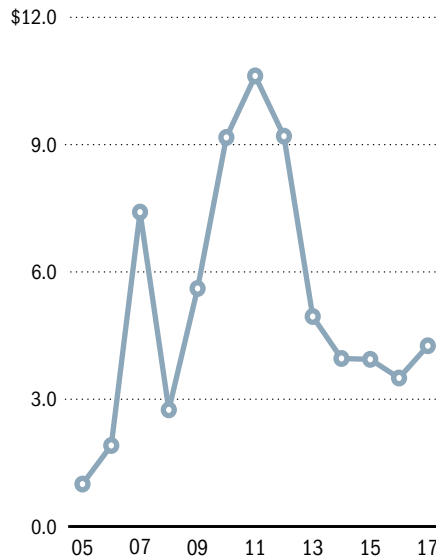
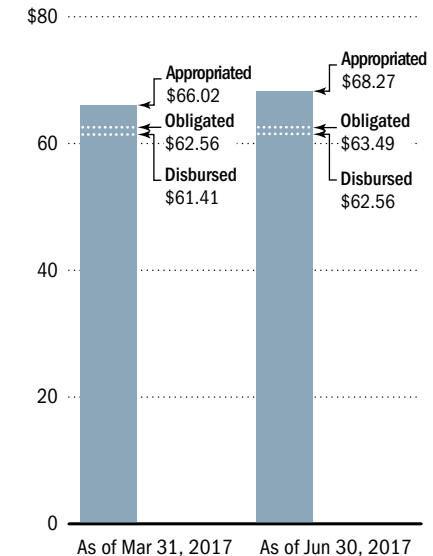


FIGURE 3.8

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. 115-31 rescinded \$150 million from FY 2016. 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.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2017," 4/15/2017; Pub. L. Nos. 115-31, 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>37</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>38</sup>

As of June 30, 2017, DOD had disbursed more than \$62.40 billion for ANDSF initiatives. Of this amount, nearly \$41.94 billion was disbursed for the ANA, and nearly \$20.08 billion was disbursed for the ANP; the remaining \$388.73 million was directed to related activities such as detainee operations. The combined total—\$62.40 billion—is about \$158.06 million lower 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>39</sup>

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$18.45 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—more than \$8.75 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.<sup>40</sup>

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

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

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

FIGURE 3.9

**ASFF DISBURSEMENTS FOR THE ANA BY SUBACTIVITY GROUP, FY 2005–JUN 30, 2017 (\$ BILLIONS)**

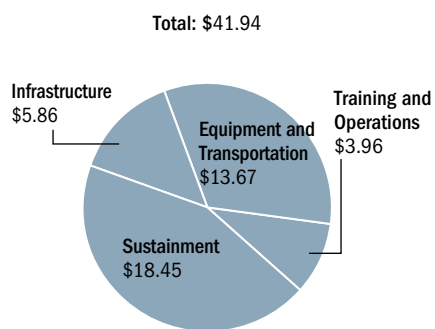
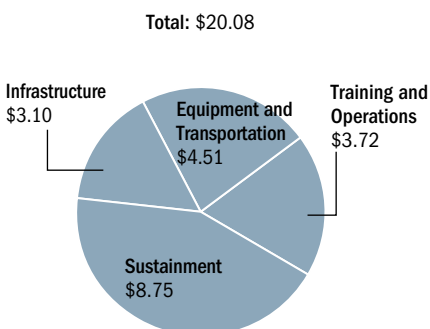


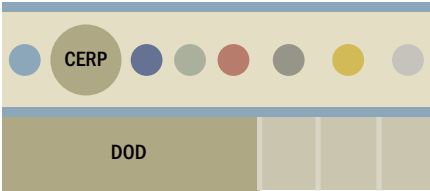
FIGURE 3.10

**ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005–JUN 30, 2017 (\$ BILLIONS)**



Note: Numbers have been rounded.

Source: DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017,” 7/18/2017.



### 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>41</sup> CERP-funded projects may not exceed \$2 million each.<sup>42</sup>

The Consolidated Appropriations Act, 2017, appropriated \$5 million for CERP for FY 2017. Figure 3.11 displays the amounts appropriated for CERP by fiscal year. As of June 30, 2017, total cumulative funding for CERP amounted to more than \$3.68 billion. Of this amount, nearly \$2.29 billion had been obligated, of which nearly \$2.28 billion had been disbursed.<sup>43</sup>

Over the quarter, DOD obligated \$428,908 from FY 2017 funds, deobligated a total of \$7.84 million from FY 2012 and 2013 funds, and disbursed a total of \$647,843 from FY 2016 and 2017 funds.<sup>44</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)

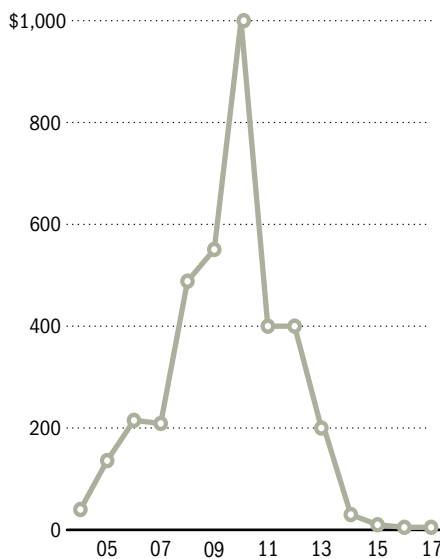
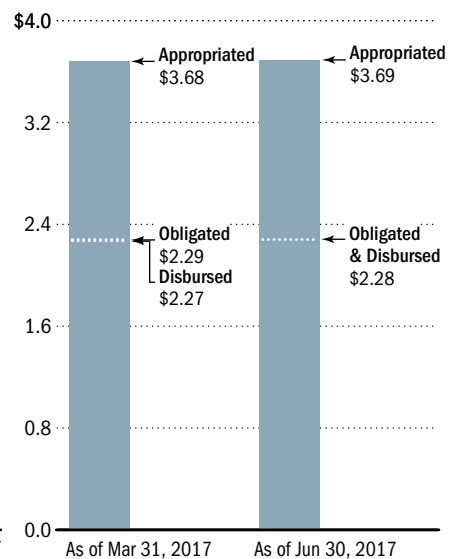


FIGURE 3.12

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



Note: Numbers have been rounded. Data may include inter-agency transfers. Updated data resulted in a lower obligated figure than reported last quarter.

Source: DOD, response to SIGAR data call, 7/17/2017 and 4/13/2017; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, and 112-10.

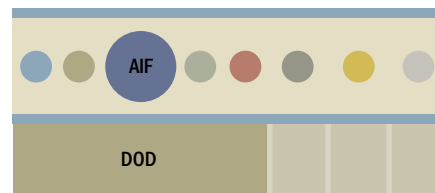
## AFGHANISTAN INFRASTRUCTURE FUND

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>45</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>46</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>47</sup> Figure 3.13 shows AIF appropriations by fiscal year. Figure 3.14 shows AIF appropriations by fiscal year.

As of June 30, 2017, nearly \$779.70 million of total AIF funding had been obligated, and more than \$650.91 million had been disbursed, as shown in Figure 3.14.<sup>48</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)

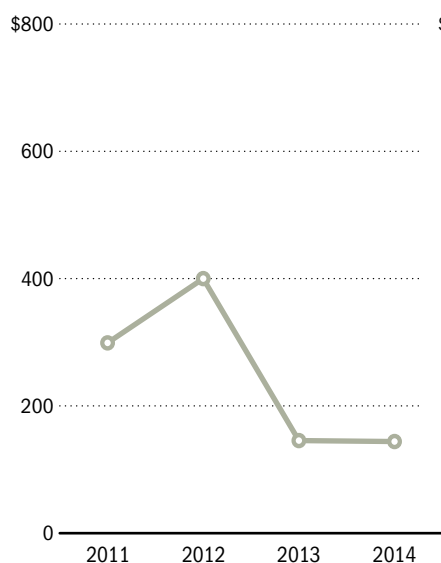
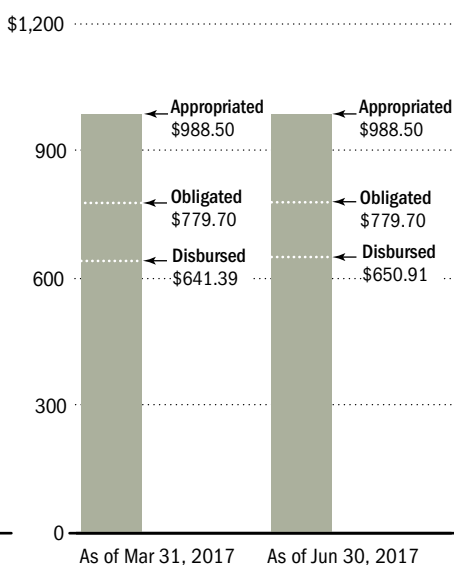


FIGURE 3.14

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

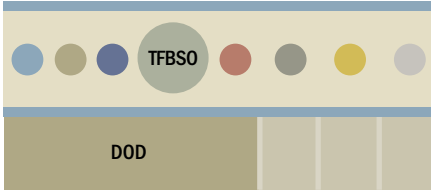


Note: Numbers have been rounded. Data reflects the following transfers from AIF to USAID's Economic Support Fund: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2017," 4/15/2017; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.



# FUNDING



## 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>49</sup>

Through June 30, 2017, the TFBSO had been appropriated more than \$822.85 million since FY 2009. Of this amount, more than \$754.55 million had been obligated and more than \$640.63 million had been disbursed.<sup>50</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)

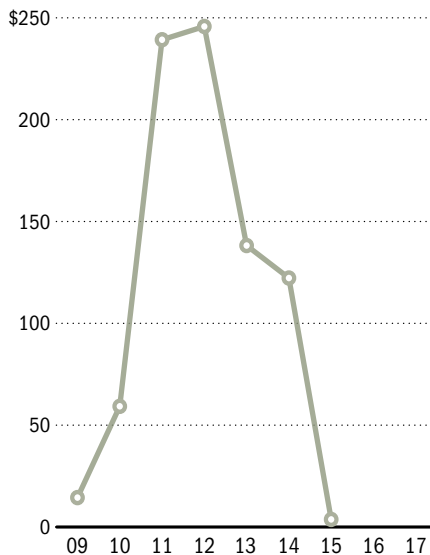
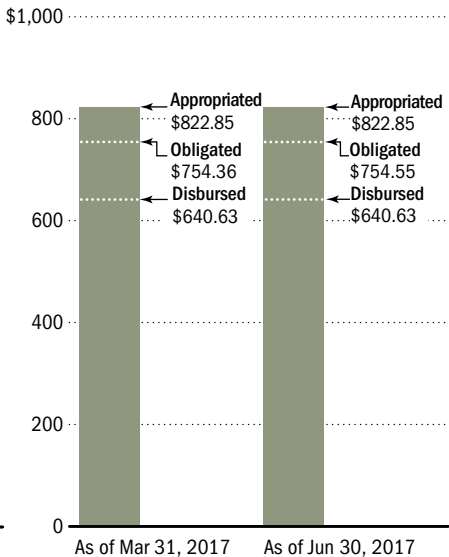


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON  
(\$ MILLIONS)



Note: Numbers have been rounded. 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. TFBSO ceased operations on 3/31/2015.

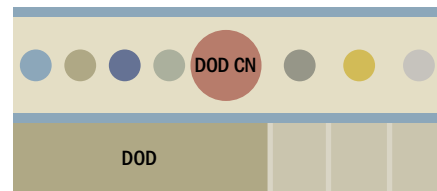
Source: DOD, response to SIGAR data call, 7/17/2017, 4/17/2017, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

## 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>51</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>52</sup>

DOD reported that DOD CN received nearly \$144.78 million for Afghanistan for FY 2017, bringing cumulative funding for DOD CN to more than \$3.14 billion since FY 2004. Of this amount, nearly \$3.05 billion had been transferred to the military services and defense agencies for DOD CN projects, as of June 30, 2017.<sup>53</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)

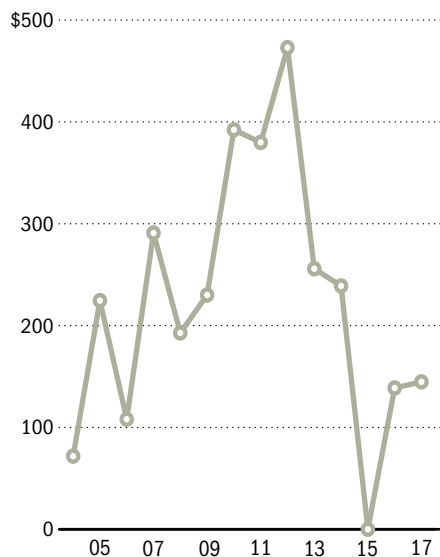
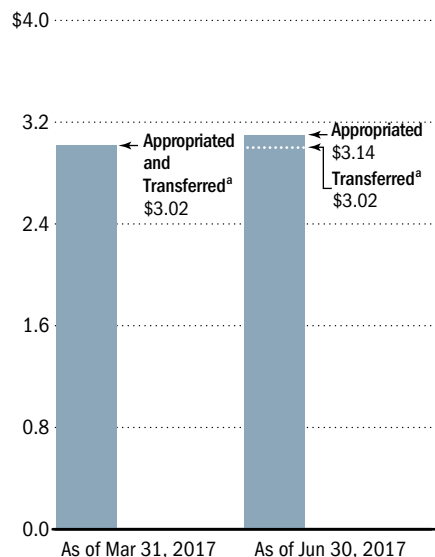


FIGURE 3.18

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

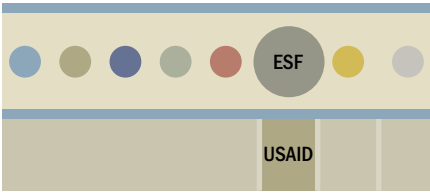


Note: Numbers have been rounded. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

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

Source: DOD, response to SIGAR data call, 6/25/2017 and 4/11/2017; OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

# FUNDING



## 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>54</sup>

When this report went to press, final FY 2017 funding levels for the ESF had not been determined. USAID reported that cumulative funding for the ESF amounted to more than \$19.41 billion, including amounts transferred from AIF to the ESF for USAID’s power transmission lines projects. Of this amount, more than \$17.86 billion had been obligated, of which nearly \$15.23 billion had been disbursed.<sup>55</sup> Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of June 30, 2017, increased by nearly \$10.77 million and cumulative disbursements increased by more than \$128.13 million from the amounts reported last quarter.<sup>56</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)

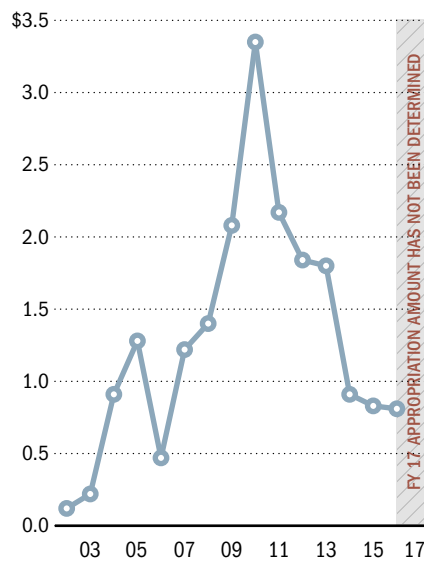
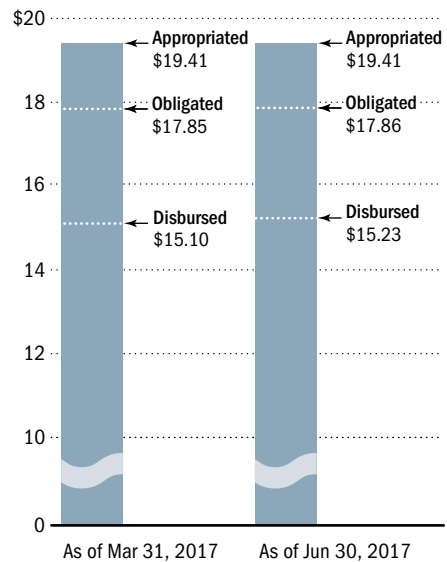


FIGURE 3.20

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. ESF amount will be determined after State completes the 653(a) Congressional consultation process.

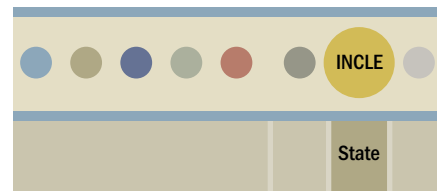
Source: USAID, response to SIGAR data call, 7/10/2017 and 4/11/2017; State, response to SIGAR data call, 5/4/2016, 10/20/2015, 4/15/2015, and 4/15/2014.

## 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, counter-narcotics, and rule of law and justice.<sup>57</sup>

When this report went to press, final FY 2017 funding levels for INCLE had not been determined. State reported that cumulative funding for INCLE amounted to nearly \$4.88 billion. Of this amount, more than \$4.55 billion had been obligated, of which more than \$4.11 billion had been disbursed.<sup>58</sup> Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of June 30, 2017, remained the same as the previous quarter, while cumulative disbursements increased more than \$136.78 million from the amount reported last quarter.<sup>59</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)

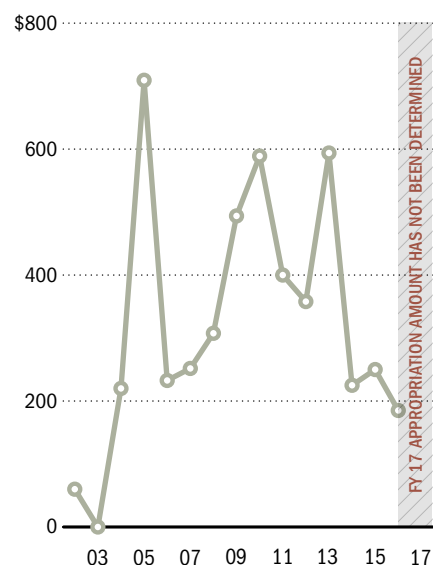
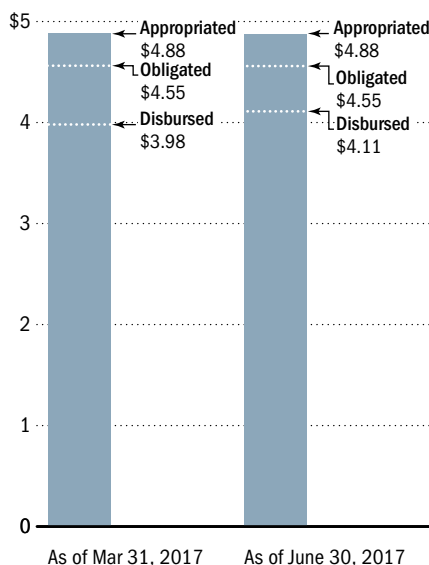


FIGURE 3.22

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



Note: Numbers have been rounded. Data may include inter-agency transfers. FY 2017 INCLE amount will be determined after State completes the 653(a) Congressional consultation process.

Source: State, response to SIGAR data call, 7/10/2017, 4/13/2017, and 4/7/2016.

# FUNDING

## 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>60</sup>

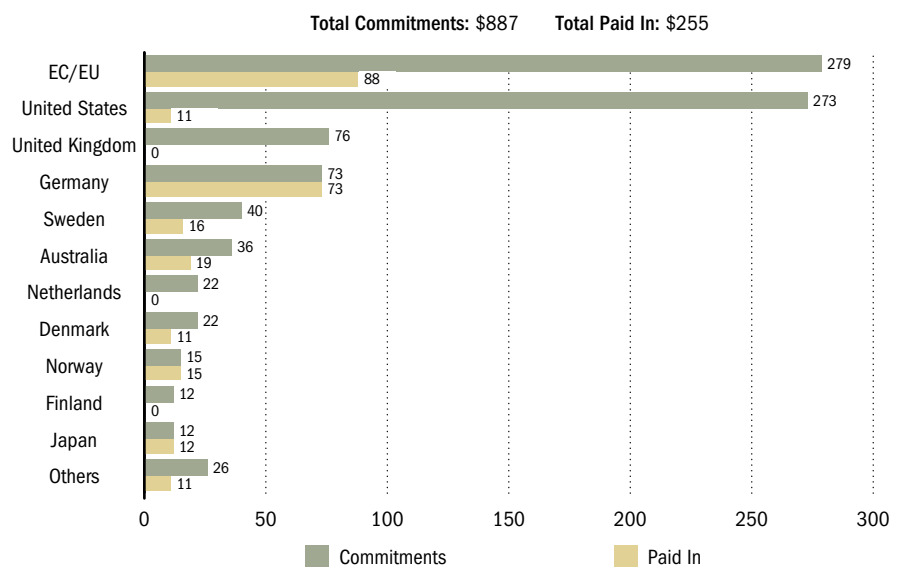
### Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to May 21, 2017, the World Bank reported that 34 donors had pledged nearly \$10.39 billion, of which nearly \$9.76 billion had been paid in.<sup>61</sup> According to the World Bank, donors had pledged \$886.89 million to the ARTF for Afghan fiscal year 1396, which runs from December 22, 2016, to December 21, 2017.<sup>62</sup> Figure 3.23 shows the 11 largest donors to the ARTF for FY 1396.

As of May 21, 2017, the United States had pledged nearly \$3.22 billion and paid in more than \$2.95 billion since 2002.<sup>63</sup> The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 47% of its total funding, as shown in Figure 3.24.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1396 BY DONOR, AS OF MAY 21, 2017 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1396 = 12/22/2016–12/21/2017.

Source: World Bank, ARTF: Administrator's Report on Financial Status as of May 21, 2017 (end of 5th month of FY1396), p. 1.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.<sup>64</sup> As of May 21, 2017, according to the World Bank, nearly \$4.32 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>65</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>66</sup>

The Investment Window supports the costs of development programs. As of May 21, 2017, according to the World Bank, nearly \$4.65 billion had been committed for projects funded through the Investment Window, of which more than \$3.80 billion had been disbursed. The World Bank reported 29 active projects with a combined commitment value of nearly \$3.31 billion, of which more than \$2.46 billion had been disbursed.<sup>67</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>68</sup> Since 2002, donors have pledged more than \$5.26 billion to the LOTFA, of which nearly \$5 billion had been paid in, as of July 16, 2017. The United States has committed and paid in more than \$1.66 billion since the fund’s inception.<sup>69</sup> Figure 3.25 shows the four largest donors to the LOTFA since 2002.

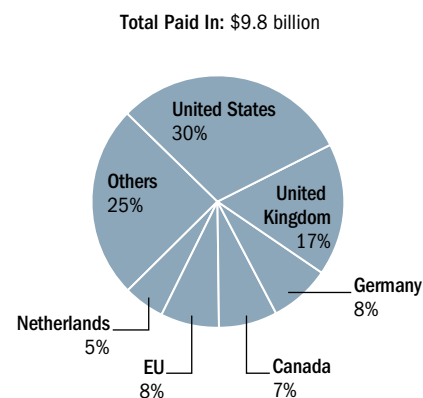
On December 18, 2016, the LOTFA Project Board extended the Support to Payroll Management (SPM) project through December 31, 2017 after assessments commissioned by UNDP revealed that the MOI had not yet met various critical donor conditions for the transition of payroll management. The board also approved a multi-year extension of the MOI and Police Development (MPD) project. The MPD project focuses on institutional development of the MOI and police professionalization of the ANP and will now run through December 31, 2020. The SPM and MPD projects were established at the start of the LOTFA’s eighth phase on July 1, 2015, and were initially planned to run through December 31, 2016.<sup>70</sup>

After the extension, the SPM project’s budget was raised from \$850.56 million to \$1.12 billion—the majority of which will be transferred from the UNDP Country Office to the Ministry of Finance (MOF) for ANP and Central Prison Directorate (CPD) staff remunerations. The MPD project’s budget was also increased from \$33 million to a new total of \$110.78 million.<sup>71</sup>

From July 1, 2015, through March 31, 2017, UNDP had expended nearly \$753.9 million on the SPM project. Of this amount, more than \$747.2 million was transferred to the MOF to pay for ANP and CPD staff. In addition, more than \$20 million was expended on the MPD project.<sup>72</sup>

FIGURE 3.24

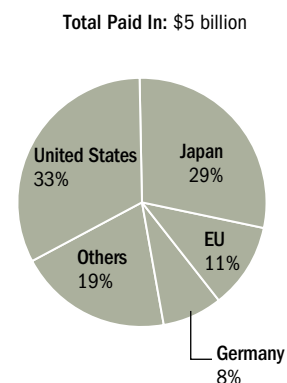
ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–MAY 21, 2017



Note: Numbers have been rounded. “Others” includes 28 donors.  
Source: World Bank, *ARTF: Administrator’s Report on Financial Status as of May 21, 2017* (end of 5th month of FY 1396), p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF JULY 16, 2017



Note: Numbers have been rounded. EU = European Union. “Others” includes 26 donors.  
Source: UNDP, response to SIGAR data call, 7/18/2017.



# SECURITY CONTENTS

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## SECURITY

## KEY ISSUES AND EVENTS

This quarter, the U.S. administration directed the Department of Defense (DOD) to update troop levels in Afghanistan as part of a wider, forthcoming American strategy for the country.<sup>73</sup> Several top U.S. security officials characterized the war in Afghanistan as a stalemate that, if left unchecked, could deteriorate further in favor of the insurgency.<sup>74</sup>

On June 13, 2017, Secretary of Defense James N. Mattis told the Senate Armed Services Committee in his testimony with Chairman of the Joint Chiefs of Staff General Joseph F. Dunford Jr. that the United States is “not winning in Afghanistan right now, and we will correct this as soon as possible.”<sup>75</sup> Secretary Mattis and General Dunford explained their assessment that the Afghan National Defense and Security Forces (ANDSF) were not performing better this year than last year, and the Taliban—having had a good year last year—were attempting to have another this year. Secretary Mattis warned that “right now ... the enemy is surging,” and there is a “need for urgency” in defining a strategy for Afghanistan that will require a change in approach from the last several years.<sup>76</sup>

A key part of this strategy, according to Secretary Mattis, will be giving U.S. personnel on the ground in Afghanistan the authorities and forces they need to help the Afghans win. Only then, he said, can the United States succeed in helping the Afghans defeat the enemy in combat, and also complete “our core mission” to train, advise, and assist the ANDSF.<sup>77</sup> In their endeavor to assess the Afghan security situation, determine necessary U.S. troop-level recommendations, and form the new strategy, several high-level U.S. officials traveled to Afghanistan this quarter, including Secretary Mattis in late April, National Security Advisor H.R. McMaster in late May, and General Dunford in late June, for meetings with President Ashraf Ghani and other Afghan officials.<sup>78</sup>

Following the NATO alliance’s reaffirmation of its Warsaw commitments to Afghanistan in May, Secretary Mattis visited Brussels in late June to brief NATO partner nations about the U.S. assessment of Afghanistan, take in their advice, secure those countries’ commitments for the force, and address capability gaps that remain in the mission.<sup>79</sup> According to Secretary Mattis, 70% of those gaps were filled, and the remainder of the commitments will be



**Secretary of Defense James N. Mattis** held a press conference in Kabul with General John W. Nicholson Jr., U.S. commander in Afghanistan, in late April. (DOD photo by Sgt. Brigitte Brantley)

“The [Intelligence Community] assesses that the political and security situation in Afghanistan will almost certainly deteriorate through 2018 even with a modest increase in military assistance by the United States and its partners.”

—*Daniel R. Coats, Director of National Intelligence*

Source: Daniel R. Coats, Director of National Intelligence, Testimony before the Senate Committee on Armed Services, “Worldwide Threat Assessment of the U.S. Intelligence Community,” 5/11/2017.

worked out in time.<sup>80</sup> DOD officials said they will not comment on the exact number until the president has made his final decision.<sup>81</sup>

Security incidents in Afghanistan increased this quarter when compared to the same period last year, with several deadly high-profile and insider attacks carried out by insurgents and extremists.<sup>82</sup> While Afghan National Army (ANA) and Afghan National Police (ANP) force strength increased modestly, force readiness improved across all elements, and the ANDSF prevented Taliban attempts to take and hold district capitals and key population centers, Coalition airstrike support continued to be essential to ANDSF success. Notably, these airstrikes more than doubled in frequency this quarter when compared to the same period in 2016.<sup>83</sup>

On April 21, 2017, there was a suspected insider attack on the ANA’s 209th Corps’ Camp Shaheen near Mazar-e Sharif. The attack remains under investigation by Afghan authorities and Coalition forces, but there are reports that 10 heavily armed Taliban fighters wearing army uniforms infiltrated the camp and killed at least 250 Afghan soldiers.<sup>84</sup> Facing mounting pressure following the attack, President Ghani accepted the resignations of Minister of Defense General Abdullah Habibi and ANA Chief of Staff Qadam Shah Shahim.<sup>85</sup>

One of the worst terrorist attacks of the Afghan war occurred on May 31, when a truck bomb exploded in the center of Kabul’s diplomatic quarter during rush hour, killing over 150 people and injuring several hundred more. Afghan officials initially suspected the Haqqani Network—a group with close ties to the Taliban—of carrying out the attack, but the Taliban has denied any involvement, and no other group has claimed responsibility.<sup>86</sup>

The fact that these major security incidents have been occurring in the previously more stable areas of northern Afghanistan and Kabul has not been lost on the Afghan people. Following the May 31 bombing, scores of Afghans filled the streets of Kabul to protest the Afghan government’s inability to keep them safe and demand that President Ghani fire his high-level security officials and execute the government’s Taliban detainees. At times the protests became violent as security forces reportedly killed several civilians in their attempts to restore order, further enraging the public and some Afghan political leaders.<sup>87</sup>

To address worsening security challenges, President Ghani has taken several steps this quarter. First, he launched inquiries into the above-mentioned attacks, and into ANDSF personnel’s use of force against protestors in Kabul.<sup>88</sup> Second, he made progress in his commitment to security-sector reform by either accepting the resignations of or firing several allegedly incompetent or corrupt Ministry of Defense (MOD), Ministry of Interior (MOI), and security-force leaders.<sup>89</sup> Third, the Afghan government began implementing President Ghani’s new four-year ANDSF Road Map plan, a key component of which is security-sector reform, to continue to increase the capabilities of the ANDSF, secure major population centers, and incentivize the Taliban to reconcile with the Afghan government.<sup>90</sup> Last, with the

encouragement of the United States, President Ghani agreed to expand Afghanistan’s bilateral relations with Pakistan by conducting joint counter-terrorism operations. This move is seen as vital in the effort to build mutual trust between the countries and address extremist activity stemming from safe havens in Pakistan.<sup>91</sup>

## Security Incidents and Civilian Casualties Remain High

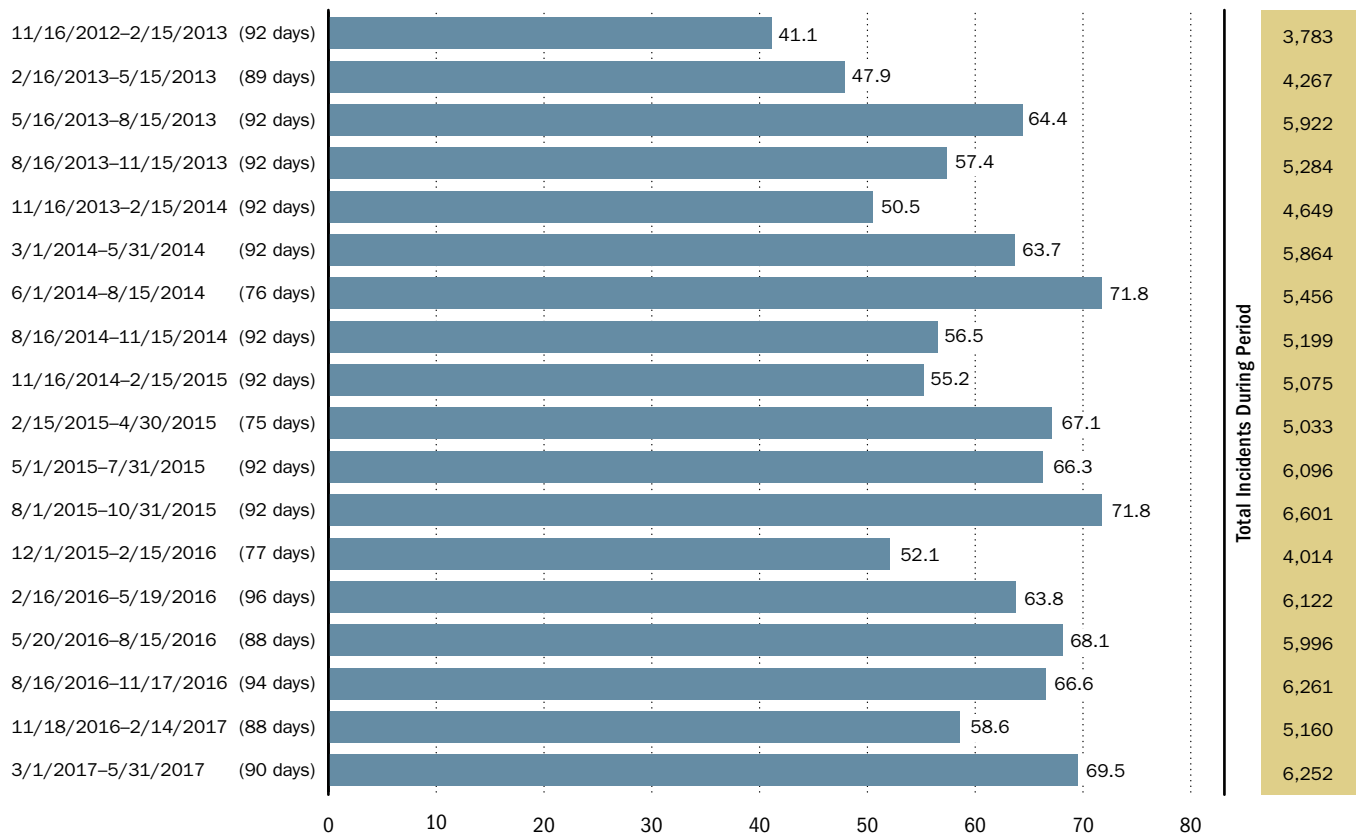
The United Nations (UN) Secretary-General reported in June that Afghanistan’s security situation continues to deteriorate, with intensifying armed clashes between the Afghan security forces and the Taliban, and a number of high-profile attacks committed by insurgent and extremist groups. From March 1 through May 31, 2017, the UN recorded 6,252 security incidents, as reflected in Figure 3.26. This quarter’s figure

**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, Report of the Secretary-General, *The situation in Afghanistan and its implications for International peace and security reports*, 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; 12/13/2016, p. 4; 3/3/2017, p. 4; and 6/15/2017, p. 4.

represents a 21% increase from last quarter, and a 2% increase from the same period last year.<sup>92</sup> Armed clashes between the security forces and the Taliban comprised 64% of recent security incidents, followed by 16% from improvised explosive devices.<sup>93</sup>

According to the UN, the most unstable regions continue to be the eastern and southern regions of the country, with security incidents increasing 22% in eastern Afghanistan this quarter compared to the same period in 2016. This is likely explained by ANDSF and Coalition forces' escalating campaign to defeat Islamic State-Khorasan Province (IS-K), the Islamic State affiliate operating in Afghanistan, in its only stronghold, Nangarhar Province.<sup>94</sup> This quarter, IS-K briefly captured Tora Bora—the cave and tunnel complex in Nangarhar that Osama bin Laden once occupied—from the Taliban on June 14. According to a local official, the IS-K operation was prompted by U.S. forces dropping the so-called “mother of all bombs” on a separate IS-K tunnel network in the Achin District of Nangarhar in April. A spokesman for Nangarhar's governor said that President Ghani immediately ordered the ANA's 201st Corps to move against IS-K in Tora Bora. After a few days, Afghan forces recaptured the cave complex, killing at least 44 IS-K militants.<sup>95</sup>

The UN reported that the Taliban concentrated most of their efforts against ANDSF forces this quarter in Badakhshan, Baghlan, Farah, Faryab, Helmand, Kunar, Kunduz, Laghman, Sar-e Pul, Zabul, and Uruzgan Provinces.<sup>96</sup> The major Taliban operations included briefly capturing Qala-i Zal District in Kunduz Province in early May, attacking static police checkpoints in Qalat, the provincial capital of Zabul, in late May, and the reported expansion of Taliban presence throughout Logar Province in late June.<sup>97</sup> While the ANDSF repelled all major Taliban attempts to take and hold district capitals and key population centers, the UN pointed to Coalition airstrike support as integral to their success.<sup>98</sup>

ANDSF and Coalition forces saw several key achievements this quarter in the recently escalated campaign to eradicate IS-K from Afghanistan. On July 11, U.S. forces killed the new IS-K emir, Abu Sayed, in an airstrike in Kunar Province.<sup>99</sup> This came less than three months after Afghan commandos, in a joint raid with U.S. Special Forces, killed then-emir Sheikh Abdul Hasib in Nangarhar Province on April 27. Two U.S. Army Rangers lost their lives during the three-hour fight, and U.S. Forces Afghanistan (USFOR-A) said their deaths were being investigated as possibly being caused by friendly fire. Commenting on the raid, General John W. Nicholson Jr., commander of USFOR-A, said, “Any ISIS member that comes to Afghanistan will meet the same fate.”<sup>100</sup> Both attacks on the IS-K emirs resulted in the deaths of several other IS-K fighters.<sup>101</sup> U.S. defense officials also announced the killing of IS-K's senior director of media production, Jawad Khan, in an airstrike on June 3 in the Achin District of Nangarhar. According to General Nicholson, Khan's death “will disrupt the [IS-K] network,



**An Afghan Special Forces commando** targets IS-K militants in an operation in Nangarhar Province in late June. (Resolute Support photo by Lt. Cmdr. Kathryn Gray)

degrade their recruitment process, and hinder their attempts to conduct international operations.”<sup>102</sup>

### **UN: Civilian Casualties Caused by Suicide and Complex Attacks Reached Record High**

The United Nations Assistance Mission in Afghanistan (UNAMA) documented 5,234 civilian casualties from January 1, 2017, through June 30, 2017, a less than 1% decrease from the same period in 2016, and the second-highest level ever recorded for this period since 2009. Of the casualties, there were 1,662 deaths (a 2% increase) and 3,581 injuries (a 1% decrease).<sup>103</sup>

According to UNAMA, 1,151 of these civilian casualties were due to suicide and complex attacks, more than any previous six month period since the mission began documentation in 2009. This figure represents a 15% increase in casualties caused by suicide and complex attacks compared to last year. The increase came largely from Kabul City, where 19% of this period's total casualties were incurred. Of Kabul Province's casualties, 94% resulted from suicide and complex attacks carried out by anti-government elements in the capital. The suicide attack in Kabul City on May 31, 2017, the deadliest incident documented by UNAMA since 2001, contributed to these high casualty figures. Kabul Province had the most civilian casualties this quarter (1,048, up 26%), followed by Helmand (532, up 5%) and Kandahar (395, down 10%) Provinces.<sup>104</sup>

Unlike previous years, UNAMA has combined improvised-explosive-device (IED) casualties with those caused by suicide and complex attacks because of the use of IEDs in the latter types of attacks. This helps explain why combined IEDs overtook ground engagements in causing the most civilian casualties since January (40% of civilian casualties), followed by ground engagements (34%), and targeted and deliberate killings (12%).<sup>105</sup> According to UNAMA, there was a 10% decrease in casualties caused by ground engagements when compared to the same period in 2016. UNAMA attributes this mostly to a reduction in mortar use by pro-government forces.<sup>106</sup>

UNAMA found that anti-government elements—which often targeted civilians—were responsible for 67% (3,489) of civilian casualties, up 12% from the same period in 2016. Pro-government forces were responsible for 18% (945) of civilian casualties, a 21% decrease from 2016. UNAMA attributed 43% of all civilian casualties to the Taliban, 19% to unidentified anti-government elements, and 5% to IS-K.<sup>107</sup> The Taliban's most common civilian target, of the attacks it claimed, were members of the Afghan government's civil service.<sup>108</sup>

UNAMA expressed concern over the 23% increase in female casualties and the 9% increase in child deaths compared to the same period in 2016. While ground engagements still caused the most harm to women and



children, pressure-plate IEDs, aerial operations, and suicide and complex attacks all caused significant increases in casualties this period when compared to previous periods.<sup>109</sup>

## **High-Profile Insurgent and Terrorist Attacks**

There were several high-profile attacks this quarter, most of which fell during the holy month of Ramadan from late May through late June. Though Ramadan is normally a time of spiritual reflection for Muslims, some extremist organizations, including Islamic State, claim to their fighters that killing enemies during Ramadan is nobler and makes them more worthy Muslims.<sup>110</sup> While some high-profile attacks targeted ANDSF personnel and Afghan government officials, the majority were indiscriminate acts of violence on civilians in highly populated areas.

On May 27, 2017, a suicide bomber targeted an ANDSF convoy visiting a market in Khowst Province. The attack killed 18 people, all of them civilians. The attack was swiftly claimed by the Taliban.<sup>111</sup> Only days later, gunmen killed a district governor of Paktika Province, along with his son. Afghan officials said that it was unclear who was behind the attack, and no one claimed responsibility.<sup>112</sup>

The largest high-profile attack this quarter, deemed one of the worst of the entire Afghan war, occurred in Kabul in May 31, when a tanker truck carrying explosives was detonated during rush hour near the diplomatic quarter in the city center. The explosion killed 150 people and wounded over 450 more. No group claimed immediate responsibility, but the Taliban and Haqqani Network have denied any role. An investigation into the attack is ongoing.<sup>113</sup> Following the attack, protesters took to the streets in Kabul to demand that the Afghan government fire top security officials and execute the members of the Taliban currently held in detention. The protests reportedly became violent as security forces opened fire on the crowd in an attempt to restore order, killing several civilians in the process.<sup>114</sup>

Then days later, three explosions shook Kabul as more than 1,000 people gathered for the funeral of Salem Izidiyar, the son of the deputy speaker of the Afghan senate who had been killed during the protests. The blasts killed as many as 19 people, including former deputy attorney general Halim Samadi and well-known cleric Mawlawi Jalal, and injured over 100, among them the speaker of the senate, Fazl Hadi Muslimyar, and several senior members of the political party Jamiat-e Islami. The attack came only a day after the commander of the Kabul garrison had advised protesters to avoid holding public gatherings due to the high threat of terror groups targeting large crowds with suicide bombs, explosions, and assaults. The Taliban denied any involvement in these attacks, and no other group claimed responsibility.<sup>115</sup>

Despite the threat of attacks, protests continued in Kabul throughout June, with police clashing with protesters while clearing their camps.<sup>116</sup> The media's reports of civilian deaths during these clearances spurred some politicians to press harder for the resignation of security officials.<sup>117</sup> The situation culminated in President Ghani's creation of a new, forthcoming plan to specifically address security issues plaguing the capital. President Ghani has said that the plan was developed in coordination with security leaders and the ANA's 111th Capital Division. He emphasized that only the uniformed security services and no one else has the right to carry firearms.<sup>118</sup>

On June 22, a suicide car bomb struck a gathering of soldiers and government employees collecting their salaries outside of New Kabul Bank in Lashkar Gah, Helmand Province. The Taliban claimed responsibility for the attack, noting that they had chosen a day when the bank catered only to security forces and civilians were not allowed to enter the facility. However, according to Afghan officials, both civilians and security personnel were among the 34 people killed and the 60 wounded in the attack.<sup>119</sup> Facing increasing pressure, the Minister of Interior immediately made changes to the security command in Helmand after the attack. The commander of the 505th Police Zone was replaced by General Ghulam Daud Tarakhel, and General Abdul Ghafar Safi became the new police chief in Helmand.<sup>120</sup>

## U.S. RECONSTRUCTION FUNDING FOR SECURITY

As of June 30, 2017, the U.S. Congress had appropriated more than \$73.5 billion to support the ANDSF. This accounts for 61.4% of all U.S. reconstruction funding for Afghanistan since FY 2002.<sup>121</sup>

In 2005, Congress established the Afghan Security Forces Fund (ASFF) to build, equip, train, and sustain the ANDSF, which comprises all security forces under the MOD and 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, the country's central bank; the Ministry of Finance then sends treasury checks to fund the MOD and MOI based on submitted funding requests.<sup>122</sup> Of the \$68.3 billion appropriated for the ASFF, \$63.5 billion had been obligated and \$62.6 billion disbursed as of June 30, 2017.<sup>123</sup>

This section discusses assessments of the ANA, ANP, and the Ministries of Defense and Interior, and provides an overview of how U.S. funds are used to build, equip, train, and sustain the Afghan security forces.

**Although security costs represent the largest reconstruction funding category, the \$65 billion obligated for security-related reconstruction for the ANDSF isn't even 10% of the \$714 billion in total funding the United States had obligated for its efforts in Afghanistan since FY 2001. Of this total, DOD had obligated an estimated \$675 billion—the vast majority of which went toward U.S. military operations in the country.**

Note: Figure is an estimate that combines DOD-reported obligation data for Afghanistan with obligations from the non-DOD accounts tracked by SIGAR and outlined in Appendix B of this report. DOD obligation data is as of February 28, 2017. Non-DOD obligation data is as of June 30, 2017. To provide a more developed estimate, amounts allocated for Afghanistan were used when detailed agency-reported obligation data were not available.

Source: SIGAR analysis of DOD's *Cost of War Update as of February 28, 2017, 5/18/2017*, and agency-reported budget and obligation data of non-DOD funds outlined in Appendix B of this report.

## NO CHANGE IN AFGHAN GOVERNMENT CONTROL OF TERRITORY

According to USFOR-A, as of May 15, 2017, the struggle between the Afghan government and insurgents remains a stalemate, with the number of districts and the portion of the population under Afghan government and insurgent control unchanged since last quarter's February 15 assessment.<sup>124</sup>

USFOR-A reported that approximately 59.7% of the country's 407 districts are under Afghan government control or influence as of May 15, 2017, the same as last quarter, but a six-point decline from the same period last year.<sup>125</sup>

As of May 2017, there were 45 districts (in 15 provinces) under insurgent control (11 districts) or influence (34 districts). Therefore, 11.1% of the country's total districts are still under insurgent control or influence, more than a two percentage-point increase from the same period in 2016.<sup>126</sup> USFOR-A attributes the loss of government control or influence over territory to the ANDSF's strategic approach to security prioritization, which involves identifying the most important areas that the ANDSF must hold to prevent defeat, and placing less emphasis on less vital areas.<sup>127</sup>

The number of contested districts (119) remains the same and represents 29.2% of all districts. It was not clear whether these districts are at risk or if neither the insurgency nor the Afghan government exercises any significant control over these areas, as USFOR-A previously described.<sup>128</sup> As reflected in Table 3.5, of the 407 districts of Afghanistan's 34 provinces, 243 districts were under government control (97 districts) or influence (146 districts).<sup>129</sup>

USFOR-A reports again this quarter that there are three million Afghans living under insurgent control or influence.<sup>130</sup> As reflected in Table 3.5, of the 32.6 million people living in Afghanistan, USFOR-A determined that the majority, 21.4 million (65.6%), live in areas controlled or influenced by

TABLE 3.5

<b>DISTRICT CONTROL WITHIN AFGHANISTAN'S 34 PROVINCES AS OF MAY 15, 2017</b>						
Control Status	Districts		Population		Area	
	Number	%	In millions	%	Sq Km	%
GIROA*			21.4	65.6%	404,503	62.8%
Control	97	23.8%				
Influence	146	35.9%				
CONTESTED	119	29.2%	8.2	25.2%	135,218	21.0%
INSURGENT			3.0	9.2%	104,068	16.2%
Control	11	2.7%				
Influence	34	8.4%				
<b>Total</b>	<b>407</b>	<b>100%</b>	<b>32.6</b>	<b>100%</b>	<b>643,789</b>	<b>100%</b>

Note: USFOR-A reports no change between Q2 and Q3 2017 data calls. Sq Km = square kilometers.  
\*GIROA = Government of the Islamic Republic of Afghanistan.

Source: USFOR-A, response to SIGAR data call, 5/15/2017.

the government, while another 8.2 million people (25.2%) live in areas that are contested.<sup>131</sup>

USFOR-A identified the provinces with the largest percentage of insurgent-controlled or -influenced districts as Kunduz Province, with five out of seven of its districts under insurgent control or influence, Uruzgan Province, with four of its six districts under insurgent control or influence, and Helmand Province, with nine of 14 districts under insurgent control or influence.<sup>132</sup> The region with the most districts under insurgent control or influence is centered on northeastern Helmand Province and northwestern Kandahar Province, and includes the Helmand/Kandahar border area, Uruzgan Province, and northwestern Zabol. This region alone accounts for one-third of the 45 districts currently under insurgent control or influence.<sup>133</sup>

USFOR-A reported this quarter that it will change how district control is assessed in the future. Personnel will use the same five factors in assessing the district (1-insurgent control, 2-insurgent influence, 3-neutral, 4-Afghan government influence, 5-Afghan government control), but will no longer derive a mathematical average of those factors in order to assign an overall number to each district. Instead, the regional Resolute Support (RS) Train, Advise, and Assist Commands (TAAC) and Task Forces (TF) will make their assessments for the districts based upon their subjective synthesis of the five factors as a whole, enabling the commanders to balance the factors with their understanding of the local and regional conditions.<sup>134</sup>

The TAACs and TFs will now be offered the opportunity to provide narrative feedback on district control, are requested to provide an outlook assessment of any expected change in control over next three months, and are asked to assess the stability of provincial capitals separate from the districts in which they are located. USFOR-A noted that these additional requirements will allow for greater fidelity in the TAACs' and TFs' understanding of district control within the limitations of the assessment capability and its methodology.<sup>135</sup>

## U.S. FORCES IN AFGHANISTAN

DOD reported approximately 8,300 U.S. military personnel serving in Afghanistan as part of Operation Freedom's Sentinel (OFS) as of May 14, 2017—roughly the same as last quarter—including just under 5,000 U.S. personnel assigned to the NATO RS mission to train, advise, and assist Afghan security forces.<sup>136</sup> The RS mission also included 6,575 military personnel from 39 NATO allies and non-NATO partner nations, bringing the total to 11,559 as of May 2017. The remaining U.S. military personnel in Afghanistan conduct counterterrorism operations under OFS.<sup>137</sup>

From January 1 through May 14, 2017, three U.S. military personnel were killed in Afghanistan, and 26 were wounded. USFOR-A said there have

“I believe, strongly, that the pressure that we have put on terrorist groups inside of Afghanistan over the last 15 years is the reason we haven’t seen another 9/11 from that part of the world.”

—General Joseph F. Dunford Jr.,  
Chairman of the Joint  
Chiefs of Staff

Source: General Joseph F. Dunford Jr., Chairman of the Joint Chiefs of Staff, Testimony before the Senate Armed Services Committee, “Department of Defense Budget Posture,” 6/13/2017.

been no reported DOD or U.S. civilians or contractors killed or wounded thus far in 2017.<sup>138</sup> DOD reported additional fatalities on June 10, when three U.S. soldiers were killed in an insider attack in Nangarhar Province. DOD reported another fatality on July 3, when a U.S. Army soldier died in Helmand Province from wounds sustained during an indirect-fire attack. Both incidents are currently under investigation.<sup>139</sup>

## Insider Attacks

This quarter, there were several insider attacks on U.S. and ANDSF personnel, a type of attack that has become increasingly common. Insider attacks gained more attention beginning in 2012, when they spiked to 46 attacks in one year (from 21 in 2011 and six in 2010) according to NATO data.<sup>140</sup> Since responsibility for security transitioned to the Afghans in January 2015, insider attacks have increased further, particularly “green-on-green” attacks, when Afghan soldiers are turned on by personnel from within their own ranks, often an insurgent infiltrator. According to USFOR-A, in 2015, there were 62 reported insider attacks: 57 green-on-green and five “green-on-blue” attacks when ANDSF personnel turn on their Coalition counterparts. In 2016, there were 60 reported insider attacks: 56 green-on-green and four green-on-blue attacks.<sup>141</sup>

According to USFOR-A, from January 1 to May 8, 2017, there were two confirmed insider attacks targeting U.S. military personnel, which did not cause any deaths, but wounded three personnel.<sup>142</sup> There were also 26 confirmed insider attacks during the same period that targeted ANDSF personnel, killing 59 and injuring 22. This does not include the potential insider attack on the ANA’s 209th Corps in April. USFOR-A noted that the accuracy of these figures cannot be confirmed because they come from operational reporting and do not reflect official Afghan government figures.<sup>143</sup>

The most serious potential insider attack that occurred this quarter was an attack against the ANA’s 209th Corps’ Camp Shaheen near Mazar-e Sharif on April 21, 2017. While casualty estimates from that incident vary, some estimates say that as many as 250 Afghan soldiers were killed in this one incident by a group of 10 heavily armed Taliban fighters disguised in army uniforms that stormed the base.<sup>144</sup> The attack has been described as the single deadliest Taliban assault in their war against Afghan forces.<sup>145</sup> The MOI Biometrics Center provided support to investigators of the Camp Shaheen attack by identifying three suspects based on fingerprint examination.<sup>146</sup> Questioned about this attack, USFOR-A responded on July 14, 2017, that the investigation of the attack was still ongoing, with no conclusive evidence at that point to prove it was an insider attack.<sup>147</sup>

At least four other suspected insider attacks occurred this quarter, three of which were within a two-week period. The first occurred on May 27, 2017, when six ANP personnel were killed by a colleague with ties to the Taliban.<sup>148</sup> Six more ANP policemen were killed after two of their fellow

police opened fire on them in southern Kandahar on June 4, an attack that was claimed by the Taliban.<sup>149</sup> The other two attacks were green-on-blue attacks, one occurring on June 10 in Nangarhar Province in which three American soldiers were killed, and one on June 17, again at Camp Shaheen, in which seven American soldiers were wounded and at least one Afghan soldier was killed.<sup>150</sup>

Following this quarter's events, CSTC-A reported that a Threat Vulnerability Assessment initiative is under way to identify physical security and insider-threat weaknesses of the ANA's facilities. To begin this process, the ANA's General Staff Chief of Intelligence was scheduled to visit and assess the 207th Corps.<sup>151</sup>

Additional information on other insider attacks this quarter will be reported in the classified annex to this report.

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

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

- **EF-1 (Multi-Year Budgeting and Execution):** A \$667,000 information technology contract was awarded to upgrade the ANP's networks that support the Core Information Management System (CoreIMS) inventory system. MOI obtained approval for 43 of 60 prerequisites it needed to receive CSTC-A funds. The remaining 17 have yet to be approved.<sup>152</sup>
- **EF-2 (Transparency, Accountability, and Oversight):** EF-2 saw the addition of five new contractor advisors as TAAC and ANP zone Inspector General (IG) advisors. These advisors will provide additional visibility and advising in the ANA corps and ANP zones, along with one contractor advisor assigned to TF Southwest and another to TAAC-Air. The 21 IG officers assigned to MOI zones earlier this year are now all submitting oversight reports, which will be sampled by advisors for competency once finalized. The MOI noted some instances of ANP zone commanders directing the IG officers' workloads, which is unacceptable; IG officers are MOI personnel who are intended to be independent and not answerable to zone commanders. The MOI is working with ANP commanders to address this issue and protect the integrity of the IG officers' oversight function. Additionally, CSTC-A reported that progress has been made with the Ministerial Internal Control Program (MICP), an oversight mechanism MOD and MOI IGs use to establish policies that minimize fraud or waste and ensure efficiency in their ministries, and the Annual Inspection Plan (AIP), a list of locations and programs for planned inspection that serves as the primary tool for IGs to prevent and detect fraud and abuse in the ministries' programs and operations.<sup>153</sup>



## SIGAR EVALUATION

SIGAR released a classified report this quarter about DOD and the State Department's Afghanistan implementation of the Leahy Laws, which prohibits DOD and State from providing assistance to units of foreign security forces that have committed gross violations of human rights. In particular, the report focused on allegations of sexual abuse of children committed by members of the Afghan security forces. For more information, see p. 33 of Section 2.

- **EF-3 (Civilian Governance of Afghan Security Institutions):** The Major Crimes Task Force (MCTF), an elite MOI unit focused on high-level corruption, organized crime, kidnapping, and other serious crimes, made 63 arrests and initiated 224 cases this quarter. Since January 2016, MCTF has initiated 383 cases and made 195 arrests. The Anti-Corruption Justice Center (ACJC), which became operational in November 2016, has completed 14 major corruption cases, four from MOI and one from MOD, with the rest from other ministries or private sector entities. EF-3 is currently standing up an internal counter-corruption advisory group designed to synchronize and enable Afghan security institutions, RS headquarters, and international partners to combat corruption networks inside the ministries. However, CSTC-A reports that MOI leadership remains hesitant to take effective action against corruption. The number of pending MOI Gross Violations of Human Rights (GVHR) cases has fallen from 33 to 26. Nine cases were closed or preparing to be closed and 10 cases were referred to the Attorney General's Office for action. Nine cases are currently under investigation, three cases are awaiting court decisions, and one case is pending arrest. CSTC-A praised the MOI for proactively dealing with GVHRs. Only one new MOD GVHR case was identified this quarter, down from nine in the previous quarter, and is currently under investigation. No GVHRs committed by MOD or MOI personnel were reported in the last quarter. MOD/MOI GVHRs stem from alleged extrajudicial killings of captured/wounded enemy fighters, assault/torture of captured enemy fighters, and cases of rape.<sup>154</sup>
- **EF-4 (Force Generation):** In February 2017, MOD's Chief of the General Staff established a definitive baseline ANA doctrine defining the conduct and execution of operations at the squad, platoon, and company levels. The ANA is also currently completing a study to determine whether the ANA's training environment (who is being trained, what is being taught, and the qualifications of instructors) supports this definitive baseline doctrine. The ANA Training and Education Directorate Command is conducting its first logistics inspections, completely run by the ANA. For the ANP, as of April 17, 2017, EF-4 reported that only 2.39% of ANP personnel were untrained.<sup>155</sup>
- **EF-5 (Sustainment):** Under the MOI NATO Weapons Exchange Program, in the last several months, the ANP has turned in 25,000 AK-47 rifles and received 16,500 M-16 rifles, of which 11,000 have been distributed to the ANP's 101st, 202nd, and 505th Zones. Of the AK-47s turned in, several thousand were sufficiently serviceable for redistribution to fill shortages in the ALP. A contractor is demilitarizing the AK-47s that are no longer serviceable. In addition, radio encryption training is ongoing at the brigade and kandak (battalion) level, while

new radios have been delivered to replace older models. The new radios include Dari language functionality.<sup>156</sup>

- **EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):**

Over the past three months, the ANDSF has demonstrated moderate improvement and increased independence in their planning process. Most ANDSF efforts during this period were dedicated to preparing for Operation Khalid, the annual operational plan for 2017. RS reports that the Khalid planning process showed better integration of local governance and intelligence. The ANDSF showed mixed results regarding training. During the 2016–2017 winter campaign, Operation Shafaq II, three of six ANA corps met the standard set for them by the chief of the general staff. According to RS, the 201st, 203rd and 215th Corps showed improvement, while the 209th Corps was progressing more slowly.<sup>157</sup>

- **EF-7 (Intelligence):** This quarter, the ANA's second unmanned aerial system (ScanEagle) became operational in Kunduz. A targeting officer training program has been set up to improve the ANA's targeting-process. The Intelligence Training Center (ITC) added 50 additional billets for ITC students. The Afghan Defense Security Service completed biometric screening of the 203rd and 215th Corps, and was preparing to deploy to the 201st and 207th Corps after Ramadan.<sup>158</sup>

- **EF-8 (Strategic Communications):** This quarter, President Ghani announced a new senior advisor for public relations and strategic affairs and the MOI appointed an acting spokesman as a result of the previous spokesman's promotion. EF-8 assesses that these new officials and their offices have the capability to engage domestic and international media independently, but continue to need assistance from RS on strategic communications planning. Overall, the Afghan government continues to show progress toward developing communications capabilities, and the focus of assistance moving forward will be incorporating key elements of the ANDSF Road Map into MOD and MOI communications content. A majority of ministries now use press conferences to discuss current issues and announce accomplishments, and the MOD holds daily press conferences to provide security overviews. The MOD strategic communications director personally clarified to ANA corps' public affairs personnel that the government's Strategic Communications Policy authorizes corps commanders to independently engage with the media regarding matters they control, even though some commanders remain reluctant to do so. MOD has demonstrated increased capability in psychological operations by using "radios in a box" to bolster response time to national crises; however, the acting director of psychological operations has experienced difficulties coordinating with corps and other staff elements due to his rank.<sup>159</sup>

- **Gender Office:** This quarter, the Gender Office created the RS Gender Four-Year Plan, which will provide an outline of gender initiatives to be integrated into the ANDSF's new four-year Road Map. It establishes the initiatives' objectives and lines of effort, and identifies the effects that will lead to the desired 2020 end state for women in the ANDSF. That end state generally includes increased women's participation within the ANDSF, including in critical policy and decision-making roles, provision of a safe and secure working environment, implementation of reforms to address gender inequality, and the reduction of sexual or gender-based violence. The Gender Occupational Opportunity Development (GOOD) program contract awarded on February 1, 2017, is currently providing computer skills, office administration, and English training to 200 ANA women at Kabul National Military Hospital, Oqab Afghan Air Force Base, and Camp Zafar. Additionally, 66 ANA women completed their first year of undergraduate education at Dunya University this quarter.<sup>160</sup>

## **AFGHAN GOVERNMENT BEGINS IMPLEMENTING FOUR-YEAR ANDSF ROAD MAP**

This quarter, USFOR-A provided SIGAR with information regarding President Ghani's new four-year ANDSF Road Map. Although President Ghani had not officially announced the Road Map as this report was being prepared, the various policies framed within it have already begun to be implemented, according to USFOR-A.<sup>161</sup>

The ANDSF Road Map is the security-focused portion of an overall four-year development plan for Afghanistan's future. Rather than one single document, the Road Map is President Ghani's term for a series of developmental initiatives that seek to streamline and bolster the ANDSF and expand the Afghan government's control over population centers. Key areas in which it seeks to achieve this include establishing leadership selection and management processes, doubling the size and combat power of the Afghan Special Security Forces (ASSF), further developing the capabilities of the Afghan Air Force (AAF), improving resource management, creating a unity of command and effort, reducing corruption, and shifting the ANP away from combat operations to civilian policing.<sup>162</sup>

Accomplishing these objectives would help realize the Road Map's strategic goals to build a credible, effective, and affordable ANDSF capable of controlling territory that accounts for 75–80% of Afghanistan's population, incentivize the Taliban to reconcile with the Afghan government, and solidify the conditions for a long-term partnership between NATO and Afghanistan.<sup>163</sup>

President Ghani's vision for the Road Map involves building a more effective force without a drastic increase in manpower or resources.<sup>164</sup> The strategy will be executed in four stages (one per year). In 2017, the ANDSF

will conduct limited, local offensive operations and build capacity to “set the conditions” for the latter stages of the Road Map. Some of the initial actions that have already been completed within the ANDSF include countering corruption by prosecuting crime-committing officials, removing ineffective leaders, and creating a multilateral command center for the ASSF (National Mission Brigade Headquarters). In 2018, the ANDSF will seek to “seize the initiative” by employing their emerging ASSF capabilities to transition to an increasingly offensive posture on the battlefield. In 2019, the ANDSF will “exploit the initiative,” completing the transition to an offensive posture and using the full range of their newly developed capabilities. Lastly, in 2020, the ANDSF will focus on “consolidation” by maintaining their population, infrastructure, and territorial gains.<sup>165</sup> While President Ghani has put the execution of the strategy within a four-year time frame, its actual implementation will be conditions-based, rather than time-driven.<sup>166</sup>

## **ANDSF ADDRESS LEADERSHIP CHALLENGES AND CAPABILITY GAPS**

Addressing leadership challenges is a significant part of the new ANDSF Road Map. President Ghani has emphasized the importance of creating a more competent, younger generation of leaders as essential to security-sector reform and “one of [the Afghan government’s] top priorities.”<sup>167</sup> As mentioned, an uptick in security incidents has led to a call from the public and Afghan officials for a rapid change in ANDSF leadership. Two major examples of this occurred directly after the suspected insider attack on the 209th Corps in late April, when the ANA’s two top security officials, Minister of Defense Abdullah Habibi and the ANA Chief of Staff General Qadam Shah Shahim, resigned their posts. Both officials said in a joint news conference that their decision to step down was due to widespread public anger about the attack.<sup>168</sup>

The Afghan government and top ANDSF officials continue to identify MOD and MOI headquarters elements in need of new and capable leaders, including those in senior positions in those ministries.<sup>169</sup> Many of those changes occurred in the leadership of ANDSF combat elements. According to USFOR-A, three ANA corps and several brigade commanders have been replaced with new leaders this quarter, and the best-performing corps commander was promoted to be the ANA’s new chief of staff. The AAF also went through a large-scale leadership reorganization early this year, and the effect thus far, according to USFOR-A, is a better focus on the chain of command and the ability to develop capabilities across the force while also conducting operations.<sup>170</sup>

In late May, President Ghani made major changes to MOI leadership by announcing 13 new officials in senior posts, including Senior Deputy Minister of Interior for Security, First Deputy Minister of Interior,



**Major General Tariq Shah Bahrami** (left), acting minister of defense, replaced former Minister of Defense Abdullah Habibi (right) in late April. (Left, Afghan National Army photo by Maj. Gen. Dawlat Waziri via Twitter; right, Wikimedia Commons photo)

commander of the ALP, and new commanders for the ANP's 808th, 404th, 606th, and 202nd Zones. The MOI hopes that these changes in leadership will contribute to better security across Afghanistan.<sup>171</sup> At a conference the Minister of Interior held for the ANP's zone commanders in late March, the minister ordered the commanders to research whether the ANP's leadership issues were stemming from a lack of resources or from mismanagement and corruption.<sup>172</sup> President Ghani has said that retiring 150 generals from the MOD and the recent changes in MOI catalyzed a much needed "generational change" in the force, and that the average age of civil servants is now six years younger than when the Ghani administration took office two years ago.<sup>173</sup>

Another important aspect of the ANDSF's leadership overhaul is the focus on merit-based appointments and promotions of personnel. Championed by President Ghani, these procedures are intended to help eliminate corruption and nepotism in some parts of the ANDSF. By focusing on leader development and counter-corruption efforts, the ANDSF's objective is to produce competent and honest leaders through unified training efforts, merit-based selection, professional instruction and education, and implementation of adequate human resources systems.<sup>174</sup>

One potential obstacle to reform was the mid-June resignation of Amrullah Saleh, the newly appointed state minister for security-sector reforms and the former director of the Afghan intelligence services. According to Afghan media, Saleh cited no reason for his surprise resignation on social media, after only having served in the role since March. Some reports claim that a possible reason was the government's alleged failure to consult Saleh about the hiring and firing of security officials from the day he took office. A presidential-palace spokesman said they had not received a

formal resignation from Saleh and were seeking clarification on his reasons for resigning so quickly.<sup>175</sup>

According to USFOR-A, ANDSF elements continue to struggle with providing accurate situational reporting to their headquarters and Coalition advisors. Coalition advisors rely heavily on the ANDSF's reporting because of their lack of visibility below the ANA-corps or ANP-zone headquarters levels. With the exception of Afghan special operations and aviation units, and during periods when tactical units return to base for re-equipping and retraining with U.S. advisor assistance, USFOR-A says U.S. advisors have little or no direct contact with ANDSF units below ANA corps and ANP zone-headquarters levels. RS is able to advise at lower, unit-level echelons infrequently and for a limited period of time when they deploy expeditionary advisory teams, conduct battlefield visits, or participate in a key leader engagements. In addition to USFOR-A observations and train, advise, and assist (TAA) activities, advisors rely on data provided by the Afghan ministries to evaluate the operational readiness and effectiveness of the ANDSF. Reporting procedures and their execution continue to be a TAA priority area, but USFOR-A notes that the consistency, comprehensiveness, and credibility of this data varies and cannot be independently verified by U.S. officials.<sup>176</sup>

In an effort to improve visibility and reporting, RS has recently ordered its TAACs and TFs to create assessments of the ANA brigades and ANP provincial headquarters to the extent their visibility allows in the next assessment period. While the assessment framework will be the same as those for ANA corps and ANP zone headquarters, the TAACs and TFs will be able to caveat their assessments depending upon their degree of visibility into the local force elements.<sup>177</sup>

Additionally, to improve the accountability of personnel and prevent payments to “ghost,” or nonexistent soldiers, the MOD and MOI continue to conduct their personnel asset inventories to ensure all personnel are enrolled in the Afghan Human Resources Information Management System (AHRIMS), an electronic system that helps counter corruption in the personnel reporting system. These inventories are expected to ensure personnel information is accurate and up-to-date.<sup>178</sup> For a more complete update about AHRIMS implementation, see page 101 of this section.

According to USFOR-A, the MOD and MOI demonstrated success in their operational planning for the 2017 fighting campaign, Operation Khalid. USFOR-A reported that Khalid is the ANDSF's first annual plan, a move away from the traditional operational focus on “fighting seasons,” which demonstrates the ANDSF's improved capability for long-term planning. The planning effort for Khalid was a coordinated effort across all ANDSF pillars, and included input from the MOD, MOI, and the National Directorate of Security (NDS), and several other government organizations. USFOR-A emphasized that while the ANA and ANP received guidance from their Coalition advisors in planning Khalid, the operation “is





**An ANA 215th Corps kandak** (battalion) takes part in a ceremony to initiate their operational readiness cycle, an eight-week program to train, refit, and rest before returning to battle. (Marine Corps photo by Sgt. Lucas Hopkins)

clearly an ANDSF plan” that involved corps and zone commanders briefing each other independently on the parts of the operation for which they were responsible.<sup>179</sup>

As a key part of Operation Khalid, the ANDSF are planning to maintain vital force generation efforts, including the implementation of a continuous operational readiness cycle (allowing troops to refit, retrain, and rest) as well as **collective training**, all while conducting offensive and defensive operations against the enemy. Thus far, USFOR-A notes that there are mixed levels of success in ANA and ANP ability to tackle these objectives simultaneously, with the ANA progressing faster than the ANP. RS will continue to provide assistance to the corps and zone staffs to help them meet their individual and collective training requirements during Operation Khalid.<sup>180</sup>

**Collective training:** refers to training units together. It typically follows a sequence of individual skills, collective skills, collective drills and actions, and a final collective validation event that combines all of the previous training components.

Source: USFOR-A, response to SIGAR vetting, 4/11/2017.

## Ministries of Defense and Interior Progress Toward Fiscal Year 2017 Projections

The RS Essential Function (EF) directorates and the Gender Advisor Office use the EF Program of Actions and Milestones (POAM) to assess the essential function capabilities of the offices in the MOD and MOI.<sup>181</sup> The milestones are assessed using a five-tier rating system.<sup>182</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>183</sup>

The five ratings reflect the degree to which Afghan systems are in place, functioning, and being used effectively. The highest rating, “sustainable,” indicates an Afghan ministry can perform a specific function without Coalition advising or involvement, while the “fully effective” and “partially effective” ratings that follow indicate lower levels of success doing so. The lowest ratings, “agreed” and “initiated” refer to the function being agreed upon by the ministries and Coalition advisors and then beginning the process to implement that function.<sup>184</sup>

As of May 19, 2017, out of 32 MOD POAM categories, two received the highest, “sustaining capability” rating, 10 were “fully effective,” and 11 were “partially effective,” leaving the remaining nine capabilities at the “initiated” stage.<sup>185</sup> Out of 18 MOI POAM categories, one received a “sustaining capability” rating, two were “fully effective,” and seven were “partially effective,” with the remaining eight “initiated” (five) and “agreed” (three). According to these ratings, MOD is performing best in strategic communications and intelligence, and MOI in strategic communications and civilian governance. Both MOD and MOI are struggling with transparency and oversight, MOD is struggling more with gender, and MOI with intelligence.<sup>186</sup>

By the end of 2017, the MOD is projected to achieve six POAM categories at the highest, “sustaining capability” rating, 13 at “fully effective,” and 12 at “partially effective.”<sup>187</sup> The MOI is estimated to achieve one at the “sustaining capability” rating, nine “fully effective,” and four “partially effective.”<sup>188</sup>

The MOD and MOI POAM categories are fewer in number this quarter because of the introduction of an “other” POAM classification, which includes 23 POAM categories that both the MOD and MOI are responsible for mastering jointly. The majority of these are related to budgeting (6) and force sustainment (10), categories which both the MOD and MOI have few individually assigned POAM. On these joint POAM categories, both ministries are performing the best by far in budgeting, followed by policy planning and strategic communications.<sup>189</sup>

## ANDSF Strength

ANDSF strength continued to grow this quarter. As of May 20, 2017, ANDSF assigned force strength was 330,043 (not including civilians), according to USFOR-A.<sup>190</sup> As reflected in Table 3.6 on the next page, both the ANA and the ANP saw an increase in force strength for the second consecutive quarter. As shown in Table 3.7 on page 101, the ANA is now at 92.5% and the ANP at 96.3% of authorized end strength (not including civilian employees), which represents a roughly 2% (for ANA) and 1% (for ANP) increase since last quarter.<sup>191</sup> The May 2017 ANDSF assigned-strength number without civilians reflects an increase of 5,606 personnel since last quarter, and an increase of 3,126 from the same period last year.<sup>192</sup>

Compared to last quarter, the ANA, including Afghan Air Force and civilians, increased by 2,320 personnel and the ANP increased by 2,014

TABLE 3.6

<b>ANDSF ASSIGNED FORCE STRENGTH, FEBRUARY 2014–APRIL/MAY 2017</b>				
	<b>2/2014</b>	<b>5/2014</b>	<b>8/2014</b>	<b>11/2014<sup>b</sup></b>
ANA including AAF	184,839	177,489	171,601	169,203
ANP	153,269	152,123	153,317	156,439
<b>Total ANDSF</b>	<b>338,108</b>	<b>329,612</b>	<b>324,918</b>	<b>325,642</b>
	<b>2/2015</b>	<b>5/2015</b>	<b>7/2015<sup>a</sup></b>	<b>10/2015<sup>a</sup></b>
ANA including AAF	174,120	176,762	176,420	178,125
ANP	154,685	155,182	148,296	146,026
<b>Total ANDSF</b>	<b>328,805</b>	<b>331,944</b>	<b>324,716</b>	<b>324,151</b>
	<b>1/2016</b>	<b>4+5/2016<sup>c</sup></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<sup>d</sup></b>	<b>325,815</b>	<b>319,595</b>	<b>324,538</b>	<b>322,585</b>
	<b>1/2017</b>	<b>4+5/2017<sup>e</sup></b>		
ANA including AAF	177,711	180,031		
ANP <sup>e</sup>	153,997	156,011		
<b>Total ANDSF<sup>e</sup></b>	<b>331,708</b>	<b>336,042</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.

<sup>a</sup> Total "ANA including AAF" numbers for July 2015 and October 2015 are not fully supported by the detailed numbers in the USFOR-A response to SIGAR data call; Trainee, Transient, Holdee, and Students (TTHS) may represent all or part of the unreconciled portion.

<sup>b</sup> Reported November 2014 ANP number appears to double-count some Afghan Uniformed Police; actual number may be 151,272.

<sup>c</sup> ANA data as of 5/20/2016; ANP data as of 4/19/2016.

<sup>d</sup> ANA data as of 5/20/2017; ANP data as of 4/19/2017.

<sup>e</sup> ANP and Total ANDSF figures do not include "standby" personnel, generally reservists.

Source: CSTC-A response to SIGAR data call, 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 call, 12/28/2014, 3/24/2015, 6/29/2015, 9/11/2015, 12/14/2015, 3/4/2016, 6/3/2016, 8/30/2016, 11/20/2016, 1/20/2017, 4/19/2017, and 5/20/2017.

personnel. Notably, the ANA and AAF (including civilians) has seen an 8,603-person increase from this time last year.<sup>193</sup>

## ANDSF Casualties

According to figures provided by the Afghan government to USFOR-A, from January 1, 2017, through May 8, 2017, there were 2,531 ANDSF service members killed in action and an additional 4,238 wounded in action. These figures are consistent with ANDSF casualty figures provided for the same period as last year. However, USFOR-A noted that it cannot confirm the accuracy of these figures.<sup>194</sup>

According to DOD, since the ANDSF took over operational control in January 2015 ANDSF casualties have "steadily increased," with forces conducting local patrols and checkpoint operations being especially vulnerable.

TABLE 3.7

<b>ANDSF ASSIGNED FORCE STRENGTH, APRIL–MAY 2017</b>						
<b>ANDSF Component</b>	<b>Approved End-Strength Goal</b>	<b>Target Date</b>	<b>Assigned, as of April/May 2017</b>	<b>% of Goal</b>	<b>Difference Between Current Assigned Strength and Goals</b>	<b>Difference (%)</b>
ANA including AAF	188,060	December 2014	174,032	92.5%	(14,028)	(7.5%)
ANA Civilians including AAF Civilians	8,474	-	5,999	70.8%	(2,475)	(29.2%)
<b>ANA + AAF Total</b>	<b>196,534</b>		<b>180,031</b>	<b>91.6%</b>	<b>(16,503)</b>	<b>(8.4%)</b>
Afghan National Police*	161,977	February 2013	156,011	96.3%	(5,966)	(3.7%)
<b>ANDSF Total with Civilians</b>	<b>358,511</b>		<b>336,042</b>	<b>93.7%</b>	<b>(22,469)</b>	<b>(6.3%)</b>

Note: ANDSF = Afghan National Defense and Security Forces; ANA = Afghan National Army; AAF = Afghan Air Force.  
\* ANP figures do not include “standby” personnel, generally reservists.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; USFOR-A, response to SIGAR data call, 4/19/2017 and 5/20/2017.

For this reason, part of the ANDSF Road Map includes measures to decrease the number of static checkpoints to reduce the vulnerability of personnel manning them. DOD also noted the number of casualties resulting from planned offensive operations since 2015 has decreased.<sup>195</sup> The majority of ANDSF casualties continue to be caused by direct-fire attacks, with IED attacks and mine strikes accounting for much lower levels of casualties.<sup>196</sup>

## AHRIMS and APPS

The MOD and MOI, with RS assistance, are in the process of implementing and streamlining several systems to accurately manage, pay, and track their personnel—an effort that could greatly improve protection for the U.S. funds that pay most of the ANDSF’s expenses.<sup>197</sup>

The Afghan Human Resource Information Management System 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; when implemented, it will integrate AHRIMS data with compensation and payroll data to process authorizations, record unit-level time and attendance data, and calculate payroll amounts.<sup>198</sup>

In addition, the Afghan Automated Biometric Identification System (AABIS) and the ANDSF Identification Card System (ID) support the effort to link biometric records of personnel with APPS for payment of personnel. The aim is for APPS, AABIS, and ID to contain unique biometric-registration numbers: only those ANDSF members registered in AABIS will be issued an ID, and only those members registered with a linked ID will be authorized to have an APPS record for payment. The APPS will be interoperable with AABIS and ID card systems to eliminate the error-prone manual process of inputting 40-digit biometric numbers into the ID system.

CSTC-A is overseeing this process to ensure interoperability so that biometrically linked ID cards can be issued to all ANDSF personnel and that APPS can generate payroll information and bank-account information for accounted-for personnel. According to CSTC-A, this structure will 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>199</sup> The biometric cards will also, once implemented, be used to access all human resources information for personnel, including identity, pay and APPS data, promotions, assignments, killed/wounded/absent-without-leave information, and other documents.<sup>200</sup>

USFOR-A reported last quarter that there were three ongoing efforts to ensure that accurate personnel data currently exist in AHRIMS to support the migration to APPS: (1) “slotting” or matching a person to an authorized position; (2) “data cleansing” or correcting and completing key personnel data; and (3) a Personnel Asset Inventory (PAI) to correct the employment status of personnel retired, separated, or killed in action.<sup>201</sup>

This quarter, USFOR-A reported that the MOD’s PAI is still ongoing, with an anticipated completion date of November 2017: phase one, which included Kabul-area ANA and ANP units, has been completed; phase two, for the ANA’s 203rd and 215th Corps, was reportedly ending in late May 2017; phase three, for the 201st and 207th Corps, is scheduled to end in late August 2017; and phase four, for the 205th and 209th Corps, is scheduled to end in early November 2017. USFOR-A also indicated the only challenge remaining for biometrics collection is the ability of teams working in remote areas to collect data from ANP personnel who face logistical challenges in reaching PAI locations.<sup>202</sup>

As of May 21, 2017, the MOI has verified that 70% of its personnel are in AHRIMS—up from 35% last quarter. USFOR-A estimates that the MOI PAI will be completed on or before July 30, 2017, at which point the integration of AHRIMS data to APPS can commence.<sup>203</sup> In vetting comments, USFOR-A projected that the transition to APPS for both the MOI and MOD would occur before the end of 2017.<sup>204</sup>

## **“Unaccounted for” and “Ghost” Personnel**

As a result of increased attention in early 2017 to the possible existence of many ghost personnel within the ANDSF rolls, U.S. officials confirmed 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>205</sup> SIGAR requested more detailed information this quarter from U.S. officials in order to clarify the current situation involving ghost personnel and what actions have been taken by the U.S. and Afghan governments to address the issue.

USFOR-A reported that its Afghan partners are “very serious about resolving this issue,” and as of May 11, 2017, the MOD had properly enrolled and accounted for 153,398 personnel in AHRIMS, roughly 88% of the ANA, AAF, Special Mission Wing, MOD General Staff, and other MOD elements. However, they also identified 12,073 personnel, about 7% of total MOD personnel, who are “unaccounted for,” some of whom could be ghosts. The remaining 5% of personnel were trainees and students.<sup>206</sup> USFOR-A emphasized that “a thorough and deliberate process to validate all Afghan soldiers and police is ongoing and is expected to last through late summer 2017.”<sup>207</sup>

In vetting comments, USFOR-A assessed that a significant number of reported ghost personnel are better categorized as unaccounted-for personnel because often these personnel are present for duty, but have not completed proper enrollment into AHRIMS and are therefore unverified in the system. USFOR-A noted that efforts to increase enrollment in AHRIMS prior to the introduction of APPS, completion of PAIs, and continued enforcement by CSTC-A will help resolve this problem and better identify the number of ghost personnel.<sup>208</sup>

According to USFOR-A’s data, the distribution of unaccounted-for personnel is relatively even, with the exception of the ANA’s 215th Corps in Helmand, which has the lowest number of unverified personnel, almost half as many as other ANA combat corps.<sup>209</sup> This is perhaps surprising given that the 215th Corps is a “main effort” corps, meaning that it bears a heavy burden in battling the Afghan insurgency, and has in the past been plagued by issues of corruption and lack of transparency.<sup>210</sup> The corps with the most unaccounted-for personnel are: the 201st Corps, covering Kapisa, Kunar, Laghman, Nangarhar, and Nuristan Provinces, at 8.7% of their reported strength, and the 207th Corps, covering Badghis, Farah, Ghor, and Herat Provinces, at 11.2% of their reported strength. Notably, the ANA’s Medical Command has not accounted for 22.5% of its reported personnel.<sup>211</sup> USFOR-A added that there is currently no zone-level breakdown of unaccounted-for personnel for the ANP.<sup>212</sup>

The U.S. government continues to disburse funds only to those ANDSF personnel it is confident are properly accounted for. USFOR-A reported approximately \$18.5 million in cost avoidance by not paying unaccounted-for and suspected ghost personnel since January 2017, up \$3.5 million from last quarter. The command advised that this amount will continue to change as the MOD and MOI increase the validation of the remaining soldiers and police through the ongoing PAI process.<sup>213</sup>

## Afghan Local Police

ALP 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>214</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. funds provided directly to the Afghan government.<sup>215</sup> Although the ALP is overseen by the MOI, it is not counted as part of the ANDSF's authorized end strength.<sup>216</sup>

As of May 7, 2017, the NATO Special Operations Component Command-Afghanistan (NSOCC-A) reported that according to the ALP Staff Directorate, the ALP has 28,986 guardians, 25,069 of whom are trained, 3,687 remain untrained, and 203 are currently in training.<sup>217</sup> These figures indicate an increase of 262 ALP personnel overall, a 532-person increase in trained personnel, and an increase of 520 untrained personnel.<sup>218</sup> According to NSOCC-A, MOI directed untrained personnel to attend training at the provincial training centers during the winter season, and increased training at the regional training centers in the spring (for ease of access during the fighting season).<sup>219</sup> The MOI's 1396 (2017) Bilateral Financial Commitment Letter obligates the MOI to have no more than 5% of the on-hand ALP force untrained; currently 13% of the force is untrained.<sup>220</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 in Kabul and does not track ALP retention, attrition, or losses.<sup>221</sup> However, the Afghan government reported that 181 ALP guardians were killed in action and 293 were wounded from February through April 2017, figures that are roughly consistent with casualties from previous quarters.<sup>222</sup>

This quarter, NSOCC-A reported continuing efforts to enroll ALP personnel in AHRIMS in order 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>223</sup> As of May 8, 2017, there are 22,207 ALP biometrically enrolled (77% of the force), 24,803 ALP enrolled in EFT (86%), up five percentage points since last quarter, and 22,862 ALP slotted in AHRIMS (79%), up nine points since last quarter, marking considerable progress. NSOCC-A remarked that the progress made on these goals "significantly contributes to the elimination of ALP ghost personnel."<sup>224</sup>

The MOI's 1395 (2016) Bilateral Financial Commitment Letter laid out clear goals for the completion of ALP registration for biometric IDs (100% of the ALP), EFT salary payments (90% of the ALP), and slotting ALP personnel in AHRIMS (95% of ALP) by December 20, 2016.<sup>225</sup> The 1396 (2017) Commitment Letter calls for 100% of the ALP to be registered into AHRIMS, though it is unclear by what date. It also stipulates that guardians will receive their biometric IDs, be slotted into AHRIMS and APPS (when APPS is implemented), and enrolled in EFT during training.<sup>226</sup> The current enrollment percentages indicate the ALP still have not reached these goals. However, NSOCC-A continues to recommend no penalties, based on the efforts of the ALP Staff Directorate and other ALP leaders to complete the requirements. CSTC-A concurred with their recommendation.<sup>227</sup>

As with the ANA and ANP, CSTC-A will fund salaries only for ALP guardians who are actively slotted in AHRIMS. NSOCC-A reported a reduction in their estimated U.S. funding for the ALP from \$93 million annually in early 2017 to an estimated \$85–91 million for the rest of the fiscal year, depending on how many additional ALP are successfully enrolled in AHRIMS. NSOCC-A notes that they suspect the reduction of funding will incentivize the MOI to account for those ALP not registered in AHRIMS in order to recoup lost U.S. funding.<sup>228</sup> NSOCC-A says that CSTC-A reviews validated personnel numbers every three months and provides updated funding based on validated AHRIMS personnel numbers. As of April 24, 2017, CSTC-A is funding 21,698 ALP guardians.<sup>229</sup> In vetting comments, NSOCC-A noted that meeting the MOI Bilateral Financial Commitment Letter’s goals is particularly difficult for the ALP because they are traditionally located in very rural areas. According to NSOCC-A, there are some districts that do not have the infrastructure needed to complete AHRIMS enrollment, and travelling to PAI locations in order to enroll in AHRIMS can be a life-endangering risk for some ALP personnel.<sup>230</sup>

The ALP Staff Directorate has been conducting district assessments since October 2016, when the Minister of Interior directed all eight police zones be assessed. NSOCC-A reported this quarter that two senior leaders completed ALP assessments in Zones 202 and 303. NSOCC-A is awaiting the results following their review by the Minister of Interior.<sup>231</sup>

## AFGHAN NATIONAL ARMY

As of June 30, 2017, the United States had obligated \$42.6 billion and disbursed \$41.9 billion of ASFF funds to build, train, equip, and sustain the ANA.<sup>232</sup>

### ANA Strength Shows Modest Improvement

As of May 20, 2017, the overall assigned strength of the ANA, including the AAF but not including civilians, was 174,032 personnel, as shown in Table 3.7 on page 101 of this section.<sup>233</sup> ANA strength (including the AAF but not civilians) has steadily increased two quarters in a row, with this quarter seeing a 3,592-person increase from last quarter.<sup>234</sup> According to USFOR-A, possible ghost personnel are not subtracted from these strength figures because ghosts are estimated using the AHRIMS (personnel management) and APPS (payment) systems, both still undergoing improvements, while a different reporting system currently calculates manpower.<sup>235</sup> For more information on AHRIMS, APPS, and ghost personnel, please see page 101.

ANA assigned military personnel are at 92.5% of their authorized end strength, a two-point increase from last quarter. However, civilian strength has suffered in the last three months: the number of ANA and AAF civilians fell by 1,272 personnel to 5,999, and civilian strength has slipped from 94.1% last quarter to 70.8% of the authorized civilian strength.<sup>236</sup> Despite

this shortfall, when including ANA and AAF's civilians, the ANA's overall strength still increased by 2,320 personnel since last quarter and by 8,603 since the same period last year.<sup>237</sup>

According to USFOR-A, the overall ANA monthly attrition rate for the last quarter, including the AAF, Special Operations Forces, trainees, and students was:

- January 2017: 2.9%
- February 2017: 2.1%
- March 2017: 1.9%

The 2.3% average attrition for this quarter marks the second quarter in a row attrition has decreased, this time by 0.3 percentage points.<sup>238</sup> Corps-level attrition figures are classified and will be reported in the classified annex of this report.

According to DOD, attrition remains a larger problem for the ANA than for the ANP, in part because ANA soldiers enlist for limited tours of duty and have more widespread deployments across the country, while police view their careers as longer-term endeavors.<sup>239</sup>

To decrease the potential for local influence, the ANA does not allow soldiers to serve in their home areas. DOD observed that the policy has resulted in increased transportation costs and obstacles for soldiers attempting to take leave, contributing to absences without leave. However, the ANP historically suffers significantly more casualties than the ANA.<sup>240</sup> DOD also noted that the Coalition is no longer encouraging pay incentives to address retention because they have not been shown to be effective.<sup>241</sup>

## ANA Sustainment

As of June 30, 2017, the United States had obligated \$18.9 billion and disbursed \$18.4 billion of ASFF for ANA sustainment.<sup>242</sup>

CSTC-A reported the total amount expended for all payroll and non-payroll sustainment requirements in Afghan FY 1396 (2017) was \$167.7 million through March 28, 2017, a \$35.9 million increase compared to the same period last year.<sup>243</sup> While the majority of sustainment funding goes toward ANA salaries and incentive payments, aside from these, the largest uses of sustainment funding were for equipment and supplies, mainly vehicle and aircraft fuel, (\$23.6 million) and logistics (\$1.5 million).<sup>244</sup>

## ANA Salaries and Incentives

CSTC-A reported that the funding required for ANA base salaries, bonuses, and incentives will average \$627.1 million annually over the next four years, a considerable increase in the cost-per-year estimate given last quarter, which was \$545.3 million annually.<sup>245</sup> In vetting comments, DOD noted that the increase in cost was mainly due to the transfer of 40,000 ANP personnel to the ANA as part of the ANDSF Road Map plan to move certain

### SIGAR SPECIAL PROJECT

SIGAR released a special project this quarter entitled ANA Proprietary Camouflaged Uniforms that reviewed DOD's procurement of camouflage uniforms for the ANA that may have been inappropriate for the Afghan environment, incurring a possible \$28 million in unnecessary costs. For more information, see pp. 37–38 of Section 2.

paramilitary police elements (Afghan Border Police and Afghan National Civil Order Police) from MOI to MOD authority.<sup>246</sup> DOD also noted that the forecasted salary and incentives figures are for planning purposes only and are not definitive indicators of future DOD support, which will depend on Afghan progress toward reconciliation, reducing corruption, security conditions, and other factors.<sup>247</sup>

Of the \$167.7 million spent on ANA sustainment in Afghan FY 1396 through March 28, 2017, \$136.6 million was spent on salaries (\$55.1 million) and incentive pay (\$81.5 million) for ANA officers, noncommissioned officers and soldiers, civilians, and contractors.<sup>248</sup> Funding for ANA salaries increased slightly (by roughly \$8 million) since this period last year, while incentive pay increased by about \$39 million.<sup>249</sup>

## ANA Equipment and Transportation

As of June 30, 2017, the United States had obligated and disbursed \$13.7 billion of ASFF for ANA equipment and transportation.<sup>250</sup> Most of these funds were used to purchase vehicles, aircraft, ammunition, communication equipment, weapons, and other related equipment.<sup>251</sup> Approximately 47.3% of U.S. funding in this category this quarter was for vehicles and related parts, followed by 16.5% for ammunition, and 16.2% for aircraft and related parts, as shown in Table 3.8.<sup>252</sup>

The total cost of equipment and related services procured for the ANA was \$15.7 billion as of June 30, 2017. This represents a nearly \$319.3 million increase since last quarter, and a \$522.8 million increase since the same period last year.<sup>253</sup> This considerable increase was due in part to the purchase of MD-530 helicopters and funds for the national maintenance strategy.<sup>254</sup>

TABLE 3.8

<b>COST OF U.S.-FUNDED ANA EQUIPMENT, AS OF JUNE 30, 2017</b>			
<b>Type of Equipment</b>	<b>Procured</b>	<b>Remaining to be Procured</b>	<b>Procured and Fielded to the ANA</b>
Vehicles	\$7,436,160,021	\$24,352,619	\$6,707,279,043
Aircraft	2,543,386,402	378,386,745	1,534,466,913
Ammunition	2,593,763,956	64,706,697	2,340,083,230
Communications	911,296,017	83,548,368	673,422,562
Other	1,043,705,797	342,538,982	859,065,577
Weapons	653,286,146	17,394,846	681,000,310
C-IEDs	455,211,247	1,845,520	354,803,671
Transportation Services	71,442,600	0	68,997,343
<b>Total</b>	<b>\$15,708,252,186</b>	<b>\$912,773,777</b>	<b>\$13,219,118,649</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, 6/30/2017.

## **CSTC-A Reports Improvements in ANA Equipment Readiness Ahead of Summer Campaign**

According to CSTC-A, the operational readiness (OR) of ANA equipment substantially improved across all ANA combat elements this quarter.

As of April 19, 2017, CSTC-A reported the ANA's corps-level equipment OR rates at 62% for the 201st Corps, 69% for the 203rd, 61% for the 205th, 86% for the 207th, 54% for the 209th, and 42% for the 215th. CSTC-A also reported the equipment OR rates for the ANA Special Operations Command (ANASOC) at 78% and the ANA's 111th Capital Division at 93%.<sup>255</sup> CSTC-A calculates the OR rates 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 use at a static location or checkpoint.<sup>256</sup>

According to CSTC-A, the equipment OR benchmark is 70% for each ANA corps and 80% for the ANASOC, with the latter being higher because it is the combat element that takes on the majority of the ANA's offensive operations.<sup>257</sup> While not all ANA combat elements met their benchmark goals, all ANA corps saw a 3.5-point average increase in their operational readiness rates when compared to last quarter, when all elements saw a decline or had stagnated in their equipment operational readiness.<sup>258</sup> This increase likely factored into CSTC-A's assessment that the ANA entered the summer 2017 campaign at a higher readiness level than they entered the 2016 summer campaign.<sup>259</sup>

The ANA corps with the highest equipment OR rates were the 207th (86%), which covers western Afghanistan around the relatively stable Herat Province, followed by the 203rd Corps (69%), in charge of eastern Afghanistan's Paktika, Khowst, Paktiya, Ghazni, Logar, Wardak, and Bamiyan Provinces.<sup>260</sup> The 215th Corps in Helmand Province, where much of the fighting in southern Afghanistan is concentrated, continued to have the lowest equipment OR rate at 42% this quarter, followed by 54% for the 209th Corps, which covers the majority of northern Afghanistan's provinces.<sup>261</sup> Notably, the 215th Corps saw the largest improvement in OR of any ANA element since last quarter (a nine percentage-point increase) while the 209th Corps' OR remained the same.<sup>262</sup>

CSTC-A remarked that the "main effort corps" shouldering most of the fighting burden (the 215th, 209th, and 205th Corps) struggled to keep up with equipment maintenance, which in turn kept their OR rates relatively low and static during the winter campaign. However, some improvements were made by deploying additional maintenance enablers and focusing more on sustainment late in the campaign, which will continue during the spring and summer campaign (Operation Khalid). They noted that the remaining obstacles to improving equipment OR include poor maintenance management, failure to report misuse of military mechanics, lack of assigned key logistic leaders, lack of maintenance performance, and

underutilization of contracted maintenance providers. CSTC-A reported that it continues to reinforce maintenance management through its assistance efforts across the ANA.<sup>263</sup>

## **Core Information Management System Makes Progress but Lacks Full Visibility**

The Core Information Management System (CoreIMS) is part of the solution to address capability gaps in the Afghan logistical supply chain to ensure that the ANDSF are properly equipped. Since 2012, efforts have been under way to develop and implement an automated system within both MOD and MOI to replace a paper-based process in order to better track equipment and supplies.<sup>264</sup>

CoreIMS is an inventory-management system that electronically tracks basic items like vehicles, weapons, night-vision devices, and repair parts. The system helps allocate materiel and analyze its usage to predict future item and budget requirements, while reducing opportunities for fraud.<sup>265</sup> The goal for the system is to improve Afghan sustainment processes by providing managers and decision makers with a real-time status of assets.<sup>266</sup> To do this, CSTC-A has integrated CoreIMS with the Security Cooperation Information Portal (SCIP)—a U.S. database of the sale and provision of U.S. military materials, services, and training to foreign countries and international organizations—to save time and resources of ANDSF procurement personnel, decrease human error, and significantly improve order and asset visibility.<sup>267</sup>

As of March 1, 2017, the web-based CoreIMS became available and fully functional at MOD and MOI national logistic locations, forward supply depots, and regional supply logistic centers.<sup>268</sup> In addition, CSTC-A had been providing advanced CoreIMS training for Afghan logistic specialists to train, mentor, and assist other ANA and ANP personnel in logistics operations and CoreIMS functionality.<sup>269</sup>

While the ANA and ANP are both using the system, there are still challenges with the transfer and receipt processes within the depots that require CSTC-A to monitor the handling of equipment purchased by the United States for the ANDSF.<sup>270</sup> According to CSTC-A this quarter, the remaining issue with CoreIMS is that once materiel is distributed below the regional level to the local forward supply depots or units, CoreIMS loses visibility. CSTC-A notes that plans are under way to integrate CoreIMS down to the brigade level (ANA) and the provincial headquarters level (ANP) in the next four years. This will also include the ALP, which are supported through the MOI's supply chain.<sup>271</sup>

## **ANA Infrastructure**

As of June 30, 2017, the United States had obligated and disbursed \$5.9 billion of ASFF for ANA infrastructure projects.<sup>272</sup> Total ANA sustainment



costs for FY 2017, covering all ANA facility and generator requirements, are roughly \$74.2 million, \$17.5 million of which is funded through the NATO ANA Trust Fund, while the remaining \$56.7 million is funded through U.S. ASFF funds.<sup>273</sup>

As of May 21, 2017, the United States had completed 408 infrastructure projects valued at \$5.3 billion, with another 22 ongoing projects valued at \$142.6 million, according to CSTC-A.<sup>274</sup>

The largest ongoing ANA infrastructure projects are the same as last quarter: the second phase of the Marshal Fahim National Defense University in Kabul (with an estimated cost of \$72.7 million) to be completed in December 2017, a Northern Electrical Interconnect (NEI) substation project in Balkh Province (\$27.7 million), now slated to be completed in October 2019, seven months later than previously reported, and an NEI substation in Kunduz (\$9.5 million), the completion of which has been pushed back nine months to February 2019.<sup>275</sup>

Four ANA infrastructure contracts with a total value of \$3.2 million were awarded this quarter. These include: a relocatable, large-area maintenance shelter at Kandahar Airfield; a squad operations and alert facility in Mazar-e Sharif; a commando camp in Kabul; and an A-29 taxiway in Mazar-e Sharif.<sup>276</sup>

An additional 44 infrastructure projects, the top 24 of which are valued at \$248 million, are currently in the planning phase: four Kabul National Military Hospital projects (\$14.4 million), 10 Afghan Electrical Interconnect projects (\$80 million), five ANASOC projects (\$44.9 million), and five AAF projects (\$13.9 million). The remaining five projects, valued at around \$94.4 million, comprise other ANA sustainment projects supporting the new MOD headquarters, the **Women's Participation Program**, and other security facilities.<sup>277</sup>

As part of the Women's Participation Program (WPP), CSTC-A has continued developing facilities specifically for female personnel in the ANA. While no projects were completed this quarter, there were two ongoing WPP projects. One was a gym, dining facility, and conference center at the National Defense University in Kabul (\$4.4 million); the other was a barracks project at the AAF base at Hamid Karzai International Airport in Kabul (\$1.5 million). Three WPP projects are currently being planned, including a \$2 million project for barracks at the AAF's university in Kabul, a roughly \$1 million project for a day care facility at the Kabul Military Training Complex, and an \$845,000 day care facility at Camp Zafar in Herat.<sup>278</sup>

CSTC-A reported no updates this quarter on infrastructure-related train, advise, and assist activities.

## ANA and MOD Training and Operations

As of June 30, 2017, the United States had obligated and disbursed \$4 billion of ASFF for ANA, AAF, and MOD training and operations.<sup>279</sup>

**Women's Participation Program:** An initiative that 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 their membership in the ANDSF.

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



**AAF students graduate** from officer candidate school in May at the Afghan Air Force Academy in Kabul. (Air Force photo by Tech. Sgt. Veronica Pierce)

According to CSTC-A, ASFF training funds are used to send ANA and AAF students to vocational training and professional military education opportunities abroad, including aviation training, special forces training, basic officer-leadership courses, captain's career courses, war-college programs, seminars, and conferences.<sup>280</sup>

As of May 21, 2017, CSTC-A reported 12 ongoing U.S.-funded training programs for the ANA and AAF. The largest of these projects are multiyear contracts that include a \$41.9 million project for out-of-country training for AAF pilots, a \$36.8 million project to train Afghan special forces, and two separate \$18.3 million projects to run contractor-led training for the ANA.

This quarter, a new project focused on training women in the ANA. The Gender Occupational Opportunity Development (\$4 million) will give female personnel the tools and opportunities for future employment in the MOD.<sup>281</sup>

## Afghan Air Force

As of May 20, 2017, the overall assigned strength of the AAF, including civilians, was 8,413 personnel, a 24-person increase since last quarter.<sup>282</sup>

As of May 18, 2017, the United States has appropriated approximately \$5.2 billion to support and develop the AAF since FY 2010, with roughly \$1.5 billion of it requested in FY 2017. Of the total amount since 2010, \$2.2 billion was spent on the Special Mission Wing, the special operations branch of the AAF.<sup>283</sup> CSTC-A noted that the FY 2017 figure includes DOD's recent request to Congress for \$814.5 million to fund the Afghan Aviation Transition Plan (AATP), which will replace the AAF's aging, Russian-made



A SIGAR staffer talks with a Coalition officer about the MD-530 light helicopters being supplied to the Afghan Air Force for air support of ground troops. (SIGAR photo)

Mi-17 fleet with refurbished, U.S.-made UH-60 Black Hawk helicopters obtained from U.S. Army stocks.<sup>284</sup>

Since FY 2010, nearly \$3.4 billion has been obligated for the AAF, with roughly \$252 million of FY 2017 funds obligated as of May 18, 2017.<sup>285</sup> The majority of the funding obligated since FY 2010 has been designated for sustainment items, which account for 48.9% of obligated funds, followed by equipment and aircraft at 31.5%, a percentage that will increase as funding for the AATP continues to be obligated.<sup>286</sup>

The AAF's current inventory of aircraft includes:<sup>287</sup>

- 4 Mi-35 helicopters
- 46 Mi-17 helicopters (19 unusable)
- 27 MD-530 helicopters (one unusable, two combat losses)
- 24 C-208 utility airplanes
- 4 C-130 transport airplanes (one unusable)
- 19 A-29 light attack airplanes (12 are currently in Afghanistan and seven are in the United States supporting AAF pilot training)

As of May 21, 2017, of the 19 unusable Mi-17s, seven aircraft are in overhaul, four are in heavy repair, three are awaiting extraction and assessment, and five have expired, meaning they will be reusable once they are overhauled. The one unusable MD-530 is damaged due to a hard landing during training; two others were lost during Afghan combat operations. According to DOD, the two MD-530 combat losses have yet to be written off of the inventory, keeping the number of MD-530s at 27 rather than 25. The C-130 that is unusable is in depot.<sup>288</sup>

As part of the AATP, over the next several years, the AAF will receive a significant number of new or refurbished airframes to grow the AAF's inventory. According to USFOR-A, in FY 2017, two more A-29 aircraft have been purchased, but not yet fielded. In order to replace the AAF's aging Mi-17s, the United States has also procured 53 UH-60 Black Hawk helicopters as well as 30 MD-530s, three AC-208s, and four additional A-29 aircraft (for a total of six) using FY 2017 funds.<sup>289</sup>

While the delivery timelines and training requirements are still being determined, by the end of the AATP in 2023, the AAF will have a total of 61 UH-60s, 58 Fixed Forward Firing UH-60, 54 MD-530s, 24 C-208s, 32 AC-208s, 4 C-130 aircraft, and 25 A-29s.<sup>290</sup>

## USFOR-A Reports High Operational Readiness for AAF

In line with the high praise the AAF consistently receives as one of Afghanistan's best-performing force elements, the AAF's operational readiness (OR) improved even further this quarter, with all of its airframes exceeding their OR goals despite a sharp incline in operational usage.<sup>291</sup>

According to USFOR-A, the AAF flew 5,612 sorties from March 2017 through April 2017. The average monthly sorties this quarter shows an



**Afghan aircraft maintainers** examine an A-29 Super Tucano, a light-attack airframe new to the AAF fleet. (Air Force photo by Tech. Sgt. Veronica Pierce)

83% increase from the previous four months of reporting.<sup>292</sup> While this change is likely attributed to slightly lower tempo of operations in the winter months, it still indicates a considerable increase in the AAF's recent operational activity.

With the exception of the C-130, no AAF airframe flew over its number of recommended hours this quarter. And while the C-130 flew twice as many hours as recommended, it was the only airframe that achieved 100% OR throughout the reporting period.<sup>293</sup> Based on USFOR-A's assessment of the AAF's airframes, the only one that could face a strain from overutilization is the Mi-17 because it had the lowest OR of any airframe, even though it met its OR goals and flew the most missions by far this reporting period. The Mi-17 airframe flew 50% of total sorties by all airframes during that period, although this is a decrease of nearly 4 percentage points since last quarter.<sup>294</sup> These figures help explain how the AAF and its Coalition advisors have begun addressing outstanding issues with the fleet's OR and how the implementation of the AATP, with its emphasis on replacing the Mi-17s with recently refurbished UH-60s, could further improve the AAF's OR and capability gaps.<sup>295</sup>

### **Personnel Capability**

USFOR-A provided the following information regarding how many fully mission-qualified, or certified mission-ready (CMR) crew members the AAF has for each of its airframes. For more information about the



specific training involved for crew members attaining CMR status, please see SIGAR's April 2017 *Quarterly Report to Congress*, pages 111–113.

According to USFOR-A, this quarter:<sup>296</sup>

- **C-130:** 12 total pilots, including five mission pilots, three instructor pilots, and four copilots (up four from last quarter), five flight engineers, and ten loadmasters (up two from last quarter) are CMR.
- **C-208:** 42 total pilots, including 16 mission pilots, 14 co-pilots, and 12 instructor pilots, are CMR (same as last quarter).
- **A-29:** 11 total pilots, including nine mission pilots (down one from last quarter) and two instructor pilots, are CMR.
- **MD-530:** 58 total pilots, including 35 mission pilots (up 4 from last quarter) and seven instructor pilots (up two from last quarter), are CMR. There are an additional 16 new pilots since last quarter who have yet to become CMR.
- **Mi-17:** 82 total pilots, including 32 aircraft commanders, 39 co-pilots, and 11 instructor pilots, 27 flight engineers, and 53 gunners are CMR.
- **Mi-35:** 10 pilots are CMR (same as last quarter).

## The Special Mission Wing

The Special Mission Wing is the aviation branch of the MOD's Afghan Special Security Forces that provides aviation support to Afghanistan's counternarcotics, counterterrorism, and special operations forces.

According to DOD, the SMW is the only ANDSF force with night-vision, rotary-wing air assault, and fixed-wing intelligence, surveillance and reconnaissance capabilities. The SMW's four squadrons include two in Kabul, one at Kandahar Airfield, and one at Mazar-e Sharif Airfield, providing the ASSF with operational reach across Afghanistan.<sup>297</sup>

As of June 2017, the SMW had 788 personnel and was at 87% of its authorized strength, slightly lower than Afghanistan's other force elements. DOD notes that because the SMW's recruiting standards are higher than those of the AAF and other ANDSF elements, the SMW struggles to find qualified personnel for pilot and maintenance positions.<sup>298</sup>

The two main funding sources for the SMW are the ASFF and the DOD Counternarcotics (DOD-CN) fund.<sup>299</sup> From FY 2010 to May 17, 2017, just over \$2.2 billion has been obligated for the SMW from both funds. The vast majority of the funding obligated since FY 2010 has been designated for sustainment items (46.1%) and equipment and aircraft (45.8%).<sup>300</sup> According to NSOCC-A, of the \$122 million obligated for the SMW from the DOD-CN fund FY 2017, only about \$29 million has already been spent.<sup>301</sup>

This quarter, NSOCC-A reported that from late February through early April, all SMW locations successfully completed their multi-day, multi-mission training exercises in preparation for more active fighting in the spring and summer. The SMW also completed collective training courses in order to increase the number of mission-ready crew members. This included a

60% increase in the SMW's mission-ready Mi-17 fight crews since the end of the 2016 fighting season early last fall, and a nearly five-fold increase in qualified air intelligence officers. While the number of PC-12 crews remained relatively stagnant, the SMW and Coalition advisors expect to increase their numbers by the end of 2017.<sup>302</sup>

SIGAR will report additional details of the SMW budget, inventory, and capabilities in the classified annex to this report.

## AFGHAN NATIONAL POLICE

As of June 30, 2017, the United States had obligated \$20.4 billion and disbursed \$20.1 billion of ASFF funds to build, train, equip, and sustain the ANP.<sup>303</sup>

### ANP Strength Continues to Rise

As of April 19, 2017, 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 156,011, according to USFOR-A.<sup>304</sup> ANP strength saw a 2,014-person increase since last quarter, and 3,482-person increase in the last six months, as seen in Table 3.9. The increase brings the ANP to 96.3% of their authorized end strength.<sup>305</sup>

Patrolmen represent the largest component of the ANP this quarter with 70,604 personnel; noncommissioned officers numbered 50,412, while officer ranks stood at 27,857. Compared to last quarter, the largest increase in personnel occurred within the patrolmen ranks (424 new personnel) and largest decrease was within the noncommissioned officer ranks (754 fewer officers).<sup>306</sup>

TABLE 3.9

ANP STRENGTH, SIX-MONTH CHANGE						
ANP Component	Authorized			Assigned		
	Q4 2016	Q2 2017	6-Month Change	Q4 2016	Q2 2017	6-Month Change
AUP	88,014	88,530	516	85,188	86,094	906
ABP	23,322	23,322	-	20,982	21,694	712
ANCOP	17,060	16,544	(516)	15,460	14,579	(881)
MOI HQs & IS	28,604	28,604	-	26,005	26,343	338
NISTA*	4,977	N/A	-	4,894	7,301	2,407
<b>ANP Total** (as reported)</b>	<b>161,977</b>	<b>157,000</b>	<b>0</b>	<b>152,529</b>	<b>156,011</b>	<b>3,482</b>

Note: Quarters are calendar-year; Q4 2016 data as of 11/2016; Q2 2017 data as of 4/2017. AUP = Afghan Uniformed Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; IS = Institutional Support personnel.

\*NISTA (Not In Service for Training) are generally students.

\*\*ANP Totals do not include standby personnel, generally reservists. In Q4 2016, there were 2,048 standby personnel reported; in Q2 2017, there were none.

Source: USFOR-A, response to SIGAR data call, 11/20/2016 and 6/3/2017.



ANP attrition stayed relatively stable since the last reporting period. According to USFOR-A, the overall ANP monthly attrition rate for the quarter was:<sup>307</sup>

- February 2017: 1.8%
- March 2017: 1.8%
- April 2017: 2.6%

## ANP Sustainment

As of June 30, 2017, the United States had obligated \$9 billion and disbursed \$8.8 billion of ASFF for ANP sustainment.<sup>308</sup> This includes ASFF contributions to LOTFA, which pays for ANP salaries, the largest use of sustainment funding.<sup>309</sup> As of July 16, 2017, the United States contributed \$20.8 million to LOTFA. Other uses include electricity, organizational clothing and individual equipment, and vehicle fuel.<sup>310</sup>

In addition to LOTFA, CSTC-A has thus far provided nearly \$8 million for ANP salaries and incentives since the beginning of the fiscal year. The total estimated ANP salary and incentive costs is \$77.6 million per year for the next two years, with the United States paying for the entirety of the contribution.<sup>311</sup>

## ANP Equipment and Transportation

As of June 30, 2017, the United States had obligated and distributed \$4.5 billion of ASFF for ANP equipment and transportation.<sup>312</sup> Most of these funds were procured to purchase vehicles, ammunition, weapons, and communications equipment, as shown in Table 3.10, with approximately 64.6% going towards vehicles and vehicle-related equipment, followed by 13.5% for ammunition.<sup>313</sup>

The total cost of equipment and related services procured for the ANP was \$5.6 billion as of June 30, 2017.<sup>314</sup> This represents a substantial

TABLE 3.10

<b>COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF JUNE 30, 2017</b>			
<b>Type of Equipment</b>	<b>Procured</b>	<b>Remaining to be Procured</b>	<b>Procured and Fielded to the ANP</b>
Weapons	\$309,982,254	\$1,627,691	\$297,900,418
Vehicles <sup>a</sup>	3,585,125,486	3,635,133	3,261,663,140
Communications	249,934,662	13,307,558	231,735,671
Ammunition	751,411,579	30,275,643	493,617,941
Transportation Services	78,181,320	0	73,035,507
C-IEDs	131,840,216	374,271	118,457,042
Other	445,823,259	150,066,890	331,687,044
<b>Total</b>	<b>\$5,552,298,776</b>	<b>\$199,287,186</b>	<b>\$4,808,096,763</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, 6/30/17.

\$205.4 million increase in procurements since last quarter, and a \$296.1 million increase since the same period last year.<sup>315</sup> The total cost of ANP equipment fielded this quarter was \$4.8 billion, with the majority of the funds spent on vehicles and ammunition.<sup>316</sup>

## Equipment Operational Readiness

This quarter, for the first time SIGAR requested information regarding the operational readiness of equipment across the MOI's various elements. MOI reported to NSOCC-A an average equipment OR rate of 92%. However, according to NSOCC-A, these OR rates are calculations of fully mission capable equipment divided by the total number of authorized equipment, and because the MOI reported excess vehicles on hand in many police zones, equipment OR is reported as higher than 100% in some cases. NSOCC-A is confident, despite this "questionable reporting," that MOI OR rates are high since the majority of the MOI's maintenance is performed by a U.S. government contractor rather than independently by MOI personnel.<sup>317</sup>

As of March 30, 2017, the ANP zone with the highest OR rate by far was the 505th Zone, covering Helmand Province, which may be in part due to the closer coordination of Coalition advisors with ANP personnel through expeditionary advisory packages deployed there. The zone with the lowest OR rate was the 101st Capital Zone, covering Kabul, at 51%. The ABP and ANCOP also have personnel operating in Kabul, and those elements have 125% and 61% OR rates respectively.<sup>318</sup>

## ANP Infrastructure

As of June 30, 2017, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF for ANP infrastructure.<sup>319</sup> According to CSTC-A, as of May 21, 2017, the United States had completed a total of 745 infrastructure projects valued at \$3.6 billion. This quarter, CSTC-A reported 21 ongoing projects valued at roughly \$74 million.<sup>320</sup> There are currently 16 infrastructure projects in the planning phase worth \$115.9 million, the majority of which are Women's Participation Projects.<sup>321</sup>

The largest ongoing ANP infrastructure project this quarter is the installation of an IT server at the MOI Headquarters Network Operations Center in Kabul (with an estimated cost of \$33.6 million). This is followed by two WPP projects: compounds for women at the Regional Training Center in Jalalabad (\$7.8 million) and the Kabul Police Academy (\$6.7 million).<sup>322</sup>

CSTC-A estimates that the U.S. government would need to spend approximately \$56.9 million toward ANP infrastructure costs per year to cover current ANP facility and generator sustainment requirements. This figure includes the \$42.3 million that would be spent on ANP on-budget sustainment costs, \$8.1 million in funding for new, off-budget facilities and generators as part of the initiative to expand the ASFF, and \$6.5 million on ANP off-budget sustainment costs.<sup>323</sup>

“[The Afghan government is] now moving onto the far harder task of dealing with institutional corruption in the police, to turn them into servants of the people. Again, this involves new leadership at the top and changes in systems and processes further down.”

—*Ashraf Ghani, President of Afghanistan*

Source: Office of the President, Islamic Republic of Afghanistan, “President Ghani’s Address to NATO Ambassadors,” 5/19/2017.

## ANP Training and Operations

As of June 30, 2017, the United States had obligated and disbursed \$3.7 billion of ASFF for ANP and MOI training and operations.<sup>324</sup>

According to CSTC-A, ASFF training funds for the ANP are used for U.S.-based professional military education, travel, living allowances, and medical expenses for MOI, ANP, and General Command Police Special Units personnel to attend law enforcement and military training. Some training courses include Command and General Staff College, Sergeant Major Academy, and the Captain’s Career Course. The goal of the U.S.-based military training is to increase technical skills and to enhance knowledge and leadership at all levels. CSTC-A says that the program allows the U.S. military to have a lasting impression on the development of the ANP.<sup>325</sup>

CSTC-A also uses ASFF funding to recruit and hire Afghan logistics specialists who train, advise, and assist the ANP in a wide array of ANDSF logistic skills, to include English translation, computer skills, equipment accountability and tracking, inventory management and warehousing, modern business skills, and other logistic functions. ASFF can also be used to procure contractor advisors and mentors who advise, train, and mentor the ANP to increase their overall capabilities in essential functions such as finance, internal controls, governance, force generation, training and sustainment of the force, logistics, sustainment, planning, executing security operations, and intelligence.<sup>326</sup>



**ANP Engineers** conduct IED detection, extraction, and destruction training in early June at Bost Airfield in Lashkar Gah, Helmand Province. (Marine Corps photo by Sgt. Justin Updegraff)

As of April 17, 2017, only 2.4% of ANP personnel (not including ALP) were untrained (3,559 untrained out of 148,710 active ANP personnel), which indicates that the ANP is maintaining better training readiness than the 5% untrained-personnel threshold mandated by the MOI's 1395 Bilateral Financial Commitment Letter.<sup>327</sup>

The MOI's largest ongoing training contracts include a \$10.8 million contract for training MOI advisors and mentors and a \$4.5 million contract to train ANP personnel in counter-IED and ordnance disposal methods.<sup>328</sup>

## WOMEN COMPRISE 1.3% OF ANDSF PERSONNEL

This quarter, the RS Gender Affairs Office reported that 4,189 women were serving in the ANDSF, a decrease of 199 personnel since last quarter. USFOR-A attributes this decrease to retirement and instances of absence without leave in the ANP, which was the only force to suffer female personnel attrition this quarter.<sup>329</sup> However, the ANP continued to have the highest percentage of female personnel, at 2% of its entire force strength. This attrition in female personnel this quarter reduced the overall percentage of women in the ANDSF from 1.4% last quarter to 1.3% as of May 18, 2017.<sup>330</sup>

Of the 4,189 women in the ANDSF, 2,881 were in the ANP, 1,091 were in the ANA, 142 were in the ASSF, and 75 were in the AAF. Of the women in the ANP, ANA, ASSF, and AAF, 1,424 were officers, 1,468 were noncommissioned officers, 1,175 were enlisted, and 122 were cadets.<sup>331</sup>

USFOR-A provided an update on the Gender Occupational Opportunity Development (GOOD) program contract awarded last quarter. The GOOD program currently funds literacy, computer skills, office administration, and English language training to over 200 ANA military and civilian women. Eighty-eight additional women are expected to join the program in early June. Additionally, the Dunya University Scholarship program has supported 109 ANA women who began their studies towards undergraduate degrees and 66 women who have completed their first year of undergraduate study.<sup>332</sup>

## ANDSF MEDICAL AND HEALTH CARE

The U.S. government has yet to field medical equipment for the ANDSF this quarter, but CSTC-A projects that it will spend \$23.5 million in medical equipment procurements in Afghan fiscal year 1396 (2017), down nearly \$4 million from last quarter's projection.<sup>333</sup>

As of April 16, 2017, there were 922 physicians (a five-person increase from last quarter) and 2,885 other medical staff (an eight-person decrease) within the ANDSF healthcare system; 343 physician positions (27.1% of those required) and 473 other medical positions (14.1%) remain vacant, according to CSTC-A.<sup>334</sup>



**A Task Force Southwest soldier** assists ANA personnel with a medical evacuation during an operation in Sangin District, Helmand Province. (Marine Corps photo by Sgt. Lucas Hopkins)

On March 8, 2017, terrorists attacked the Kabul National Military Hospital (KNMH), damaging it with explosions and small-arms fire. The worst damage was to the endoscopic-procedures floor, which was rendered inoperable for two weeks. The entire hospital was closed for two days after the attack for emergency repairs. By the third day, patients were being transferred back to KNMH; the hospital operating room and intensive care unit were deemed fully operational within six days of the attack. As of April 8, hospital repairs were 90% complete, with minimal maintenance and cosmetic work still required. The cost of replacing medical equipment, supplies, and furnishings was reported at \$2.7 million. Repairs are also required for the KNMH water system and utilities. The estimated cost of these repairs, including vehicle scanners to verify the content of delivery trucks, is estimated at \$19 million.<sup>335</sup>

This quarter, the 20-bed hospital in Helmand, built as part of the effort to provide local ANP zone hospitals, became operational. This brings the total number of operational zone hospitals to four out of seven planned hospitals. Five further zone hospitals in Balkh, Kandahar, Helmand, Nangarhar, and Kunduz are reportedly included in the Afghan FY 1396 (2017) procurement plan.

The zone-hospital initiative was identified as a priority of the Office of the Surgeon General (OTSG) last quarter and MOI's progress has been faster than expected. CSTC-A reported two caveats: first, that the Afghan definition of initial operating capability differs from the NATO definition,



requiring only 50% of staff available and beds physically in place and a facility, irrespective of its overall suitability as a medical treatment facility. Second, not all medical facility projects on the FY 1396 procurement plan will be executed this year due to funding limitations. The OTSG has created a prioritized list of proposed facilities in recognition of the ANDSF's scarce medical funding resources.<sup>336</sup>

The OTSG is also in the early stages of implementing a Health Information Management System (HIMS) in the Afghan National Police Hospital (ANPH) in Kabul. This feature will provide ANPH leadership and Coalition advisors with the ability to track supply consumption within the hospital. As of May 2017, contractors had delivered 75.8% of the ANDSF's medical supplies to the National Medical Depot, which were subsequently delivered to 88 of 120 ANP clinics this quarter. The remaining supply items are expected to arrive by the end of July 2017.<sup>337</sup>

CSTC-A reported that ANA physicians at KNMH and regional hospitals are generally well trained, but there are several skill sets which do not exist or are in need of refinement, including pathology, psychiatry, and general public health services. CSTC-A identified the most critically needed skill as pathology, due to the lack of capability to examine surgically excised tissue. KNMH's physician with the most skill in reading MRIs was killed in the March 8 terrorist attack and has not been replaced. There is no surgical, medical, or radiation oncologist in the entire ANA medical community, and patients seeking cancer treatment must generally go outside the country. As previously reported, standard hygiene such as handwashing is still not commonly observed, and infection control practices throughout all facilities are below acceptable World Health Organization standards.<sup>338</sup>

Following CSTC-A's report last quarter that casualty rates among ANDSF personnel are unacceptably high due in part to inadequate medical evacuation (MEDEVAC) capabilities, combat medic and MEDEVAC training courses are now being provided by a cadre of AAF doctors and medics. The first course graduated 22 students in March 2017 and a second training course in November 2017 is expected to graduate an additional 16, raising the total number of medics to 130. U.S. Air Force medical personnel with TAAC-Air periodically fly on Afghan MEDEVAC missions to observe and provide on-the-job training.<sup>339</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 \$350 million in weapons-destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has two-year funding and has



# SECURITY

TABLE 3.11

<b>CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2010–2017</b>						
<b>Fiscal Year</b>	<b>Minefields Cleared (m<sup>2</sup>)</b>	<b>AT/AP Destroyed</b>	<b>UXO Destroyed</b>	<b>SAA Destroyed</b>	<b>Fragments Cleared</b>	<b>Estimated Contaminated Area Remaining (m<sup>2</sup>)*</b>
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
2017**	14,991,197	2,109	12,079	36,518	1,158,886	591,700,000
<b>Total</b>	<b>219,845,503</b>	<b>65,777</b>	<b>1,894,355</b>	<b>5,893,812</b>	<b>83,620,528</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.

\*\*Results through 3/31/2017.

Source: PM/WRA, response to SIGAR data call, 6/22/2017.

obligated approximately \$20 million of FY 2016 funds and \$1.6 million in FY 2017 funds.<sup>340</sup>

State directly funds six Afghan nongovernmental organizations (NGOs), three 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 March 31, 2017, State-funded implementing partners have cleared more than 219.8 million square meters of land (approximately 84.9 square miles) and removed or destroyed approximately 7.9 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and homemade explosives since 2002 (see Table 3.11).<sup>341</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 (230 square miles) of contaminated minefields and battlefields. During the quarter, seven square kilometers (2.7 square miles) were cleared bringing the known contaminated area to 591 square kilometers (228.2 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>342</sup>

USAID, in partnership with the UN Mine Action Service (UNMAS), 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) III. The goal of this project is to mitigate the short-term and long-term impact of conflict on civilians.<sup>343</sup>

ACAP III works to enhance the government's capacity to better deliver services to the families of martyrs and disabled persons in Afghanistan. Some of the victims of conflict to which ACAP III provides assistance are disabled.<sup>344</sup> ACAP III is a nationwide program with a budget of \$19.6 million (revised in 2017 from \$30.2 million) and project activities are expected to continue through February 2018.<sup>345</sup>

According to the UN, of nearly 5,700 security incidents that took place between January and the end of March, 2017, 16% (over 900 events) included improvised explosive devices (IEDs)—the second most prevalent form of attack after armed attacks.<sup>346</sup> To mitigate civilian casualties from ERW, the Afghan government ratified Protocol V (Explosive Remnants of War) of the Convention on Certain Conventional Weapons in February 2016. The United Nations urges all parties to begin clearing and marking all ERW in areas under their control.<sup>347</sup> According to UNMAS, the 2017 average monthly mine incident rate of 140 victims for ERW and pressure-plate IEDs depicts a sustained average compared with a monthly average of 142 victims recorded in 2016.<sup>348</sup>

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## GOVERNANCE

### KEY ISSUES AND EVENTS

Throughout the quarter, the National Unity Government continued to grapple with high-level political realignments and tensions. As the Director of National Intelligence wrote in May, “Kabul’s political dysfunction and ineffectiveness will almost certainly be the greatest vulnerability to stability in 2017.”<sup>349</sup> In June, the UN Special Representative for Afghanistan said there are indications that “Afghanistan’s broad political consensus was fraying,” with various sides accusing the other of “acting against the national interest.”<sup>350</sup>

During a May rally with thousands of supporters in Kabul, Gulbuddin Hekmatyar, the recently reconciled leader of the Hezb-e Islami Gulbuddin (HIG) insurgent group, criticized the coalition government of President Ashraf Ghani and Chief Executive Abdullah Abdullah, saying “this division of power is not God’s will, nor is it based on the constitution.”<sup>351</sup> In June, Hekmatyar said he would not allow anyone to illegally overthrow the Afghan government.<sup>352</sup>



**Tadamichi Yamamoto, Special Representative of the UN Secretary-General,** addresses a June 2017 Security Council meeting on the situation in Afghanistan and its implications for international peace and security. (UN Photo by Eskinder Debebe)

Political rifts were exacerbated following a May 31 suicide attack in Kabul in which more than 150 people were killed and hundreds were wounded. Large, at times violent, protests broke out in response to the bombing. Afghan police killed nine protesters, and suicide bombers attacked the funeral for one of the protesters, the son of a prominent politician. Chief Executive Abdullah and several ministers were present at the funeral at the time of the attack.<sup>353</sup>

Several Afghan politicians used the bombing and subsequent protests to make various demands of the government. During an address to the Joint Coordination and Monitoring Board meeting in July, President Ghani acknowledged that political grievances are increasingly ethnic in nature. The acting minister of foreign affairs and leader of the Jamiat-e-Islami party, Salahuddin Rabbani, called for the dismissal of the leadership of the security institutions. Meanwhile, the chief executive of Jamiat-e-Islami and governor of Balkh Province, Ata Mohammad Noor, threatened to mobilize the “strongest and most dangerous civil movements” if the Afghan government did not reform the military and civil institutions. President Ghani’s recently dismissed representative for good governance and reform, Ahmad Zia Massoud, joined protesters and called for an interim government.<sup>354</sup>

In late June, senior Afghan government officials—who are also leaders of three of Afghanistan’s major ethnic political parties—met in Turkey and announced the creation of a new political coalition. First Vice President Dostum, who supported President Ghani in the 2014 election, left for Turkey in May following accusations from December 2016 that he kidnapped and ordered the sexual assault of a political rival, a former governor of Jowzjan Province. First Vice President Dostum, Balkh Governor Noor, and Second Deputy Chief Executive Mohammad Mohaqiq announced the creation of the coalition while accusing President Ghani of monopolizing power. Demands in the new coalition’s draft resolution included fully implementing the political agreement on the formation of the National Unity Government; decentralizing Afghanistan’s budget; and holding the presidential, parliamentary, and district council elections on time. On July 17, First Vice President Dostum attempted to return to Afghanistan via the city of Mazar-e Sharif. However, his aircraft was denied permission to land, reportedly on orders from the Afghan government.<sup>355</sup>

The UN Secretary-General attributed some of the political uncertainty and shifting alliances to the prospect of presidential elections in 2019. According to the UN Secretary-General, elections in Afghanistan have the potential to create new political divisions and exacerbate existing tensions.<sup>356</sup> The UN Special Representative for Afghanistan attributed the growing political mistrust in the country to delayed decisions regarding election reforms, including the use of technology, the role and modalities of international electoral assistance, voter registration, and the electoral calendar.<sup>357</sup>

In June, China's foreign minister conducted "shuttle diplomacy" between Pakistan and Afghanistan in an effort to reduce tensions between the two countries. This followed President Ghani's call for a third party to verify the efforts each country has taken toward mutual cooperation following increased tensions. While Ghani's office issued a statement that China's foreign minister believes Pakistan has influence over the Taliban, the Chinese foreign minister expressed his country's traditional support for Pakistan, saying "any notion that Pakistan is not firm in counterterrorism is not fair and is not consistent with the fact."<sup>358</sup> The Department of Defense reports, however, that Afghan-oriented militant organizations "retain freedom of action inside Pakistani territory and benefit from support from some elements of the Pakistani government."<sup>359</sup> Pakistan and Afghanistan agreed to establish a bilateral crisis-management mechanism, which will include intelligence sharing. The three governments also agreed to create a China-Afghanistan-Pakistan foreign ministers' dialogue mechanism to initially focus on fostering economic cooperation.<sup>360</sup>

In July, Afghanistan and Pakistan agreed to conduct coordinated, complementary security operations along their border. According to a Pakistani military spokesman, each side will inform the other of their planned counterterrorism operations and, in turn, be obligated to mobilize their own forces on their side of the border. This announcement followed a visit to Pakistan by five U.S. senators, who said that the United States would provide monitoring and verification of these operations.<sup>361</sup>

## **U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE**

As of June 30, 2017, the United States had provided nearly \$32.3 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 FRAMEWORKS**

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) as a guide for their activities at least to the end of the present government's term.<sup>362</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>363</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>364</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 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 next parliamentary elections—intended for 2015, but never held—and to distribute electronic identity cards to all Afghan citizens as quickly as possible.<sup>365</sup>

At the October 2016 Brussels Conference, the Afghan government agreed to take concrete steps toward electoral reform and preparations in 2017.<sup>366</sup>

In May, donors assessed the Afghan government’s progress in meeting its SMAF obligations regarding elections reform. While donors concluded that the Afghan government had “technically” met its original SMAF obligations after a delay, they noted that the Afghan government had made almost no progress in implementing election reforms following the November 2016 appointment of election commissioners. Further, donors concluded that the Independent Election Commission (IEC) has been hindered in implementing reforms due to the Afghan government’s inability to make concrete decisions with regard to elections. Donors consider linking voting registries to polling centers and enforcing fraud mitigation mechanisms to be necessary for “meaningful” elections reform. Additionally, donors consider internal reforms of the electoral commissions, rebalancing the polling centers, reaching agreement on demarking constituent boundaries, and the potential use of electoral technology as critical to moving ahead with the delayed parliamentary elections.<sup>367</sup>

On June 22, 2017, the IEC announced that parliamentary and district council elections would occur on July 7, 2018.<sup>368</sup>

While the IEC announced in April that the estimated cost for the parliamentary and district council elections was \$120 million, the IEC in June began referring to a \$220 million estimated total cost.<sup>369</sup> The IEC plans to conduct a nationwide assessment of polling centers in preparation for presidential and parliamentary elections. This assessment is expected to take 45 days and cost \$1 million to be paid by the Afghan government. The assessment aims to improve public access to polling centers and begin work on new, polling center-based voter lists.<sup>370</sup> In July, the IEC announced that donors had pledged \$63 million for electronic voter registration.<sup>371</sup>

In April, donors reviewed a draft feasibility study on the introduction of three technologies—(1) biometric voter registration, (2) biometric voter verification, and (3) electronic results transmission—for the next elections. The study concluded that while it is possible that these three technologies can start to be implemented by spring 2018 or later, at least 9–12 months is needed for biometric voter registration. However, the study concluded that widespread use of electronic voting machines is not feasible before the 2019 presidential elections. The estimated cost is \$45 million (for online connections and multi-purpose kits that could perform biometric voter registration, biometric voter verification, and electronic results tabulation and transmission), an additional \$20 million for power supply, and an unknown amount for staffing, training, and storage. Approximately 20,000 multi-purpose kits would be needed in order to cover each polling station.<sup>372</sup>

The study found that biometric voter registration can prevent some types of electoral fraud. Biometric voter verification, in combination with polling center voting lists, could make ballot stuffing, proxy voting, and voter impersonation much more difficult and easier to detect. However, the study cautions that in a context where electoral fraud is widespread, new kinds of manipulation may emerge (including, for example, fraud in cases where procedures allow for voters to be registered, or to vote, when the machines cannot read their fingerprints).<sup>373</sup>

In May, President Ghani issued a decree aimed at accelerating the preparation and distribution of electronic identification cards. The decree designated the Population Registration Department (PRD)—previously a part of the Ministry of Interior (MOI) but now its own administrative body—as responsible for electronic identification distribution. The head of the electronic identification card process testified before parliament that distribution of these cards would begin on August 14. State confirms that the United States is not providing funding in support of the Afghan government’s efforts to develop and distribute electronic identification cards.<sup>374</sup>

## U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

### Summary of Assistance Agreements

According to recent World Bank estimates, the Afghan government is projected to increase its revenue collection to 12% of gross domestic product (GDP) by 2020. Even with this level of revenue, however, the Afghan government would only be able to cover 40% of budgeted expenditures. The Afghan government will require the equivalent of 18% of GDP in non-security, on-budget assistance to fund basic social services and development programs.<sup>375</sup>

# GOVERNANCE

**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.

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>376</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>377</sup>

Earlier, at the 2010 Kabul Conference, the United States and other international donors supported an increase to 50% in 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>378</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>379</sup> As of June, USAID had not yet achieved the 50% on-budget target.<sup>380</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>381</sup>

As shown in Table 3.12, USAID expects to spend \$753 million on active, direct bilateral-assistance programs. 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 \$153 million to the Afghanistan Infrastructure Trust Fund (AITF).<sup>382</sup>

For FY 2017, Congress appropriated \$4.26 billion for the Afghanistan Security Forces Fund (ASFF) to support the requirements of the

TABLE 3.12

USAID ON-BUDGET PROGRAMS							
Project/Trust Fund Title	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)	
<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	\$ 130,880,259	
Basic Education, Learning, and Training (BELT) - Textbooks Printing and Distribution	Ministry of Education (MOE)	Yes	11/16/2011	6/30/2017	26,996,813	24,891,728	
Strategic Communication Support to the Palace (SCSP)	Ministry of Finance (MOF)	Unknown	7/18/2016	7/31/2017	627,833	286,659	
<b>Multi-Donor Trust Funds</b>							
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	7/31/2019	2,700,000,000	1,575,289,080	
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	No	3/7/2013	3/6/2018	153,670,184	153,670,184	

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 \$2,947,280,275.

Source: USAID, response to SIGAR data call, 7/10/2017.

Afghanistan National Defense and Security Forces (ANDSF). The White House 2018 budget request includes \$4.94 billion for ASFF. According to DOD, approximately \$1.01 billion of the FY 2017 ASFF will be provided directly to the Afghan government (\$796.5 million for the Ministry of Defense [MOD] and \$212.5 million for the MOI) to fund salaries and incentive pay, equipment, and facilities maintenance. The other \$3.25 billion of the FY 2017 ASFF will be executed by DOD. The remaining \$1.46 billion of ANDSF costs will be funded by international donors (\$152 million for Afghan National Police salaries, information technology, aviation training and maintenance, uniforms, and medical supplies) and the Afghan government (\$544 million, primarily for food and subsistence).<sup>383</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>384</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 non-U.S. donor nations 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>385</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 the then-current levels. According to DOD, the average combined financial contribution of NATO member states and Coalition partners (excluding the United States) is approximately \$900 million per year in 2018, 2019, and 2020.<sup>386</sup>

DOD has not yet finalized the agreements governing its Afghan FY 1396 (FY 1396 runs from December 22, 2016, to December 21, 2017) direct on-budget contributions to MOD or MOI.<sup>387</sup>

## Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with Afghan government entities and (2) contributions to two multidonor trust funds, the ARTF and the AITF.<sup>388</sup> According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance (MOF) for each program.<sup>389</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>390</sup> The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.<sup>391</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>392</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.

## SIGAR SPECIAL PROJECT

SIGAR has an ongoing special project that is reviewing the extent to which USAID, through the Afghanistan Trade and Revenue Project (ATAR), is achieving the expected deliverable of increasing the share of Afghan customs revenues collected through e-payments to 75% of the total by the end of the four-year performance period in November 2017.

As of March, the United States remains the largest donor to the ARTF (30.5% of actual contributions) with the next largest donor being the United Kingdom (17.3% of actual contributions).<sup>393</sup> According to the World Bank, the ARTF is the largest single source of support for the Afghan government budget, cumulatively providing \$9.1 billion as of September 2016.<sup>394</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>395</sup> As of March, the ARTF recurrent-cost window has cumulatively provided the Afghan government \$2.5 billion for wages, \$600 million for operations and maintenance costs, \$629 million in incentive program funds, and \$511 million for ad hoc payments since 2002.<sup>396</sup>

This quarter, the World Bank reported on the Afghan government's performance related to the ARTF incentive program (IP). The IP, part of the recurrent-cost window, is a three-year program supporting a series of Afghan government policy reforms deemed critical to achieving greater fiscal self-reliance. The IP incentivizes Afghan government reforms to improve domestic revenue mobilization, expenditure management, and growth prospects. In reviewing Afghan government progress in 2016, the World Bank recommended that the ARTF provide the Afghan government \$189.5 million in incentive funds. The World Bank has previously provided the Afghan government \$337.5 million in incentive funds for the years 2015–2016.<sup>397</sup>

According to the World Bank, in 2016 the Afghan government successfully met three benchmarks to warrant receiving the latest tranche of \$189.5 million in incentive funds. First, the Afghan government exceeded the revenue targets for 2016 by 6%, qualifying for \$138.9 million in incentive funds. Second, the Afghan government exceeded the target amount of funding dedicated to civilian operations and maintenance, qualifying for \$8.93 million in incentive funds. Finally, the Afghan government began implementing delayed structural reforms associated with land governance, e-payments systems, revenue administration, and pensions (originally meant for 2015 but actually implemented in 2016). Two 2016 e-payment system and external audit reform targets were also met. After discounts for the delay in 2015 structural reform targets, the World Bank concluded that the Afghan government qualified for \$41.7 million in incentive funds for structural reforms.<sup>398</sup>

## On-Budget Assistance to the ANDSF

More than 60% of total U.S. on-budget assistance goes toward Afghan security forces' requirements.<sup>399</sup> DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the ASFF to the Afghan government to fund MOD and MOI requirements, and (2) ASFF contributions to the multidonor Law and Order Trust Fund for Afghanistan (LOTFA).<sup>400</sup> Administered by the UN Development Program (UNDP), LOTFA primarily funds Afghan National Police salaries and incentives.<sup>401</sup>

Direct-contribution funding is provided to the MOF, which allots it incrementally to the MOD and MOI, as required.<sup>402</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>403</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>404</sup>

For Afghan fiscal year 1396 (December 2016 to December 2017), DOD plans to provide the equivalent of \$801 million and \$218 million directly to the Afghan government to support the MOD and MOI respectively.<sup>405</sup>

Despite the Afghan fiscal year's beginning in December 2016, CSTC-A's commitment letters for the current Afghan fiscal year have not yet been signed by the ministers of defense and interior. Without the ministers' signatures, the conditions defined by CSTC-A for FY 1396 are not being enforced. CSTC-A continues to enforce the previous year's conditions, however.<sup>406</sup> According to DOD, the draft FY 1396 commitment letters aim to consolidate, eliminate, or refine 85 of the original 170 conditions in the FY 1394 commitment letters.<sup>407</sup>

DOD hopes to use the FY 1396 commitment letters to incentivize the Afghan government to increase its financial contribution to its security costs.<sup>408</sup>

For the current Afghan fiscal year, CSTC-A has provided the Afghan government the equivalent of \$324 million to support the MOD. As of May, the MOD has expended \$216 million of these funds. The majority (89%) of these expended funds covered wages and salaries. U.S.-provided funds constituted 83% of the MOD's total expenditures, while Afghan government funds covered approximately 17% of expenditures.<sup>409</sup>

Additionally, as of May, CSTC-A has provided the equivalent of \$52 million to support the MOI. Of these funds, \$20.8 million was delivered via the UNDP-managed LOTFA, while \$31.3 million was provided directly to the Afghan government. Afghan government contributions covered 33% of MOI expenditures.<sup>410</sup>

This year, CSTC-A decided to manage MOD facility maintenance and Afghan security forces' fuel directly rather than provide on-budget funding to the Afghan government for these requirements. According to CSTC-A, there are significant capacity challenges affecting MOD property management that is hindering facility maintenance. Fuel, corruption, and quality issues hampered the Afghan government's ability to ensure timely and quality fuel deliveries to Afghan fighting forces. According to DOD, the Afghan



government requested that DOD assume responsibility for contracting fuel for both the MOD and MOI in order to ensure that the funds were protected from the threat of corruption.<sup>411</sup>

## **MOD and MOI Had Mixed Results in Meeting Conditions for U.S. Funding**

In June, DOD found that while the MOD and MOI made satisfactory progress in meeting a number of agreed-upon conditions for U.S. funding assistance, both ministries had a significant number of deficiencies.

Of 15 conditions defined in the commitment letter, CSTC-A determined that the MOD made satisfactory progress toward meeting five conditions and insufficient progress toward meeting 10. CSTC-A applied four penalties for non-compliance. According to CSTC-A, the MOD has repeatedly failed to identify excess facilities for divestment and shown no interest in executing the agreed-upon divestment program. Because of this, CSTC-A will withhold the equivalent of \$2.2 million meant to support buildings. CSTC-A also concluded that men continue to use restrooms and bathrooms designated for use by female MOD personnel. Although MOD leadership is aware of the issue, it has yet to be resolved. Consequently, CSTC-A will impose a penalty equivalent to \$499,467 from any budget line other than the MOD Gender Integration Directorate.<sup>412</sup>

CSTC-A also found that the MOD does not have an enforceable out-of-country, absent-without-leave (AWOL) policy for MOD personnel who attend U.S.-funded professional military education. Additionally, the MOD does not have a plan to develop such a policy. Because of this, CSTC-A will continue to suspend all U.S.-based training, schools, and seminars for MOD personnel—with the exception of pilots and Special Forces—until the MOD issues a legally binding AWOL policy. Finally, CSTC-A found that despite some progress, MOD corps continue to be plagued by pilferage and lack of accountability of their inventories. In particular, the MOD has failed to properly account for receipt of ammunition at its national depots. As such, CSTC-A will impose a penalty equivalent to \$249,734.<sup>413</sup>

Of 19 MOI conditions defined in the commitment letter, CSTC-A determined that the MOI made satisfactory progress on two conditions, while 17 had insufficient progress. CSTC-A found that the MOI has not sufficiently investigated cases of gross violation of human rights (GVHR). CSTC-A noted that much of the progress MOI has made in investigating GVHR cases was due more to the work of Resolute Support personnel than the responsible MOI office. In response, CSTC-A will continue to withhold MOI's travel budget for all but gender-related and Major Crimes Task Force (MCTF) travel and deny raises to the MOI offices that compose the MOI's GVHR Committee, as well as any other pay incentives for general officers and senior ministerial civilians. CSTC-A noted that while the MOI has significantly improved its fuel consumption reporting, the MOI is delinquent in

### **SIGAR SPECIAL PROJECT**

SIGAR has an ongoing special project review of Afghan military trainees absconding or going AWOL while training in the United States. This review seeks to determine (1) the extent to which Afghan trainees went AWOL while training in the United States, and why; (2) the processes for vetting and selecting Afghans for training in the United States and for investigating their disappearance once they have gone AWOL; and (3) the impact AWOL trainees have on the U.S. and Afghan training and reconstruction efforts.

ammunition consumption reporting. As such, CSTC-A will impose a penalty equivalent to \$249,734.<sup>414</sup>

CSTC-A also found that MOI facilities designated for gender programs were not being fully used by women. Because of this, CSTC-A will impose a \$499,467 penalty against the overall MOI budget (excluding the budget for the MOI Human, Child, and Women’s Rights Directorate) for each facility that is not being used as intended. Finally, CSTC-A determined that the MOI has shown no interest in executing its divestment of excess Afghan police facilities. Because of this, CSTC-A will withhold the equivalent of \$1.9 million meant to support buildings.<sup>415</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>416</sup> As shown in Table 3.13, active programs include USAID’s Afghan Civic Engagement Program (ACEP) that seeks to increase civil society capacity.

TABLE 3.13

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$48,074,959
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	21,330,667
Rasana (Media)	N/A	3/29/2017	3/28/2020	9,000,000	82,500

Source: USAID, response to SIGAR data call, 7/10/2017.

Last quarter, USAID launched the \$9 million Rasana program. This program aims to support and train female journalists, drive substantive policy discourse about salient development issues in Afghanistan, and advocate for protection of Afghan journalists. Rasana will also build local capacity by providing training, material support, and advocacy to expand media opportunities for women, working with local women’s groups to advance women’s causes in the media, and supporting gender-sensitive content production and programming.<sup>417</sup> This quarter, Rasana completed its mobilization work and had its first-year work plan approved.<sup>418</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>419</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.<sup>420</sup> In May, donors assessed the Afghan government’s progress in meeting its original SMAF obligations to fill 800 CBR positions by December 2016. According to the European Union (EU), while the Afghan government reported that it had filled 819 positions via CBR, the World Bank reported that only 289 contracts had been signed. According to USAID, this SMAF deliverable has not been achieved, as more than 500 CBR-supported job candidates are reportedly still awaiting vetting by the Afghan government, particularly by the offices of the president and national security adviser.<sup>421</sup>

## National Assembly

This quarter, members of parliament helped mediate the tensions between the Afghan government and protesters upset with recent high-profile attacks. Parliament formed a delegation of representatives from each province to develop a plan that incorporated the majority of the protesters’ demands. In June, the parliamentary delegation met with President Ghani and Chief Executive Abdullah to discuss the plan, which included a proposal to replace the leaders of Afghan security institutions.<sup>422</sup>

In May, the upper house of parliament stopped paying the salary of Senator Sibghatullah Mojaddedi, a former acting president of Afghanistan, following Afghan media reports of corruption and abuse of privileges.<sup>423</sup> The lower house of parliament has also suspended the salaries of nine of its members following their frequent absences.<sup>424</sup>

In November 2016, the lower house of parliament passed no-confidence votes for 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). From parliament’s perspective, these votes of no-confidence mean that the ministers are dismissed.<sup>425</sup> President Ghani ordered the ministers to continue working, referring the legality of the dismissals to the Supreme Court.<sup>426</sup> As of June, there has been no attempt to remove the ministers, who continue to fulfill their duties.<sup>427</sup> Some parliamentarians continue to call on the government to introduce new candidates for those ministers who received votes of no-confidence.<sup>428</sup>

USAID funds the \$25 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan’s parliament operate as an



**Members of parliament's upper house** meet with the governor of Herat Province. (USAID/ALBA photo)

independent and effective legislative, representative, and oversight body.<sup>429</sup> ALBA recently supported a number of parliamentary oversight visits to provinces. These included an April visit to Herat Province, when members of the upper house's commission on complaint hearing investigated complaints that the provincial education department was engaging in nepotism. After reviewing procedures and meeting with province officials, parliamentarians were told by the governor that the source of the complaints was the provincial council chairman, who has been sentenced to two and a half years in jail. The governor also complained that many provincial authorities are centralized, leaving him with limited powers.<sup>430</sup>

Also in April, ALBA supported members of the upper house's commission on the national economy for a visit to Parwan Province. During the visit, ALBA personnel briefed province officials on their province's development budget, including the budget allocation for individual projects. One of the findings of the trip was that province officials were not fully aware of the budgeted projects for their province. The delegation also met with members of the provincial council. While the provincial council chair highlighted the council's oversight efforts, he told the parliamentary delegation that their operating budget was too low.<sup>431</sup>

## Civil Society

The Afghan Civic Engagement Program's (ACEP) 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

# GOVERNANCE

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>432</sup>

This quarter, the Afghanistan Institute for Civil Society (AICS)—one of the ACEP sub-partners—issued a report on the financial sustainability of civil society organizations in Afghanistan. AICS found that as of February 2017, only 1,863 nongovernmental organizations (NGO) remain active, from a total of 4,105 registered NGOs. Civil society informants attributed the decline in the number of active CSOs to increasing difficulties in accessing financial resources. According to AICS, a significant number of CSOs, particularly smaller CSOs, are struggling to meet their basic funding requirements. For example, it has become increasingly difficult for CSOs to secure institutional development or core funding from international donors. In addition, donors' eligibility, compliance, and reporting requirements have become increasingly difficult, demanding, and rigorous. As a result, a small number of relatively bigger, predominantly Kabul-based, organizations receive the largest share of donor funding. This, combined with the lack of donor feedback regarding unsuccessful funding applications, has caused CSOs to perceive that donors' funding processes are not transparent. Finally, AICS concluded that efforts to reform the NGO law, establish tax incentives for NGOs, and encourage volunteerism—underway since 2012—have yet to produce results.<sup>433</sup>

## SUBNATIONAL GOVERNANCE

On April 19, the Afghan government launched the Provincial Budgeting Policy. The Afghan government has allocated \$1 million for each province to be spent in four sectors (health, education, rural rehabilitation and development, and agriculture). According to the UN Secretary-General, the Afghan government ultimately aims to have 40% of its budget spent by sub-national authorities.<sup>434</sup>

A previous provincial-budget pilot attempt ultimately failed in 2012, when donors and the Afghan government could not agree on the source of funding for province-nominated project proposals. Provincial budgeting has been a key priority since the 2012 Tokyo Mutual Accountability Framework.

TABLE 3.14

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$46,000,000	\$34,531,122
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	18,264,460

Source: USAID, response to SIGAR data call, 7/10/2017.

For more details, see pages 128–129 of SIGAR’s January 2014 *Quarterly Report to the United States Congress*.<sup>435</sup>

In May, donors assessed the Afghan government’s progress in meeting its SMAF obligations for cabinet approval of a subnational governance policy and provincial budgeting policy in 2016. While the provincial budgeting policy was approved in October 2016, the subnational governance policy has yet to be approved. According to the EU, donors should advocate for a stronger focus on subnational governance as the matter requires a greater political focus.<sup>436</sup>

## 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 3.14 summarizes total program costs and disbursements to date.

### 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>437</sup>

According to USAID, all but one of the 16 ISLA-supported provinces have submitted their provincial development plans to the Ministry of Economy. These plans were developed before the MOF issued guidance for the provincial budget policy. According to USAID, it is not yet known whether the provincial priorities identified through ISLA-sponsored town hall meetings and advocacy plans will be included in the provincial budget process. Examples of these provincial priorities include a dairy processing center in Wardak Province and a women’s garden in Farah Province.<sup>438</sup>

In April, ISLA, together with a German development agency, provided technical and financial assistance to MOF to conduct a provincial budgeting policy symposium in Kabul. The symposium introduced the provincial budgeting policy to 340 Afghan government participants from the subnational and central levels.<sup>439</sup>

### Strong Hubs for Afghan Hope and Resilience

The objective of the \$46 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>440</sup>

In April, SHAHAR reported that partner municipalities increased their revenue by 57% compared to the same period in the previous year, representing 14% of their projected revenue for the current Afghan fiscal year (ending in December 2017). Expenditures decreased by 12% compared to the previous year, representing 7% of the projected expenditures for the fiscal year.<sup>441</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>442</sup> However, according to the UN Secretary-General, there was no discernible progress on peace talks between the Afghan government and the Taliban this quarter.<sup>443</sup>

On June 6, the Afghan government hosted the Kabul Process for Peace and Security Cooperation conference, a forum to increase regional cooperation for peace and stability. President Ghani called upon the Taliban to engage in negotiations, saying “this is the last chance: take it or face consequences.”<sup>444</sup> A Taliban spokesman rejected Ghani’s latest call for negotiations, telling media outlets that they view the Afghan government’s terms as calling for the Taliban to surrender.<sup>445</sup>

President Ghani also expressed frustrations with Pakistan, saying that while he wishes peace with the country, he “cannot figure out what is it that



**President Ashraf Ghani**, at right, speaks during June’s Kabul Process on Peace and Security Cooperation meeting. (UNAMA photo by Fardin Waezi)

Pakistan wants.” Pakistani military corps commanders issued a statement on the same day as the Kabul Process conference calling on the Afghan government to “look inward and identify the real issues” rather than blaming Pakistan for insecurity in the country.<sup>446</sup>

In September 2016, the Afghan government finalized a peace agreement with the HIG insurgent group.<sup>447</sup> In the peace deal, the Afghan government committed to several actions, including requesting the removal of HIG leaders from the UN’s and others’ sanctions lists.<sup>448</sup> On April 29, HIG leader Gulbuddin Hekmatyar made his first public appearance in Afghanistan in more than 20 years. On May 1, President Ghani signed a decree authorizing the release of HIG prisoners, with 55 prisoners released the next day.<sup>449</sup>

When asked about the critique that Hekmatyar’s reconciliation deal demonstrates a culture of impunity, President Ghani responded, “If we are seeking peace, we need to have forgetfulness regarding the past.”<sup>450</sup> In May, the UN received a petition requesting justice for the victims of crimes allegedly committed by Hekmatyar.<sup>451</sup>

According to the UN Secretary-General, certain Afghan political actors are concerned by the prospect of Hezb-e Islami becoming Afghanistan’s largest political party should the two factions of Hezb-e Islami unite. As a sign of these tensions, the UN Secretary-General noted that a number of prominent members of the rival Jamiat-e-Islami party were notably absent when Hekmatyar gave a speech at the presidential palace on May 4.<sup>452</sup> In a May interview, President Ghani acknowledged that “when a person of [Hekmatyar’s] significance comes back, the political geometry changes” and offered that a key criteria of state strength is whether it can absorb such changes.<sup>453</sup> As one aspect of the peace agreement with the Afghan government, HIG has composed a list of 3,500 of its members to be vetted to join the Afghan security forces.<sup>454</sup>

When the peace deal with HIG was announced, some expressed hope that reconciling with Hekmatyar could facilitate a broader peace. President Ghani, for example, said on signing the agreement, “This day starts the subsiding of war in Afghanistan and the beginning of rebuilding it.”<sup>455</sup> While Hekmatyar has called on the Taliban to enter into a peace process with the Afghan government, the Taliban has yet to respond positively to the proposal.<sup>456</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>457</sup> The APRP was an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.<sup>458</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>459</sup>

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. 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>460</sup> As of June, the ANPR strategy is still being revised.<sup>461</sup>

In December 2016, State provided \$1.1 million to support the ANPR. While State intended to disburse another \$3.9 million in early 2017, this has not yet occurred since the ANPR strategy is not finalized and approved by the Afghan government.<sup>462</sup>

In April, the U.S., UK, German, and South Korean governments, along with UNAMA, sent a letter to President Ghani and Chief Executive Abdullah expressing their readiness to support President Ghani's vision for peace, agreeing there is no military solution to the conflict for any party. According to the letter, the High Peace Council (HPC) will no longer directly participate in peace negotiations as this responsibility will pass to President Ghani and his cabinet. Instead, the HPC will solicit views about peace from across Afghanistan and ensure these perspectives are integrated into the peace process. The authors said that it is crucial that the Afghan government identify the Afghan government implementer for this peace vision in order to meet donor fiduciary requirements. The authors note that while peace and reconciliation is a long-term endeavor, international financial assistance for Afghanistan is limited. The authors also cautioned Afghanistan against singling out particular countries for critique as this may impact establishing a regional and international consensus on peace.<sup>463</sup>

## **RULE OF LAW AND ANTICORRUPTION**

Last quarter, Resolute Support reported that they are in the process of establishing a Counter Threat Finance Cell (CTFC) which will focus on disrupting insurgent and terrorist financial networks. The Resolute Support CTFC currently has two of its six personnel on board. The CTFC has begun coordinating its efforts with the U.S. Embassy in Kabul. The goals and scope of the CTFC are still being developed, with SIGAR participating in this process.<sup>464</sup>

In May, donors assessed the Afghan government's progress in meeting its SMAF obligations to launch a judicial sector reform plan by December 2016. While the EU found that the deliverable was achieved as the Afghan government approved the plan at the end of December 2016, the plan suffers from a number of deficiencies. The EU's view of shortcomings includes: lack of clear links between objectives and activities; lack of budgetary and financial information on the activities; lack of realistic and clear timelines

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and mechanisms for monitoring, evaluation, and reporting; and lack of coordination and oversight mechanisms. The EU concluded that if these issues are not addressed, the plan is unlikely to be implemented. The United States reiterated the EU's concerns, noting that the plan lacks timelines and fails to assign responsibilities. Additionally, the U.S. government noted that the High Council of Rule of Law and Anti-Corruption, which was formed in August 2016 and approved the judicial reform plan, has met only three times and is currently not functioning (following this assessment, however, the council met in July).<sup>465</sup> In April, Transparency International concluded that Afghanistan's anticorruption agencies have duplicate and overlapping functions; lack independence; have a weak legal basis, limited budgets, and weak personnel capacity; and fail to coordinate.<sup>466</sup>

Donors also assessed the Afghan government's SMAF requirement to draft a revised penal code by December 2016. According to the EU, this deliverable was achieved when a first draft of a revised penal code was finalized in September 2016. According to the EU, while the penal code has reportedly been enacted via a legislative decree, there has been no public announcement to this effect. The EU reports that the law still requires revision and some portions of the law, such as the elimination-of-violence-against-women provisions, will not take effect until parliament acts.<sup>467</sup>



**A SIGAR observer**, second from the left, participates in a July 2017 meeting of the High Council of Rule of Law and Anti-Corruption. (Afghan government photo)

## 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 3.15.

USAID has a cooperation arrangement with the UK's Department for International Development to fund the Independent Joint Anti-Corruption

TABLE 3.15

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	8/27/2017	\$285,644,451	\$274,130,811
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	68,163,468	5,921,431
Electoral Reform and Civic Advocacy (AERCA)*	7/13/2009	8/31/2017	51,302,682	47,773,227
Corrections System Support Program (CSSP IV)**	3/1/2016	8/27/2017	22,564,474	19,638,424
Justice Training Transition Program (JTTP) Follow On***	1/2/2013	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 4/30/2017.

\*\*\*The follow-on project is a no-cost extension with funds having already been disbursed.

Source: State, INL, response to SIGAR data call, 6/21/2017; USAID, response to SIGAR data call, 7/10/2017.

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Monitoring and Evaluation Committee (MEC). USAID funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.<sup>468</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>469</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 Ministry of Education (MOE).<sup>470</sup> In August 2016, 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>471</sup>

This quarter, AERCA worked with the MOF's Small Taxpayers Office (STO) to identify bottlenecks and applicant frustration points. According to AERCA, STO tax notices are issued manually, providing opportunity for corruption. AERCA proposes the digitization of the tariffs as this should help replace the manual practice with an automatically generated tariff that is accurate and easy to track. AERCA plans to provide the STO with networking equipment, as well as English language and computer trainers. In support of improving the MOE's services, AERCA is working to provide high-quality paper for printing high school certificates, as well as finding space for heavy-duty printers to be used in printing certificates. AERCA is also renovating the applicant waiting area at the Nangarhar Province Population Registration Department (PRD). To further support the Nangarhar PRD, an AERCA grantee encouraged the Nangarhar religious scholars' council to inform the public of the simplified processes for receiving a national identification card during the Friday prayers' sermons. This grantee also broadcast radio messages on the importance of having a national identification card. During an oversight visit to the Nangarhar PRD, the AERCA grantee discovered that two community representatives were involved in corruption, demanding bribes from service applicants in return for stamping their applications. The head of Nangarhar PRD promptly terminated and replaced the two community representatives.<sup>472</sup>

State's Justice Sector Support Program (JSSP) is the largest rule-of-law program in Afghanistan. JSSP was established in 2005 to provide



capacity-building support to the Afghan justice system through training, mentoring, and advisory services.<sup>473</sup> The current \$286 million phase of the program (JSSP II) began in June 2010. As of June 2017, JSSP has provided training to 20,139 Afghans, 15% of whom were women. Most of the trainees were from Kabul Province (38%). JSSP has also provided mentoring to 3,144 Afghans, 14% of whom were women. Again, most mentees were from Kabul Province (46%).<sup>474</sup>

During the past year, JSSP provided support to the Attorney General's Office (AGO) to roll out and integrate the Case Management System (CMS). CMS is an online database that tracks the status of criminal cases in Afghanistan, across all criminal justice institutions, from the moment a case is initiated to the end of confinement. According to JSSP, the program has established 535 CMS offices in seven Afghan government justice institutions and the Afghan Independent Bar Association (AIBA). Overall, 3,972 Afghan government departments used CMS in the Supreme Court, AGO, High Office of Oversight and Anticorruption, MOD, Ministry of Justice, MOI, the National Directorate of Security, and AIBA. As of June, there are 34,770 criminal cases and 32,177 civil cases recorded in CMS. Between 2012 and 2017, JSSP added 53,300 cases to CMS that existed prior to the implementation of CMS. JSSP has also conducted random quality-control audits in legal and judicial institutions to monitor the accuracy of data entered into the CMS database by comparing the data with the government's registry books. In the past year, JSSP identified and deleted 986 duplicate cases in CMS. JSSP recently signed an agreement with the Supreme Court transferring the legal and administrative responsibilities for CMS.<sup>475</sup>

State's \$48 million Justice Training Transition Program (JTTP), in partnership with the Supreme Court, recently collected data for an institutional learning needs assessment (ILNA) to identify the most prevalent learning needs and challenges facing judges. According to JTTP, no objective skills-and-knowledge-competency framework for sitting judges exists. Of the 2,280 judges who hear cases, 256 (11%) were sampled. Respondent judges ranked insecurity as the factor most affecting their performance (76%), followed by lack of resources and equipment (40%), weak capacity of support personnel (31%), political pressure (30%), and workload (30%). 71% of respondents felt judges of the criminal division require additional knowledge of the Criminal Procedure Code. For judges of the civil division, additional knowledge was requested for areas of the Civil Code, including: personal status and marriage (68%), designated contract and transfer of ownership (67%), and inheritance and wills, real property rights, and proof of rights (each 66%). Civil division judges were reported to require additional knowledge in the Commercial Code, specifically, those aspects relating to commercial papers (77%), commercial companies (76%), and commercial contracts (76%). 69% of judges also requested skills development in statutory interpretation as a cross-cutting skill.<sup>476</sup>



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As a result of the Supreme Court needs assessment, JTTP plans to deliver 171 courses over the next three years to 1,738 judges.<sup>477</sup> This quarter, JTTP launched similar needs assessments for the AGO and Ministry of Justice (MOJ).<sup>478</sup>

In April 2016, 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.<sup>479</sup> This quarter, USAID reported that ADALAT conducted human and institutional capacity development assessments of the Supreme Court, MOJ, and AIBA to identify training and staffing needs and determine what support ADALAT can offer to these institutions. However, ADALAT's attempts to partner with the Supreme Court's Judicial Education Department (JED) were reportedly stymied as the JED director refused to discuss ADALAT technical assistance if it did not include material assistance.<sup>480</sup>

## Afghan Correctional System

According to State, as of October 2016, the inmate population of Afghanistan's prisons, managed by the General Directorate of Prisons and Detention Centers (GDPDC), increased 6.15% over the past five years. As of April 30, the GDPDC incarcerated 28,615 males and 963 females, while the MOJ's Juvenile Rehabilitation Directorate (JRD) incarcerated 622 male juveniles and 71 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>481</sup>

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adults, despite the prison population stagnating recently. As of April 30, the total male provincial-prison population was at 170% 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 124% of the ICRC-recommended capacity. The JRD's juvenile-rehabilitation centers' population was at 50% of ICRC-recommended capacity.<sup>482</sup>

According to State, its joint efforts with the MOJ in implementing alternatives to incarceration for juveniles has led to an 11% reduction of the juvenile rehabilitation center population. State attributes the implementation of alternatives to incarceration to a number of their efforts, including a study tour to Turkey for Afghan government officials; meetings in Kabul that discussed success stories and lessons learned, and the status of alternatives to incarceration implementation; and a two-day conference hosted by the Corrections System Support Program (CSSP) on the topic in Herat Province in May 2017.<sup>483</sup>

### **Congress Directs SIGAR to Assess Afghanistan's Implementation of an Anticorruption Strategy**

The Joint Explanatory Statement for the Consolidated Appropriations Act for Fiscal Year 2017 directs SIGAR to assess the Afghan government's implementation of an anticorruption strategy called for at the Brussels Conference on Afghanistan held October 4-5, 2016. SIGAR was further instructed to report its findings to the House and Senate Appropriations Committees no later than May 31, 2018. This congressional request is notable because it is the first time Congress has directed SIGAR to assess the Afghan government's performance, rather than that of a U.S. government agency, on a key reconstruction objective.



**A large audience** including Maj. Gen. Richard G. Kaiser, third from left and Inspector General Sopko, fourth from the left, front row, attended a May 2017 conference in Kabul on “Countering the Culture of Corruption in Afghanistan.” (Afghan government photo)

## 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. The government says it will implement this strategy 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. In June, the Afghan government’s High Office of Oversight and Anticorruption (HOOAC) and the nongovernmental organization Integrity Watch Afghanistan criticized the Afghan government for failing to issue an anticorruption strategy by the required deadline.<sup>484</sup>

In May, donors assessed the Afghan government’s progress in meeting its SMAF obligations, which required five revenue-generating ministries to prepare and begin implementing anticorruption plans by the first half of 2016. Additionally, the remaining ministries were required to complete their plans by the end of 2016. According to the EU, it received English-language versions of the five revenue-generating ministry anticorruption plans in November 2016, while the status of the other 25 ministry plans is unclear. The U.S. government believes, however, that because there are no public reports on the status of anticorruption-plan implementation, the implementation requirements have not been achieved.<sup>485</sup>

## Anti-Corruption Justice Center

In May 2016, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).<sup>486</sup> The ACJC brings together MCTF investigators, AGO prosecutors, and judges to combat

serious corruption.<sup>487</sup> The ACJC's jurisdiction covers major corruption cases committed in any province involving senior officials or substantial monetary losses of a minimum of five million afghanis (approximately \$73,000).<sup>488</sup>

In May, the ACJC's primary court sentenced a senior Afghan United Bank (AUB) official to 15 years and three months in jail and fined him more than \$3 million over fraud charges. The AUB Nangarhar branch director general was accused of misusing authority, faking documents, and embezzling \$3 million.<sup>489</sup> Also in May, the ACJC's appeals court reduced the sentence of the head the Herat Province provincial council from two and a half years in prison to eight months. The provincial council head had been found guilty of abuse of power and interfering in the affairs of the Herat Province AGO. The appeals courts allowed the accused to be released on bail.<sup>490</sup>

The ACJC's appeals court in June upheld the verdict of a primary court that sentenced two former Karzai-era Ministry of Urban Development officials to 20 years' imprisonment and a \$6.4 million fine for corruption and abuse of authority. Two additional officials were sentenced to seven years' imprisonment and a \$3.25 million fine. The ACJC prosecutor stated that other former officials, including a former minister, are suspected of corruption.<sup>491</sup>

As of June 30, the ACJC has tried 14 cases involving 38 defendants. Of these cases, six involved banks or private sector actors (18 defendants), four involved the MOI (eight defendants), one involved the MOD (one defendant who worked temporarily for the AGO at the time), one involved the MOF (six defendants), one involved the Ministry of Urban Development (four defendants), and one involved a provincial government (one defendant).<sup>492</sup>



**Inspector General Sopko**, left, met with Afghan Attorney General Mohammad Farid Hamidi on his June trip to Afghanistan. (SIGAR photo by Steven Mocsary)

## **Afghan Attorney General's Office**

According to Resolute Support, while there is no indication that the AGO is preventing MCTF cases from being prosecuted, the AGO and the MCTF disagree on the number of cases transferred to the AGO. From March 2016 to March 2017, the MCTF submitted over 20 corruption cases to the AGO. Of those 20 cases, six have been referred to the ACJC, with a conviction in three cases. However, Resolute Support reports that dozens of cases which were submitted to the AGO for prosecution lose visibility due to AGO inaction or failure to update the Case Management System. The MOI and AGO are currently discussing the numerous discrepancies in the reported number of cases transferred to the AGO.<sup>493</sup> According to State, while CMS tracks criminal cases from arrest through incarceration, cases referred by the MCTF are generally non-arrest cases that are still in the investigation phase. As such, these cases would not be added to CMS until an arrest has occurred.<sup>494</sup>

## **Independent Joint Anti-Corruption Monitoring and Evaluation Committee**

President Karzai established the MEC by presidential decree in March 2010 and the institution was re-authorized by President Ghani in September 2016

with a new decree that provided full independence from the High Office of Oversight and Anti-Corruption (HOOAC). The MEC's 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.<sup>495</sup>

This quarter, the MEC published reports that reviewed the 2016–2017 anti-corruption plans of the Ministry of Commerce and Industry (MOCI) and the MOF. Overall, the MEC found that MOCI and MOF have implemented 35% and 34% of their planned anticorruption efforts, respectively. According to the MEC, however, MOCI's anticorruption plan is seriously deficient and ignores a number of well-known areas of likely corruption. For example, while the ministry has been issuing more business licenses than in previous years, this is leading to new forms of corruption. Of the 23 actions defined by the plan, the MEC found that eight have been completed. However, the MOCI did not cooperate with the MEC in verifying nine required actions. In reviewing the MOF anticorruption plan, the MEC concluded that the plan is insufficient for the scale of the ministry. According to the MEC, the MOF is a large ministry and one of the most susceptible to corruption. Of the 50 indicators defined in the plan, the MEC found that 17 have been fully implemented, three have no progress, and 12 had no evidence for their implementation status, with the remainder implemented between 25% and 75%.<sup>496</sup>

The MEC also issued a follow-up report on the Ministry of Public Health's (MOPH) progress in responding to the 115 recommendations MEC made in June 2016. According to the MEC, the MOPH has continued to make progress in its reforms. In particular, the MEC cited the efforts of the National Medicine and Healthcare Products Regulatory Authority (NMHRA), which has instituted legal reforms, policy and technical changes, and interventions on manufacturing and importation of drugs and medical products; aggressively expanded inspections; and systematically tackled both internal and customer service complaints. The MOPH also translated all its policies into local languages and distributed these policies.<sup>497</sup>

## High Office of Oversight and Anti-Corruption

The HOOAC was established in July 2008 by presidential decree to oversee and coordinate implementation of the Afghan government's anticorruption strategy. According to USAID, HOOAC's role has been reduced to collecting and verifying asset declarations for government officials, as it failed to provide the strategy and policy guidance on anticorruption for which it was created. The HOOAC 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 rarely lead to prosecution. Mutual recrimination between AGO and HOOAC is common.<sup>498</sup>

As of January, Resolute Support reports that the MOD submitted 194 asset declarations to the HOOAC while the MOI submitted 210 of 310 required asset declarations. According to DOD, this represented the first time high-ranking officers provided their asset declarations to the HOOAC. Resolute Support noted, however, that asset-declaration forms are not being routinely submitted as new personnel begin or depart their positions. Resolute Support further reports that the MOD and MOI struggle with the identification and collection of asset declarations and there is poor communication between the ministries and HOOAC.<sup>499</sup>

In May, donors assessed the Afghan government's progress in meeting its SMAF obligations, which required at least 90% of Afghan government officials obligated to declare assets to do so by the first half of 2016. Donors agreed that the Afghan government had met this obligation in 2016, but believe that going forward, annual asset-declaration requirements should extend to heads and deputies of law enforcement agencies, customs, and tax administrations. In addition, efforts must be undertaken to ensure that the content of asset declarations is verified. Additionally, donors believe that proportionate and dissuasive sanctions for noncompliance should be instituted and that asset declarations be made available, when requested, to Afghan domestic law enforcement agencies and the financial intelligence unit.<sup>500</sup>

## **Security Services**

According to Resolute Support, the MOD and MOI are making progress in implementing anticorruption initiatives following an October 9, 2016, meeting in which President Ghani demanded action. For example, Resolute Support cites the weekly and biweekly meetings directed by the ministers of defense and interior, respectively, to discuss and monitor anticorruption efforts.<sup>501</sup> Despite these efforts, DOD reports that MOI political will to hold corruption violators, especially senior officers, accountable remains fragile. DOD further states that high-level MOI corruption presents major challenges.<sup>502</sup>

In June, the minister of interior said that over 200 MOI personnel, including 12 generals, had been arrested on corruption and misuse of authority charges in the past year. Earlier in May, President Ghani had labeled the MOI as “the heart of corruption” in the security sector.<sup>503</sup>

## **Major Crimes Task Force**

The MCTF is an elite MOI unit chartered to investigate corruption, organized criminal networks, and high-profile kidnappings committed throughout Afghanistan. Since March 2017, the MCTF has opened 84 cases (including 34 corruption investigations). According to Resolute Support, the MCTF referred two cases to the ACJC and eight cases to the AGO.<sup>504</sup>



In March, the ACJC tried and convicted five defendants who were accused of offering MCTF investigators an \$80,000 bribe to influence an embezzlement investigation involving the General Command Police Special Unit (GCPSU) and a logistics company. All five men were sentenced to three years in prison and fined \$80,000 each.<sup>505</sup>

In April, two MCTF investigators were assassinated in Kabul as one officer was picking up the other at home to go to work. An investigation is ongoing. Resolute Support reports that there is no indication that the two investigators faced any specific death threats. The MCTF has, however, arrested several persons associated with a different death-threat investigation.<sup>506</sup>

According to Resolute Support, the Afghan government still needs to take ownership of and empower the MCTF, which Resolute Support sees as “swimming against the tide” of the general state of Afghan government corruption.<sup>507</sup>

## HUMAN RIGHTS

In May, donors assessed the Afghan government’s progress in meeting its SMAF obligations to draft a child-protection act that is consistent with the Afghan constitution and its international commitments by December 2016. According to the EU, while the Afghan council of ministers approved an initial draft of the child act in principle in September 2016, the draft is reportedly being further reviewed. However, the international community has yet to see a revised draft and is not aware of a new draft being put forward for approval by the cabinet.<sup>508</sup>

Donors also reviewed the status of Afghanistan’s SMAF requirements related to ending child labor. While an Afghan government-formed commission met seven times and completed a study on the matter in July 2016, the EU concluded that the Afghan government has not taken any practical steps to fulfill this SMAF deliverable. The U.S. government attributes the delays to the removal of all but one deputy minister from the senior leadership of the responsible ministry, the Ministry of Martyred, Disabled, Labor, and Social Affairs. The U.S. government concluded that the ministry lacks the resources and capacity necessary to achieve this deliverable.<sup>509</sup>

In June, State released its annual trafficking-in-persons report. According to State, the Afghan government does not fully meet the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Because the Afghan government increased its efforts, State has upgraded its rating of Afghanistan from its previous assessment. State noted that the Afghan government enacted a new law on human trafficking in January 2017 that attempts to reduce conflation of smuggling and trafficking, and criminalizes *bacha baazi*, a practice in which men exploit boys for social and sexual entertainment. The Afghan government investigated,

## SIGAR EVALUATION

At the request of a bipartisan, bicameral group of 93 members of Congress, SIGAR this quarter issued a classified evaluation of DOD and State’s implementation of the Leahy laws for Afghanistan. Under the Leahy laws, DOD and State are prohibited from providing assistance to any unit of the security forces of a foreign country if the Secretaries of State or Defense have credible information that the unit has committed a gross violation of human rights. The report concerns allegations of sexual abuse of children committed by members of the Afghan security forces, reviews guidance on Leahy Laws implementation, and discusses the extent to which the U.S. holds Afghan security forces accountable.



prosecuted, and convicted traffickers, including through the arrest and punishment of officials complicit in bacha baazi.<sup>510</sup>

However, State found that the Afghan government did not meet the minimum standards in several key areas. Afghan officials remain complicit, especially in the sexual exploitation and recruitment of children by Afghan security forces. Victim-protection efforts remained inadequate, as all but one government-run shelter for trafficking victims remained closed during the reporting period. The Afghan government did not develop or employ standard operating procedures for victim identification or for referral of victims to rehabilitation services, which at times resulted in the government's arrest and prosecution of trafficking victims as criminals.<sup>511</sup>

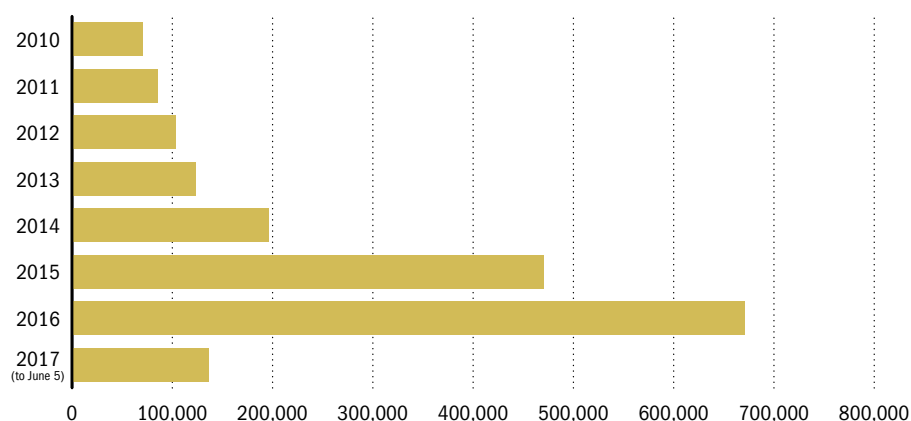
## Refugees and Internal Displacement

The high rate of refugee returns in 2016 has stabilized. In 2016, a total of 370,102 Afghans registered as refugees returned from Pakistan, 2,290 returned from Iran, and 185 returned from other countries.<sup>512</sup> As of June, roughly 33,000 Afghan refugees have returned from Pakistan and Iran in 2017. Additionally, approximately 220,000 undocumented Afghan migrants have returned in 2017.<sup>513</sup> According to the UN Secretary-General, approximately 20% of the populations of Kunar, Laghman, and Nangarhar Provinces are currently returnees (approximately 500,000 people).<sup>514</sup>

As shown in Figure 3.27, there has been a decrease in internal displacement this year compared to last. According to the UN's Office for the Coordination of Humanitarian Affairs (OCHA), as of June, 138,300 people have fled their homes due to conflict. This is 27% fewer than the 188,419 people displaced during the same period in 2016.<sup>515</sup>

FIGURE 3.27

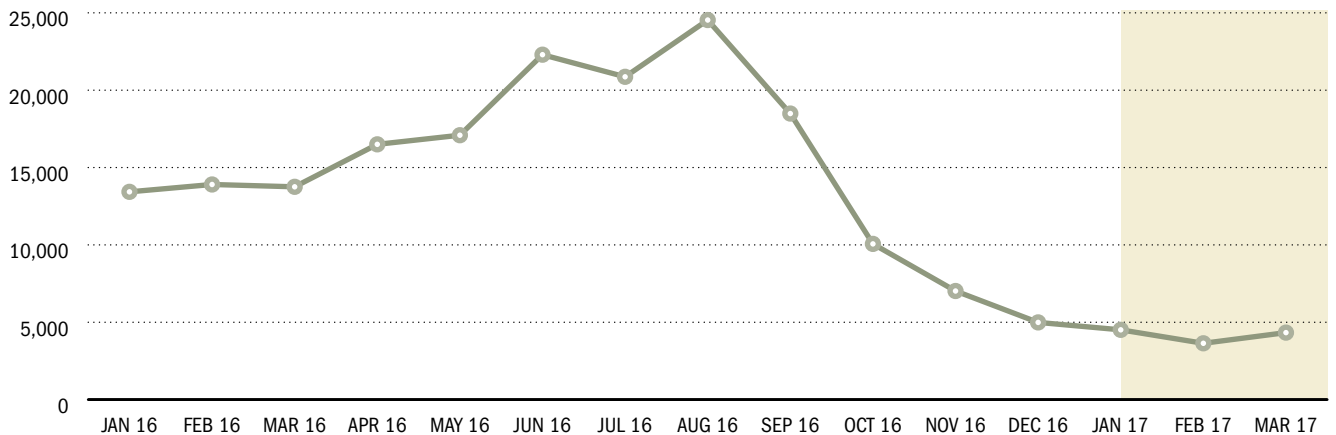
### CONFLICT-INDUCED DISPLACEMENTS



Source: UN OCHA, "Afghanistan: Conflict Induced Displacements in 2017-Snapshot," 6/18/2017.

FIGURE 3.28

## FIRST-TIME AFGHAN ASYLUM APPLICANTS TO THE EUROPEAN UNION



Source: EUROSTAT, "First time asylum applicants in the EU-28 by citizenship, Q1 2016–Q1 2017," 6/20/2017.

In April, the UN found that Afghan national institutions do not meet the needs of many internally displaced persons. While the political will to protect the internally displaced is emerging, this has not translated into comprehensive and effective Afghan government-led responses. While the UN complimented the Afghan government's 2013 National Policy on Internally Displaced Persons, it found that implementation has been poor and responses to short-term displacement barely adequate. Additionally, those who were displaced for a protracted period are commonly left to fend for themselves. While government officials blame resource shortfalls for the lack of progress, a deficit of good governance and accountability are contributing factors that must be addressed.<sup>516</sup>

Eurostat, the statistical office of the EU, reported 12,475 first-time Afghan asylum seekers in the EU in the first three months of 2017. As shown in Figure 3.28, the number of Afghan asylum applications from January to March 2017 was 43% lower than the number for the previous three months.<sup>517</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>518</sup>

# GOVERNANCE

TABLE 3.16

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)
Promote: Women in the Economy	7/1/2015	6/30/2019	\$71,571,543	\$16,804,134
Promote: Women's Leadership Development	9/23/2014	9/22/2019	41,959,377	21,100,484
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	9,902,296
Promote: Women's Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	7,185,576
Promote: Rolling Baseline and End-line Survey	2/21/2017	10/20/2020	7,577,638	154,518
Promote: Economic Empowerment of Women in Afghanistan	5/8/2015	5/7/2018	1,500,000	600,000
Promote: Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522

Source: USAID, response to SIGAR data call, 7/10/2017.

USAID has committed \$280 million to Promote.<sup>519</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>520</sup> Table 3.16 show the current Promote programs.

In May, USAID issued a third-party mid-term evaluation report of the Promote Women in the Economy (WIE) program. The primary objective of WIE is to enable educated Afghan women to increase their leadership participation in the formal mainstream economy by helping them secure employment with advancement potential, and by improving the viability and income growth of women-owned businesses with a 10% or greater female workforce. The evaluation found that a relatively low number of women have been placed in jobs through the WIE activity. WIE reported that 237 women were placed in jobs in the first year of the program. While a survey found that 322 WIE-sponsored interns reported 22% job placement in long-term positions (something program staff hopes will increase to 35% in 2017), the evaluators posited that the expected employment of 21,000 women by the end of the program is unrealistic.<sup>521</sup> According to USAID, the WIE internship activity is not the only means by which Afghan women will gain long-term employment opportunities.<sup>522</sup>

Program evaluators note that as the Afghan economy is shifting away from donor dependence and is growing at a slower rate, WIE faces daunting targets. The evaluators did compliment WIE's approach of having beneficiary businesses invest their own money into inputs normally provided by donors; this is a more sustainable and appropriate approach given the decrease in available funding. The evaluators also found that WIE implements a rigorous vetting process for businesses asking to host interns, which has resulted in 98% of the interns placed reporting that they work in a women-friendly workplace. It is reportedly too soon to assess whether WIE interventions have helped businesses to increase profits or resulted in the hiring of more women. However, the evaluators noted that with WIE's

## SIGAR AUDIT

SIGAR is currently conducting a performance audit of Promote that will assess contract compliance, program performance, and implementation challenges for the five Promote programs. The audit team's work includes examining contract documents and interviewing USAID and Afghan government officials, the Promote contractors, and program participants.

program being cut by one year, it will be even more challenging to achieve sustainable, measurable impact in the promotion of female-friendly workplaces.<sup>523</sup> USAID reports that they are in the process of modifying the WIE contract to return the program to the original length of five years.<sup>524</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>525</sup>

In May, donors assessed the Afghan government's progress in meeting the SMAF obligation to implement a national action plan for women by the first half of 2016. According to the EU, the Afghan government partially achieved this deliverable with the development of an overall national action plan, implementation plan, monitoring and evaluation plan, and an official launch. However, the EU reports that there are funding and individual ministry-level plan delays.<sup>526</sup> Donors also reviewed the status of the SMAF requirement for dedicated violence-against-women prosecution units in a minimum of 26 provinces. While the EU considers the evidence provided by the AGO insufficient to confirm the operation of these units, State believes that these units are operating in all 34 provinces.<sup>527</sup>

## ECONOMIC AND SOCIAL CONTENTS

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## ECONOMIC AND SOCIAL DEVELOPMENT

### KEY ISSUES AND EVENTS

The Financial Action Task Force, an intergovernmental organization established to combat money laundering and terror financing, decided on June 23, 2017, to remove Afghanistan from its list of countries with strategic anti-money-laundering/combating the financing of terrorism (AML/CFT) deficiencies. Afghanistan's compliance will no longer be subject to FATF's ongoing monitoring, although the government will continue to work with FATF to strengthen its AML/CFT administration.<sup>528</sup> If Afghanistan's international banking relationships improve as a result of this development, Afghan banks could become more profitable, as international trade and transaction fees are an important revenue source for them.<sup>529</sup>

On May 24, 2017, the International Monetary Fund's (IMF) executive board completed the first review of Afghanistan's economic-reform program—the three-year, Extended Credit Facility (ECF) arrangement. The first review assessed the implementation of five structural-reform benchmarks and eight performance criteria. The IMF deemed Afghanistan's performance through December 31, 2016, satisfactory. All quantitative performance criteria and indicator targets were met. Three of five structural benchmarks were implemented on time and one benchmark was implemented after the assessment.<sup>530</sup>

The Afghan government had trouble maintaining its improved revenue collection from the previous year. In the first six months of FY 1396 (which began December 22, 2016), domestic revenues declined nearly 25% year-on-year and covered about 40% of total government expenditures. This left a budget gap of \$1.1 billion in current dollars, which donor contributions narrowed to \$458 million.<sup>531</sup> Donors are expected to finance approximately 62% of Afghanistan's \$6.4 billion FY 1396 national budget.<sup>532</sup>

### U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE AND ECONOMIC AND SOCIAL DEVELOPMENT

As of June 30, 2017, the U.S. government has provided approximately \$32.3 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 \$15.2 billion has been disbursed.<sup>533</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>534</sup>

ESF investments are made in key sectors like agriculture, power generation, education, and health. 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. Grid expansion is a critical component of the United States' economic-growth strategy for Afghanistan.<sup>535</sup>

## ECONOMIC PROFILE

The World Bank reported this quarter that past economic and social 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. Weak institutions undermine Afghanistan's delivery of public services, and along with high levels of crime and corruption, deter private investment.<sup>536</sup> The IMF pointed to Afghanistan's inadequate infrastructure and human capital, and a large illicit narcotics sector, as notable elements preventing robust and inclusive economic development.<sup>537</sup>

The IMF estimated Afghanistan's real (net of inflation) gross domestic product (GDP), excluding opium, to have grown 2% in 2016, higher than the estimated 0.8% in 2015. While an improvement, the IMF said it remains far below the growth necessary to increase employment and improve living standards.<sup>538</sup> The IMF projected GDP to grow 3% in 2017, while the World Bank and Asian Development Bank (ADB) projected 2.6% and 2.5% growth, respectively. Their collective outlooks depend on an improvement in security, political stability, investor and consumer confidence, successful implementation of reforms, continued improvement in revenue collection, continued strong donor support, and favorable weather.<sup>539</sup>

GDP growth is being outpaced by Afghanistan's rapid population growth, estimated at 3% per year. As a result, per capita GDP may be 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. As a result, nearly 24% of Afghanistan's labor force was unemployed in 2016–2017, per the most recent reporting. This is further exacerbated by deteriorating

**The World Bank, IMF, and others exclude the value from opium production in their reported GDP estimates. Afghanistan's Central Statistics Organization releases official GDP growth figures in two categories—one that includes and one that excludes opium value. Opium-related earnings boost domestic demand and are a significant source of foreign exchange.**

**The estimated net value of opium production was \$2.9 billion in 2016, representing 16% of GDP. The farm-gate value—the potential gross amount earned by farmers—was almost \$900 million, roughly 5% of GDP and a 57% increase over 2015.**

Source: World Bank, *Afghanistan Development Update*, 5/2017, p. 2; IMF, "IMF Executive Board Completes First Review Under the ECF for the Islamic Republic of Afghanistan and Approves US \$6.2 million Disbursement," Press Release No. 17/192, 5/24/2017; ADB, *Asian Development Outlook 2017*, 4/2017, p. 178; CSO, *Afghanistan Statistical Yearbook 2015–2016*; UNODC, *Afghanistan Opium Survey 2016*, *Sustainable Development in an Opium Production Environment*, 5/2017, pp. 44, 47.



**USAID's Afghanistan University Support and Workforce Development Program** provided assistance for this March 2017 job fair in Kandahar. (USAID photo)

security conditions and increased repatriation of Afghans that adds to internal displacement.<sup>540</sup>

Agriculture was the largest contributor to real GDP growth in 2016 due to favorable weather and greater output, according to the World Bank.<sup>541</sup> However, agricultural output and income fluctuate with the weather, so economic growth based on this sector is volatile.<sup>542</sup> Industry and services, which benefited from the Coalition's large presence, security spending, and aid flows prior to 2015, have since grown much more slowly.<sup>543</sup> Industry declined by 0.8% in 2016, largely a result of low construction activity, which had maintained strong growth in recent years. Manufacturing grew around 1% and services by 2.2%, which, according to the World Bank, was substantially lower than the historical average.<sup>544</sup>

Consumer prices remain low, but increased by an IMF-estimated 4.4% in 2016, compared to -1.5% in 2015. This was attributed to inflationary pressure on the Afghan currency, the afghani, as it depreciated against the U.S. dollar, and increasing global food prices.<sup>545</sup> For an import-dependent nation like Afghanistan, the World Bank said exchange rates and global prices usually have a significant impact on domestic prices.<sup>546</sup> Additionally, private investment declined in 2016, with the number of new firm registrations—a measure of investor confidence—dropping 9%. New vehicle registration increased by 3.9%, indicating low-level economic activity.<sup>547</sup>

**On June 19, 2017, President Ghani inaugurated an air-freight corridor with India to improve trade and create opportunities for Afghan exports. The first India-bound flight included 60 tons of Afghan agricultural products with more to follow.**

Source: GIROA, MFA, "Deputy Foreign Minister Meets with Indian Ambassador to Kabul," 6/20/2017; Associated Press, "Afghanistan President Inaugurates First Air Corridor with India," 6/19/2017.

## Afghanistan's Fiscal Outlook

Afghanistan remains poor, fragile, and heavily aid-dependent, according to the IMF. Afghanistan's domestic revenues in 2016 totaled afghani (AFN) 141.1 billion (approximately \$2.1 billion in current dollars). This represents a 15.4% increase over 2015, surpassing the target set under the IMF's economic support program.<sup>548</sup> The World Bank attributed this success to new tax policies introduced at the end of 2015 and improved compliance and enforcement. Taxes were the greatest contributor to overall revenue, followed by non-tax revenue and customs duties.<sup>549</sup>

Afghan authorities are uncertain if 2016 domestic revenue levels can be sustained. They were concerned that trade disruptions at the border with Pakistan and World Trade Organization (WTO)-mandated tariff reductions would negatively affect customs duties in the short term. Additionally, there were ongoing tensions with large taxpayers who felt unfairly targeted. The IMF said achieving sustainable revenues and expenditures would be difficult, given the government's low capacity in revenue administration and public financial management—Afghanistan has one of the lowest rates of tax collection among IMF member countries. Further revenue gains are likely to come from economic growth and an expanded tax base.<sup>550</sup>

Budget expenditures continue to outpace revenues, with security being the largest recurrent cost. The World Bank projects expenditures to be at least double what revenues should be by 2030, even if security improves.<sup>551</sup> Currently, terrorist and insurgent groups continue to present a formidable challenge to Afghan, U.S., and Coalition forces, according to the Department of Defense's (DOD) most recent assessment.<sup>552</sup> For FY 1396 (2017), Afghanistan planned to contribute AFN 26.8 billion (\$401 million)—out of what DOD anticipates to be a \$4.9 billion requirement—to help cover ANDSF sustainment and operational costs, including food for ANDSF personnel.<sup>553</sup> This quarter, Congress fully funded DOD's \$4.26 billion budget request for the ANDSF in FY 2017. International donor contributions and the Afghan government are expected to help cover the rest.<sup>554</sup>

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 with aid sustained at least at current levels. 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 for existing assets, and civil service salaries.<sup>555</sup>

## FY 1396 Afghanistan's Revenues and Expenditures—First Six Months

According to Afghanistan Financial Management Information System (AFMIS) data, total domestic revenues—a figure that excludes donor grants—stood at AFN 60.3 billion (\$881.7 million in current dollars) in the first six months of FY 1396, about 24.8% lower compared to the same period

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.17

<b>DOMESTIC REVENUES, FISCAL YEARS 1395 AND 1396 COMPARED (IN AFGHANIS)</b>				
	<b>Category</b>	<b>1395 (Through Month 6)</b>	<b>1396 (Through Month 6)</b>	<b>% Change</b>
<b>Taxation &amp; Customs Revenues</b>	Fixed Taxes	4,352,135,096	3,884,905,651	-10.74%
	Income Taxes	9,701,259,891	13,118,202,123	35.22%
	Property Taxes	194,376,103	161,327,278	-17.00%
	General Taxes on Goods and Services	12,219,980,755	11,280,567,143	-7.69%
	Tax Penalties and Fines	0	1,167,355,749	-
	Customs Duties and Fees	13,059,083,771	11,024,809,424	-15.58%
	<b>Social Contributions</b>	Retirement Contributions	1,701,531,385	1,805,533,759
<b>Other Revenue</b>	Income from Capital Property	552,720,636	736,276,284	33.21%
	Sales of Goods and Services	2,727,607,431	3,505,221,399	28.51%
	Administrative Fees	10,275,910,992	9,991,069,061	-2.77%
	Royalties	93,905,189	148,566,178	58.21%
	Non Tax Fines and Penalties	442,495,082	219,082,977	-50.49%
	Extractive Industry Fees	104,240,990	419,527,361	302.46%
	Miscellaneous Revenue	21,598,155,577	2,814,899,988	-86.97%
	Sale of Land and Buildings	1,090,982,116	32,046,179	-97.06%

Source: SIGAR analysis of USAID-provided AFMIS data exported 7/11/2017; MOF, Jawza Financial Statements FY 1395, 6/29/2016.

in FY 1395. Recurrent revenue streams like taxation and customs revenues, which made up almost 40% of the government's total domestic revenues, decreased 2.3% compared to the same period last year.<sup>556</sup>

As shown in Table 3.17, revenues from income taxes increased 35.2%, but customs duties and fees dropped 15.6%, while fixed taxes and property taxes dropped 10.7% and 17.0%, respectively. Revenue from administrative fees—levied on passports and visas, vehicle registrations, professional and commercial licenses, and airspace-overflight charges, among other items—decreased nearly 3%. Revenue from natural resources saw the greatest improvement by percentage so far in FY 1396, with royalties increasing 58.2% and fees 302.5% year-on-year. This is an unexpected gain given the ongoing constraints in that sector.<sup>557</sup>

Afghan government expenditures, AFN 137.8 billion (\$2 billion), grew overall by about 3.3% in the first six months of FY 1396. Wages and salaries, which accounted for nearly 60% of all expenditures, grew 11.6%, while subsidies, grants, and social benefits increased 11.8%, as shown in Table 3.18 on the next page. Goods and services, Afghanistan's second largest expense, declined almost 20.9%, helping offset outlays.<sup>558</sup>

Afghanistan's fiscal gap—the difference between domestic revenues and expenditures—is large.<sup>559</sup> Domestic revenues paid for only 43.8% of Afghanistan's total budget expenditures through FY 1396 month six, representing a net deficit of AFN 77.5 billion (\$1.1 billion). Donor assistance narrowed the gap to AFN 31.4 billion (\$458.5 million).<sup>560</sup>

**Donors are expected to finance approximately 62% of Afghanistan's \$6.4 billion FY 1396 national budget, mostly through grants. This covers approximately 45% of the operating budget and 86% of the development budget.**

Source: MOF, *National Budget Document, 1396 Fiscal Year*, 1/16/2017, pp. 10–11, 76.

TABLE 3.18

<b>EXPENDITURES, FISCAL YEARS 1395 AND 1396 COMPARED (IN AFGHANIS)</b>				
<b>Category</b>		<b>1395 (Through Month 6)</b>	<b>1396 (Through Month 6)</b>	<b>% Change</b>
<b>Wages and Salaries</b>	Wages and Salaries in Cash	62,089,703,270	65,951,425,052	6.22%
	Wages and Salaries Advance	263,549,103	521,292,455	97.80%
	Wages and Salaries in Kind	9,045,862,206	10,228,638,413	13.08%
	Social Benefits in Cash	1,189,287,759	1,514,168,023	27.32%
	Social Benefits in Kind	0	2,791,727,631	-
<b>Goods and Services</b>		33,190,232,271	26,271,215,771	-20.85%
<b>Interest</b>		191,974,609	219,237,850	14.20%
<b>Subsidies, Grants, and Social Benefits</b>	Grants	710,650,000	39,473,500	-94.45%
	Grants to Foreign Governments	92,770,092	51,520,000	-44.46%
	Social Assistance in Cash	6,300,000	5,650,000	-10.32%
	Social Security Benefits in Cash	9,358,268,565	10,616,077,644	13.44%
	Subsidies, Grants, and Social Benefits Advance	481,665,358	490,738,290	1.88%
<b>Acquisition of Assets</b>		16,821,481,355	17,896,312,979	6.39%

Note: In FY 1396, Goods and Services includes expenditures for food, but not communications. In FY 1395, Goods and Services includes expenditures for communications, but not food. Changes also occurred in the categories for Acquisition of Assets. The inter year totals for these two entries are therefore not strictly comparable.

Source: SIGAR analysis of USAID-provided AFMIS data exported 7/11/2017; MOF, Jawza Financial Statements FY 1395, 6/29/2016.

## Trade

The temporary border closing with Pakistan, some import substitution, and weaker domestic demand in 2016 contributed to Afghanistan lowering imports and improving its trade balance, compared to 2015. However, trade performance remained weak, according to the IMF. Afghanistan exported more goods, but this was offset by a fall in exported services.<sup>561</sup>

Afghanistan's trade balance was an IMF-estimated negative \$5.5 billion—equivalent to 29.3% of GDP. Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-estimated current-account surplus of \$1.3 billion in 2016 (equivalent to 7.1% of its GDP). Without donor assistance, the IMF estimated Afghanistan would have had a current-account deficit of \$6.1 billion (equivalent to 32% of GDP).<sup>562</sup>

WTO membership may potentially help Afghanistan facilitate transit, resolve trade disputes, and gain access to global markets, which could spur foreign direct investment over the medium term, according to the World Bank. One year after accession, however, Afghanistan still has not appointed a representative or sent technical/professional teams to the WTO. The World Bank also said access to Iran's Chabahar seaport will open up a new low-cost transit route in western Afghanistan that may become the most important and cost-efficient port for Afghan trade, depending on security.<sup>563</sup>

## Export and Import Data

During 2014–2016, Afghanistan exported between \$1 billion and \$2 billion worth of goods and services annually, compared to imports ranging



between \$7.4 billion and \$8.6 billion a year. Afghanistan's legal exports in 2016 consisted of goods (56.4%) and services (43.5%). Legal imports comprised goods (82.6%) and services (17.4%). The IMF projected Afghanistan's 2017 exports at \$1.2 billion, not including illicit narcotics. Imports were projected to be around \$7.9 billion, with more than \$6.3 billion paid for by official donor grants.<sup>564</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>565</sup>

IMF staff said that Afghanistan needs to increase and diversify its exports.<sup>566</sup> The Afghan government pledged to reduce regulatory and operational barriers to facilitate this.<sup>567</sup> Exports depend heavily on agricultural outputs, which the World Bank said can increase if Afghanistan develops supply chains for higher value-added products. This will require investments to develop and improve irrigation and extension services, and to build downstream agro-processing capacities.<sup>568</sup> Weather and rainfall would, of course, continue to exert a significant influence on agricultural output and income potential.

## International Monetary Fund Support Agreement Update

On May 24, 2017, the IMF's executive board completed its first review of Afghanistan's economic-reform program—the three-year, \$45 million Extended Credit Facility (ECF) arrangement—that began in July 2016. The ECF sets out an agenda for Afghanistan that focuses on institution building, fiscal and financial reforms, and measures to combat corruption in order to improve private-sector development and more inclusive growth.<sup>569</sup>

The first review assessed the implementation of five structural benchmarks on reforms to fight corruption, strengthen revenue administration, submit a sound budget to Parliament, and take measures to resolve the 2010 Kabul Bank crisis. The review also examined eight performance criteria on government revenues, foreign exchange reserves, reserve money, net credit to central government from Afghanistan's central bank, and public debt. The IMF deemed Afghanistan's performance through December 31, 2016, satisfactory, despite enduring security challenges that undermine economic confidence and growth. All quantitative performance criteria and **indicative targets** were met.<sup>570</sup>

The IMF also concluded three of five benchmarks were met on time—strengthening the Afghanistan Customs Department's revenue administration and reducing corruption by revising its risk management policy; repaying the central bank to reduce its exposure as lender of last resort to Kabul Bank; and recapitalizing New Kabul Bank and compensating it for accumulated losses. The benchmark for the Council of Ministers to approve and submit to Parliament a FY 1396 (2017) budget in line with the ECF's macroeconomic framework and Kabul Bank repayment requirements was met after the review in March 2017. The benchmark to criminalize acts of corruption was not met.<sup>571</sup>

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**Indicative targets:** quantitative indicators used to help assess progress in meeting objectives of an IMF program, including predictive economic trends where data are uncertain.

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Source: IMF, "IMF Conditionality," fact sheet, 4/17/2017.



## BANKING AND FINANCE

Afghanistan's banking sector comprises 15 banks—three state-owned, nine Afghan private-sector, and three foreign-owned commercial branches. The sector is marginally profitable, according to the IMF, with few banks incurring losses in 2016. Yet Afghanistan's financial sector remains vulnerable to adverse shocks due to poor asset quality and associated lending, capital shortfalls, weak profitability, and management deficiencies in several banks.<sup>572</sup>

Commercial bank loans to the private sector remained flat at AFN 46 billion (\$674 million) in FY 1395 (December 22, 2015, to December 21, 2016), which the World Bank said may indicate a slowdown in private investments and/or a weak appetite for lending.<sup>573</sup> Lending is almost entirely done by private banks since the state-owned banks are currently focused on improving their governance structures and modernizing major bank functions and payment systems. While the state-owned banks were slightly profitable, the IMF reported that they currently lack viable business models, which the Ministry of Finance (MOF), Afghanistan's central bank, and the World Bank are addressing. Until a strategy is approved, the state-owned New Kabul Bank and Pashtany Bank will continue their no-lending policies, and Bank Millie will not issue long-term mortgages.<sup>574</sup>

Only 10% of Afghan adults use formal financial institutions, automatic teller machines are available in only eight of Afghanistan's 34 provinces, and credit cards are issued in only six. According to the IMF, impediments to greater financial participation include a shortage of credit-worthy borrowers stemming from difficult economic and security conditions, Afghanistan's judicial system and legislative framework, weak bank management, limited professional capacity, poor bank governance and internal controls, and low financial literacy.<sup>575</sup>

Some 90% of financial transactions go through the informal **money service businesses** (MSB)/**hawala** system. There is no clear division between MSBs/hawala and formal banking systems—hawaladars keep bank accounts and use wire-transfer services, while banks occasionally use hawalas to transmit funds to remote areas in Afghanistan. MSBs and hawalas, which likely account for a substantial portion of illegal proceeds moving through Afghanistan's financial system, are generally not as closely scrutinized by the Afghan government as formal financial institutions.<sup>576</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 that 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>577</sup>

### Money service providers/businesses:

individuals or entities that engage in funds transfers, and who may also provide safekeeping and check-cashing services.

**Hawaladars:** individuals engaged in an informal money transfer system (hawala) common in the Middle East and South Asia. Under Afghan law, all operating hawalas are required to be licensed and report their transactions periodically to the Afghan central bank, DAB. Hawaladars generally fail to file suspicious transactions reports, as legally required.

Source: SIGAR 14-16-AR, *Afghanistan's Banking Sector: The Central Bank's Capacity to Regulate Commercial Banks Remains Weak*, 1/2014, p. 4; State, *International Narcotics Control Strategy Report*, Vol. II, 3/2017, p. 28.

## Money Laundering

The State Department lists Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds, all of which “continue to threaten Afghanistan’s security and development.” Narcotics, corruption, and fraud are major sources of the country’s illegal revenues and laundered funds. State found Afghanistan’s anti-money-laundering laws to be largely in line with international standards, but still deficient, and facing significant enforcement and regulatory challenges.<sup>578</sup>

Shortcomings notwithstanding, Treasury noted that Afghanistan is making progress. Since enacting laws against money laundering and terrorist financing in 2014, there have been four money-laundering and 13 terrorist-financing convictions. In January 2017, the central bank issued a moratorium on individual licenses for foreign exchange and money-service providers in certain municipal districts. Also, the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), which is tasked with combating money laundering and terrorist financing, continued to publicly list money-service providers whose licenses have been revoked.<sup>579</sup> The United Nations reported 121 licenses have been revoked, as of May 2017.<sup>580</sup>

## Financial Action Task Force Compliance Update

At its most recent plenary session in Valencia, Spain, on June 21–23, 2017, the **Financial Action Task Force (FATF)** removed Afghanistan from its “Improving Global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Compliance” document. Countries on this list have strategic AML/CFT deficiencies, but are implementing a FATF-approved corrective action plan to address them.<sup>581</sup>

FATF said Afghanistan made significant progress in improving its AML/CFT administration and noted that Afghanistan established a legal and regulatory framework to meet the requirements of its corrective action plan. As such, Afghanistan will no longer be subject to FATF’s ongoing compliance monitoring. Afghanistan will continue to work with the Asia Pacific Group—a FATF-style regional body—on addressing its AML/CFT issues, particularly fully implementing a cross-border currency declaration system.<sup>582</sup> If Afghanistan’s international banking relationships improve as a result of this development, Afghan banks could become more profitable, as international trade and transaction fees are an important revenue source for them.<sup>583</sup>

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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,” <http://www.fatf-gafi.org/about/whoweare/> and <http://www.fatf-gafi.org/about/member-sandobservers/>, accessed 1/3/2016.

## Kabul Bank Theft: Accountability and Other Challenges

No efforts were made this quarter to seize, freeze, or investigate debtor accounts, or otherwise carry out President Ghani’s October 2014 decree requiring the Attorney General’s Office (AGO) to indict and prosecute all those involved in the theft of approximately \$987 million from Kabul Bank

and to monitor enforcement of the courts' decisions.<sup>584</sup> The AGO has still not acted on the Kabul Bank-related cases currently referred to it.<sup>585</sup>

Some debtors appear to be shielded by their close ties to former and current high-level government officials.<sup>586</sup> For example, Abdul Ghafar Dawi—former Kabul Bank shareholder and chief executive of Dawi Oil Ltd.—was arrested in Kabul last quarter and charged with embezzling millions of dollars from fuel and oil contracts, and with tax evasion.<sup>587</sup> Kabul Bank Receivership (KBR) officials said Dawi was freed this quarter without repercussion.<sup>588</sup>

The KBR—established to manage the bank's bad assets (for example, loans that are not being repaid)—is an administrative entity only, with no authority to investigate, prosecute, or recover debtor defaults. KBR said requests to the AGO and Kabul Bank Clearance Committee for assistance in recovering stolen funds have gone unanswered.<sup>589</sup> A former deputy receiver told SIGAR that additional recoveries were being impeded, in part because the presidential palace is no longer pursuing the Kabul Bank case and the central bank is not properly supervising or exercising control over the Receivership.<sup>590</sup>

In one instance detailed last quarter, debt-collection efforts were directly undermined when a major debtor successfully had his case reopened and his original financial judgment from the Kabul Bank Special Court dismissed.<sup>591</sup> KBR officials claim that their director and legal advisor have suggested other debtors use the same new panel of judges to contest their assessed liabilities.<sup>592</sup> This quarter, these officials said two other debtor cases are being reopened with the intention of undermining the higher court judgment.<sup>593</sup>

Even if the Special Appellate Court's original decision in November 2014 and the Supreme Court's final judgment in December 2014 stand, their vague language makes enforcement problematic, according to the KBR. Many of the properties and other assets purchased with stolen Kabul Bank funds are located in Dubai, United Arab Emirates (UAE). But the courts in Dubai view the language in the court decisions—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 also legally unenforceable in Afghanistan. It is therefore unclear how the Afghan government can recover its stolen assets.<sup>594</sup> The former deputy receiver of KBR also told SIGAR that the AGO's office has expressed no interest in seeking an enforceable new judgment.<sup>595</sup>

Afghanistan lacks mutual legal-assistance agreements with many of the countries where assets are located, including the UAE.<sup>596</sup> The Afghan government officially requested UAE assistance in September 2016, but has received no response.<sup>597</sup> An Afghan request for assistance in April 2015 to the United States was legally deficient. Although the Department of Justice (DOJ) outlined the corrective actions needed to move forward, the Afghan government did not respond or correct the deficiencies and the case was

closed this quarter.<sup>598</sup> State said the government’s lack of follow-up reflects, in part, the multiple security crises it faces, limited resources, and technical and administrative limitations to collect debts where assets are not liquid or are located outside the country.<sup>599</sup>

## Cash and Asset Recoveries—A Closer Look

The Kabul Bank Receivership (KBR) reported total recoveries of \$447.8 million, as of May 15, 2017. As shown in Figure 3.29, total recoveries comprise cash, waived interest, assets recovered or seized (but not necessarily liquidated), and collateral, as well as amounts still owed by major debtors who signed loan-repayment agreements. Of the total recoveries, only the \$206.7 million in cash has been truly recovered, according to the State Department.<sup>600</sup>

Recovery and accountability efforts are largely stalled.<sup>601</sup> Since President Ghani’s September 2014 Kabul Bank decree, a mere \$32.6 million has been recovered in cash. Another \$32.0 million worth of loan-repayment plans have been agreed to, but are in arrears.<sup>602</sup> Amounts owed by 289 debtors have been paid off. The KBR reported \$596.9 million, including interest, remains outstanding from 114 individuals and/or corporations (fourteen of whom owe \$578 million).<sup>603</sup> These figures are not verified by the U.S. government.<sup>604</sup>

For the other, non-cash reported recoveries:<sup>605</sup>

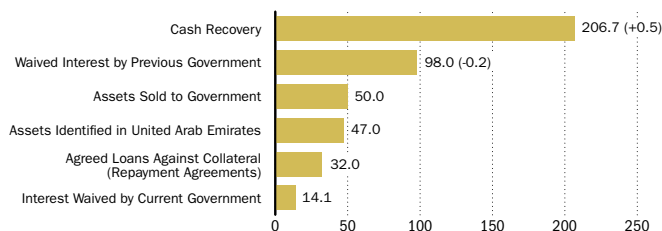
- The \$50 million in bank “assets sold to government entities” that was originally recovered by the KBR were transferred or “loaned” by the Karzai government to various ministries and agencies, but not paid for. The KBR has been unable to reclaim the value of these assets from the government, despite numerous requests. The amended FY 1396 (2017) budget submitted to parliament reportedly includes a \$50 million payment to KBR to be transferred to the central bank.

**On June 19, 2015, President Ghani signed a decree allowing SIGAR to help detect and retrieve Kabul Bank assets in foreign countries. The decree instructed the AGO, MOF, Ministry of Interior, FinTRACA, and Kabul Bank entities to provide SIGAR relevant information and documents.**

Source: GIROA, Office of the President, Presidential Decree, Serial Number 2736, 6/19/2015.

FIGURE 3.29

KABUL BANK DEBT RECOVERIES, AS OF MAY 15, 2017 (\$ MILLIONS)



Note: Figures in parenthesis represent the change from reported amounts last quarter.

Source: Kabul Bank Receivership, “Kabul Bank Debt Recovery Table,” 5/15/2017; Kabul Bank Receivership, “Kabul Bank’s Assets Recovery Brief Report,” 3/19/2017.

- 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 debtors have not kept to the agreed-upon schedule. Of 17 repayment agreements, 13 debtors are not paying and four are in arrears. Approximately \$13.8 million of the \$31.3 million outstanding balance has been repaid. KBR leadership has reportedly not decided whether to pursue the collateral pledged against these loans.
- “Interest waived” by the previous and current governments (\$112.1 million collectively) represent accounted-for losses, not cash recoveries. Waivers were given as incentive to enter repayment agreements.
- The \$47 million in total “assets in the United Arab Emirates” were identified, but have not been recovered. The Dubai courts deem Afghanistan’s court decisions on the Kabul Bank case to have no legal merit.

Again, no recoveries from convicted ex-Kabul Bank chairman Sher Khan Farnood and CEO Khalilullah Ferozi were reported this quarter. Their assets are hidden under other people’s names, according to DOJ. This follows a pattern of the Afghan government’s failure to compel full repayment from the main architects of the fraud, both of whom are in jail, as of June 2017. According to the KBR, Farnood still owes \$336.8 million; Ferozi owes \$178.7 million.<sup>606</sup>

## U.S. Treasury Assistance to the Ministry of Finance

The U.S. Treasury’s Office of Technical Assistance (OTA) continued implementing its March 2015 agreement with Afghanistan’s MOF to develop and execute technical-assistance and capacity-building programs. OTA has carried out 11 program-assessment missions to Afghanistan so far, including three this quarter. Some OTA assistance to the MOF has been carried out remotely.<sup>607</sup> OTA assistance is focused on four areas:

### Budgeting

OTA is helping the Afghan government develop baseline budgets and out-year estimates, and is reviewing fiscal performance improvement plans (FPIP). OTA worked with MOF counterparts April 11–18, 2017, to finalize forms and training materials for a two-day workshop on estimating costs of new government activities to use in the 2018 budget process. OTA is continuing to help MOF finalize this new cost template and develop others that will guide ministries in providing more detailed activity costs in future budget requests.<sup>608</sup>

Also this quarter, OTA met with the director of the MOF’s performance management team to discuss streamlining the ministry’s FPIP and ways to improve its measurement. As a result, OTA will:

- Look into developing a team of advisors to help the Afghan government validate MOF self-evaluations of the FPIP.

- Produce a summary document to help donors better track the implementation of donor-funded reforms and identify areas for further investment.
- Help the MOF performance management team better understand performance/project management systems and public financial management best practices, preferably in coordination with USAID.
- Work with the World Bank and Treasury attaché in Kabul to organize FPIP donor meetings.<sup>609</sup>

## Economic Crimes

OTA is developing the capacity and effectiveness of Afghanistan's financial-intelligence unit, FinTRACA, and evaluating the central bank's capability to supervise money-service providers for compliance with measures against money laundering and terror financing.<sup>610</sup> This quarter, an OTA advisor deployed to Afghanistan from May 17 to 24 to help further the newly formed Afghanistan Financial Crimes Working Group (FCWG). FCWG is composed of representatives from FinTRACA, Major Crimes Task Force, Counter-Narcotics Justice Center, Anti-Corruption Justice Center, Anti-Corruption Unit, Military Anti-Corruption Unit, and Kabul Criminal Investigation Division.<sup>611</sup>

## Banking

OTA works with Da Afghanistan Bank (DAB)—Afghanistan's central bank—to improve electronic reporting and risk management, and state-bank restructuring (this assistance can be provided from the U.S. Embassy Kabul and remotely). This quarter, OTA worked with DAB's Financial Supervision Department April 29 to May 12 to begin streamlining the reporting process for financial institutions to support offsite monitoring and surveillance. OTA held two training sessions and developed a preliminary work plan for automating report collection and processing.<sup>612</sup>

## Revenue

OTA is collaborating with the new customs and tax academy to design a curriculum, deliver courses, and supply course materials. An assessment mission took place in March 2016; technical assistance has not yet begun.<sup>613</sup>

OTA received \$2 million from USAID on April 1, 2016, to provide budget, banking, and revenue-generation assistance to the Afghan government. This agreement expires on September 30, 2019. OTA also received \$178,437 from State's Bureau of International Narcotics and Law Enforcement Affairs (INL) on September 1, 2016, to help Afghanistan combat economic crimes. This agreement, set to expire on May 30, 2017, was extended to September 30, 2017.

Source: Treasury, response to SIGAR data call, 6/23/2017.

Treasury reported that security conditions continue to be a major constraint on establishing a more sustained presence in Afghanistan. Treasury said the ultimate effectiveness of its 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 call, 6/23/2017.

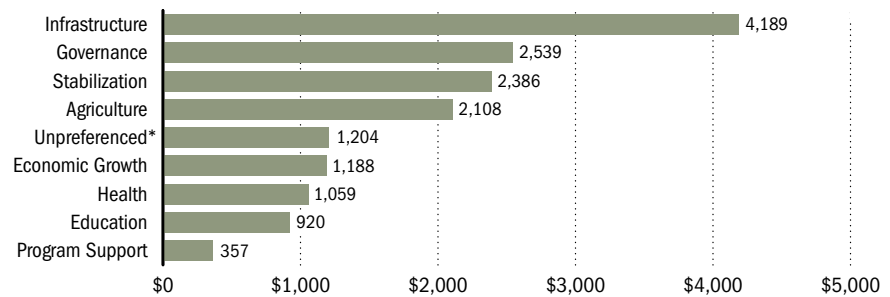
## U.S. ECONOMIC AND DEVELOPMENT SUPPORT

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>614</sup> Figure 3.30 on the next page shows USAID assistance by sector.



FIGURE 3.30

**USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JUNE 30, 2017**  
(\$ MILLIONS)



Note: USAID Mission-managed funds. 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, 7/10/2017; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status, as of May 21, 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. In addition, the IMF reported that Afghan authorities were not able to advance an extractives reform agenda due to personnel turnover and lack of political commitment. USAID said the MOMP currently cannot administer the country's approximately 488 existing extractives contracts.<sup>615</sup>

USAID cited other issues contributing to investor uncertainty: regulations to support implementation of the new mining law enacted 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 constitute an uncompetitive levy of about 80% on mineral production.<sup>616</sup>

## Revenues from Natural Resources

Although geological surveys show that Afghanistan has significant mineral resources, mining has so far contributed only slightly to the country's GDP.<sup>617</sup> Actual government receipts from royalties and extractives fees in the first six months of FY 1396 (2017) were AFN 568 million (\$8.3 million); a 186.7% increase year-on-year.<sup>618</sup> Afghanistan's FY 1396 (2017) budget revenue target from extractives is \$34.8 million.<sup>619</sup>

Illegal mining at an estimated 1,400–3,000 sites represents the theft of non-renewable natural resources, damaging Afghanistan’s economic development.<sup>620</sup> The Afghan government believes \$300 million in revenue is lost annually by illegal mining, which not only denies Kabul much-needed funds, but also fuels the insurgency and drives criminality.<sup>621</sup>

## USAID Assistance

USAID has no active mining or hydrocarbon programs, and none are planned. The agency’s most recent mining and gas-generation programs ended March 31, 2017, and July 31, 2016, respectively. USAID said it needs a commitment to institutional reform from the highest levels of the Afghan government to ensure foreign assistance to the mining sector is used effectively.<sup>622</sup>

USAID helped the MOMP develop a one-year anticorruption action plan this quarter, the implementation of which will be monitored by the Joint Anticorruption Monitoring and Evaluation Committee (MEC). USAID is also exploring ways it can promote transparency in Afghanistan’s mining sector.<sup>623</sup>

## Agriculture

Agriculture is a 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>624</sup>

But growth in the sector has not been strong. The Afghan government said that aside from weather volatility, greater 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. The government wants to move from being 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>625</sup>

## USAID Assistance to the Ministry of Agriculture, Irrigation, and Livestock

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>626</sup>



**Farmers in Kabul Province** are trained in trellising through a USAID agricultural-extension program. (USAID photo)

TABLE 3.19

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)
Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	\$125,075,172	\$89,693,253
Strengthening Watershed and Irrigation Management (SWIM)	11/15/2016	11/14/2021	87,905,437	1,570,165
Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	37,671,753
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	12/31/2019	61,294,444	48,996,198
Kandahar Food Zone (KFZ)	7/31/2013	8/30/2018	45,402,467	36,148,000
Regional Agriculture Development Program (RADP)-East	7/21/2016	7/20/2021	28,126,111	3,210,024
Capacity Building and Change Management Program II (CBCMP II)	7/10/2014	7/9/2017	20,874,464	20,263,642
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	7/31/2017	20,229,771	19,594,756
Grain Research and Innovation (GRAIN)	3/13/2017	9/30/2022	19,500,000	3,250,000
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	8,040,719
Strengthening Afghan Agricultural Faculties (SAAF)	3/25/2011	8/31/2017	7,824,209	6,848,511
SERVIR	9/14/2015	9/30/2020	3,100,000	392,156
Program Evaluation for Effective Learning (PEEL)	2/16/2017	10/31/2017	1,475,177	382,881
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 pp. 196–197 of this report.

Source: USAID, response to SIGAR data call, 7/10/2017.

Since 2002, USAID has disbursed more than \$2.1 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.<sup>627</sup> Pages 196–197 of this quarterly report discuss USAID’s agriculture alternative-development programs. USAID’s active agriculture programs have a total estimated cost of \$518 million and can be found in Table 3.19.

### Grain Innovation and Research

On March 29, 2017, USAID awarded a 54-month, \$19.5 million Grain Research and Innovation (GRAIN) project to enhance wheat productivity, profitability, and climate resilience in Afghanistan. It plans to do this through improved agronomy and wheat genetics, access to high-yield seeds, post-harvest management (to reduce losses), and better links to private seed producers and other actors along the wheat value-chain. GRAIN will work to strengthen MAIL’s capacity to research grain, particularly wheat, in order to develop and improve locally adapted grain varieties and cultivation practices. GRAIN also plans to build scientific and administrative capacities at targeted national and provincial institutions to collect, store, and analyze data to guide research and policy decisions. GRAIN will engage with farmers, agriculture officials, researchers, universities, and the private sector.<sup>628</sup>

## **Agricultural Credit Enhancement II**

The Agricultural Credit Enhancement (ACE) II project is the technical-assistance/advisory-support component of the conditions-based Agricultural Development Fund (ADF) administered by MAIL. 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>629</sup> USAID reported that with ACE II help, ADF has cumulatively disbursed approximately \$85.9 million in loans impacting 37,892 direct beneficiaries, as of June 2017.<sup>630</sup> However, ACE II implementers reported again that the continuing deterioration of both security and the economy is reducing demand for agricultural credit and negatively impacting loan repayments.<sup>631</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>632</sup> Over 89% of the population in large urban areas like Kabul, Herat, Kandahar, and Mazar-e Sharif has access to grid-connected power (although outages are common), in contrast to less than 11% of the rural population.<sup>633</sup>

Afghanistan's limited domestic electric generation capacity consists of hydropower and diesel sources. The country 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>634</sup> The World Bank noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.<sup>635</sup> Afghanistan will need regional cooperation to meet its energy demands.<sup>636</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 has 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>637</sup> USAID 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>638</sup>

TABLE 3.20

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 6/30/2017 (\$)
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2018	\$725,000,000	\$130,880,259
Contributions to the Afghanistan Infrastructure Trust Fund (AIF)	3/7/2013	3/6/2018	153,670,184	153,670,184
Engineering Support Program	7/23/2016	7/22/2019	125,000,000	19,427,677
Kandahar Solar Project	2/23/2017	2/22/2018	10,000,000	-
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555

Source: USAID, response to SIGAR data call, 7/10/2017.

**NEPS:** imports electricity from the Central Asian Republics to provide power to Kabul and the communities north of Kabul.

**SEPS:** draws most of its power from the Kajaki Dam and from diesel generators in Kandahar City to provide power in the Helmand and Kandahar areas.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 11/2013, p. 107.

DOD has disbursed approximately \$180 million for power projects through the Commander's Emergency Response Program as of July 2015, and roughly \$467 million, as of June 2017, through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.<sup>639</sup>

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**, which U.S. Forces-Afghanistan (USFOR-A) and USAID aim to connect, increasing the electricity supply in both systems. USAID's Power Transmission Expansion and Connectivity (PTEC) project is constructing a transmission line connecting Kabul with Kandahar and building the capacity of DABS to sustain energy-infrastructure investments.<sup>640</sup> USAID's active power-infrastructure projects have a total estimated cost of \$1 billion and are listed in Table 3.20.

### Kajaki Dam Power—Operations and Maintenance

After years of effort, a third turbine, known as Unit 2, was installed in the powerhouse at Kajaki Dam and commissioned on October 19, 2016. Unit 2 has a power-generating capacity of 18.5 MW. The installation represented a major advance in DABS's efforts to increase long-term, sustainable hydro-power from Kajaki Dam to Kandahar and Helmand Provinces.<sup>641</sup>

The three turbines now in service at the Kajaki powerhouse have a total generating capacity of 50.5 MW, but were operating at a peak level of 49.5 MW this quarter due to reservoir-level constraints. All three turbines were online this quarter supplying up to 35 MW of power for the 110 kV transmission line and 10–14 MW for the 13.8 kV line.<sup>642</sup> It is not known how long this level of power generation will last.<sup>643</sup> Unit 3 is also scheduled to go offline for repairs in 2017, though no timeline for the work was scheduled.<sup>644</sup>

DABS assumed full responsibility for the Kajaki power plant, including operations and maintenance (O&M), starting in April 2017, and hired 11 operators to take charge of the powerhouse.<sup>645</sup>

### SIGAR AUDIT

An ongoing SIGAR audit examines U.S. government efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam.

## **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>646</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>647</sup> Technical losses include energy lost to line heating and current leakage; commercial losses include customers' nonpayment of bills and energy theft, by illegally tapping into lines or bypassing meters.

Construction on the \$104 million transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, was delayed this quarter to repair and replace damage caused by fighting between Afghan security forces and the Taliban. The construction completion deadline was extended by six months to July 31, 2017. Approximately \$80.8 million has been disbursed as of June 30, 2017. Subsequent disbursements are pending National Procurement Authority approval of the contract modification.<sup>648</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>649</sup>

USAID is providing \$330 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. This segment will consist of a 249-mile transmission line and five substations. USAID said security will be a major challenge to implementing this project. On February 26, 2017, DABS signed a \$113 million contract for the transmission line. The award for the substations that had been under protest since September 2016 was resolved in March 2017. However, USAID revoked its consent for the substations award on May 21, 2017, after receiving information alleging impropriety. The matter was reported to USAID's Office of the Inspector General.<sup>650</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>651</sup> On January 21, 2017, USAID issued its consent to execute the transmission-line contract, but Afghanistan's National Procurement Commission must approve it before the contract can be signed. On June 24, 2017, DABS submitted its bid-evaluation report for the substations to USAID for review.<sup>652</sup>



# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.21

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF JUNE 12, 2017 (\$ 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	57.5	57.5	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>	80.8	Transmission lines 98% completed; substations 96.5% completed; six-month extension granted to repair and replace damage from ANDSF-Taliban fighting and ordering/shipping lags; no change from last quarter. (Completion: 7/2017)
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line, towers, and power substation	93.7	50.3	40.8	Towers nearly completed; transmission line and substation under construction; community land issues affecting some tower locations. (Completion: 12/2017) <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	23.0	Under construction; tower excavation, tower erection, civil work ongoing. (Completion: 2018) <sup>b</sup>
	NEPS - Pul-e Alam to Gardez	Design, construct transmission line, towers, and power substation	120.0	69.2	66.2	Transmission line completed (55 km); substation nearly completed; civil work ongoing. (Completion: 7/2017) <sup>c</sup>
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines, towers, and power substation		38.8	36.3	All towers erected; transmission lines completed; substation nearly completed; no land issues at this time. (Completion: 7/2017) <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, towers, and power substation	33.0	24.1	23.4	All towers erected; transmission lines completed; substation nearly completed; no land issues at this time. (Completion: 7/2017) <sup>d</sup>
	SEPS Completion - Phase 1	Civil, structural, architectural improvements to substations in Tangi, Sangin North and South	75.0	63.1	45.0	Security challenges resolved; contractor dispute resolved; civil work ongoing. (Completion: 7/2017) <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; no land or security issues at this time. (Completion: 4/2018) <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	330.0 <sup>g</sup>	0.0	Transmission line contract signed; USAID revoked its consent to the substations award due to alleged impropriety. (completion: 6/2020)	
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; USAID issued consent for DABS to execute contract, but not yet signed; no change from last quarter.
	NEPS - Gardez to Khowst	Design, construct transmission line and substation; DOD's final contribution to NEPS	130.0	121.3	33.1	Transmission towers under construction; Khowst and Waza-Khvajeh substation designs under review; currently no land issues. (Completion: 6/2018) <sup>h</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 5/31/2017. All other information is as of 6/12/2017.

<sup>a</sup> 245 of 247 towers completed. Pul-e Alam substation 74% complete. Conductor lines 92% strung. The U.S. Army Corps of Engineers (USACE) extended completion date from 7/2017 to 12/2017.

<sup>b</sup> 109 of 114 towers completed. Conductor lines 87% strung. Pushmol and Maiwand substations 75% and 77% complete, respectively. USACE extended completion date from 6/2017 (date to be determined).

<sup>c</sup> Gardez substation 99% complete. Cannot test/commission this segment until NEPS, phase 1 segment is energized to Pul-e Alam. Current completion date of 7/2017 to be extended (date to be determined).

<sup>d</sup> 100% of transmission towers erected from Charikar to Gul Bahar; Conductor lines 100% strung. 100% of transmission towers erected from Gul Bahar to Nejrab; Conductor lines 100% strung. Gul Bahar substation 99% completed. No community land issues at this time. Current completion date of 7/2017 likely to be extended (date to be determined).

<sup>e</sup> Tangi substation 73% complete. Sangin North substation 74% complete. Sangin South substation 72% complete. Completion date to be extended (date to be determined).

<sup>f</sup> Sangin to Durai Junction segment: 125 of 205 towers completed. Durai Junction to Lashkar Gah segment: 192 of 212 towers completed. Security issues currently resolved. Security issues have caused intermittent work stoppages of varying lengths. Disbursed amount includes \$2.8 million for security.

<sup>g</sup> Includes additional, non-AIF USAID funding.

<sup>h</sup> 223 of 268 tower excavations completed. 123 tower foundations completed. Revised transmission line design to be submitted. Gardez substation line bay design review completed.

Source: USFOR-A, JENG, FY 2011-2014 AIF Program Status Report, 6/12/2017 and 12/9/2015; USACE, Garrison and Infrastructure Working Group, AIF LIR, 6/12/2017 and 2/22/2017; DOD, OSD-P, response to SIGAR vetting, 7/13/2017, 1/4/2017, and 7/16/2016; USAID, OI, response to SIGAR data call, 6/22/2017, 3/24/2017, 12/22/2016, and 9/23/2016; USAID, OI, response to SIGAR vetting, 7/11/2017 and 10/11/2016.

## 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>653</sup> USAID reported that since then, energy output has fallen from the diesel generators in Shorandam and Bagh-e Pol industrial parks. Five generators at Bagh-e Pol, in need of major overhauls and critical spare parts, have stopped altogether; three other generators were transferred to Shorandam to replace units needing scheduled maintenance.<sup>654</sup>

The Shorandam generators are currently producing 480,000 kilowatt-hours (kWh) per week, which USAID said is insufficient to meet the 1,680,000 kWh estimated weekly electricity demands of the industrial park's commercial customers. This has reportedly prompted factories to go on strike in January 2017. For other commercial and residential customers in Kandahar, the electricity supply is also inadequate.<sup>655</sup>

Some additional power is being supplied from Kajaki Dam in Helmand Province and diesel generators in Breshna Kot in Kandahar, but USAID said the cost per kilowatt-hour for diesel-generated power 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 to align customer load with system output.<sup>656</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 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 power-purchasing agreement and contract were signed on February 22–23, 2017.<sup>657</sup>

## Afghanistan Infrastructure Fund Power Projects

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 completing the AIF-funded portions of the NEPS and SEPS.<sup>658</sup> Ongoing fighting in Helmand Province, as well as bureaucratic delays in getting right-of-way approvals for NEPS and SEPS transmission lines, subsided this quarter, but have challenged AIF contractors and some project-completion schedules. However, USFOR-A reported that significant progress was made on right-of-way issues this quarter.<sup>659</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 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 3.21.<sup>660</sup>

## 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.

AIF projects use FY 2011–FY 2014 appropriated funds. No additional AIF money was requested or appropriated in subsequent fiscal years, but up to \$50 million from the FY 2017 Afghanistan Security Forces Fund (ASFF) may be used under limited circumstances to help finish existing projects.<sup>661</sup> DOD has not used ASFF for AIF projects, as of July 2017.<sup>662</sup>

## Transportation

Afghanistan's lack of transportation infrastructure hinders domestic 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, the future revenues of which the Afghan government and international donor community are hoping will offset declining international aid.<sup>663</sup>

## Roads

Afghanistan has more than 76,400 miles of road, 28,000 of which have been rehabilitated or improved.<sup>664</sup> In 2016, 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>665</sup> The World Bank similarly reported that 85% of Afghanistan's roads are in poor condition; the majority cannot be used year-round.<sup>666</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>667</sup> DOD provided at least \$847 million on 4,687 road-related projects under the Commander's Emergency Response Program. Despite these investments, SIGAR auditors determined that USAID and DOD have had only limited success in ensuring the long-term sustainability of those roads.<sup>668</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>669</sup> A USAID implementing partner calculated that the Ministry of Public Works (MOPW) could have carried out adequate O&M on 16% of its roads in 2016, a one-percentage-point increase over 2015.<sup>670</sup> Roads that go without maintenance for a long time can deteriorate to the point where they require complete rebuilding. USAID told SIGAR it would cost an estimated \$8.3 billion to replace Afghanistan's roads if they were not maintained and deteriorated beyond repair.<sup>671</sup>

Additionally, a USAID assessment from May 2015 found that MOPW needed organizational structure reforms, citing ongoing critical weaknesses, including a lack of skilled staff, poor communication, antiquated systems and processes, and a lack of will to implement necessary reforms.

TABLE 3.22

AFGHANISTAN INFRASTRUCTURE FUND ROAD PROJECTS, AS OF JUNE 12, 2017 (\$ 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		12.7		12.7	Complete	
AIF FY 12	Parwan to Bamiyan Road - Section 6	Section 6.1	10.0	3.0	3.0	Complete
		Section 6.2		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	4.2	Two road segments turned over to GIROA. Bridge, approaches, and culverts still in progress. (Completion: 9/2017)

Note: Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 5/31/2017. All other information is as of 6/12/2017.

Source: DOD, OSD-P response to SIGAR data call 12/28/2015; USFOR-A, JENG, FY 2011–2014 AIF Program Status Report, 6/12/2017; USACE, Garrison and Infrastructure Working Group, AIF LIR, 6/12/2017 and 2/22/2017.

SIGAR recommended that USAID condition future funding for its Road Sector Sustainability Project (RSSP) and for the MOPW on the successful creation of an independent road authority, road fund, and transportation institute in order to boost MOPW's capacity. USAID concurred.<sup>672</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 MOPW to manage Afghanistan's road network. TA-MOPW works with Afghan authorities in establishing a road authority, road fund, and transportation institute.<sup>673</sup> Approximately \$22 million has been disbursed for this program, as of June 30, 2017.<sup>674</sup>

Earlier this quarter, TA-MOPW provided discussion drafts of the actions needed to launch the transition plan once the top-level government leaders committed to road management reforms. The transition plan's implementation-monitoring database became operational in Dari and Pashto, and draft policy documents and manuals were readied.<sup>675</sup>

USAID approved a final transition plan on October 11, 2016, but implementation is subject to Afghan cabinet and parliamentary approval, which is still pending.<sup>676</sup> Since a road authority, road fund, and transportation institute were not created, USAID will not fund the MOPW after TA-MOPW ends in August 2017, in line with SIGAR's recommendation.<sup>677</sup>

### **Afghanistan Infrastructure Fund Road Projects**

DOD has obligated \$62.2 million and disbursed \$61.4 million for five road projects under the AIF, as of May 31, 2017. 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 3.22 on the previous page.<sup>678</sup>

## **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>679</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) and registering property (186), and is low in getting electricity (159), 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>680</sup>

In addition to addressing the 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>681</sup>

USAID has cumulatively disbursed nearly \$1.2 billion for economic-growth programs in Afghanistan.<sup>682</sup> USAID active economic-growth programs have a total estimated cost of \$384 million and can be found in Table 3.23.

### **Afghanistan Public Financial Management Assistance**

USAID's Afghanistan Public Financial Management (APFM) program helps MOF improve its budgeting processes and implement a provincial budgeting policy. Its objective is for the Ministries of Education, Public Health, Rural Rehabilitation and Development, and Agriculture, Irrigation, and Livestock to better execute their development budgets. APFM also trains and advises the MOF to maximize revenue collection from existing and new sources.<sup>683</sup>

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.23

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	8/15/2017	\$104,997,656	\$104,247,433
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	11/6/2017	77,754,266	64,201,692
Women in the Economy (WIE)	7/1/2015	6/30/2019	71,571,543	16,804,134
Afghanistan Workforce Development Program (AWDP)	4/5/2012	6/30/2018	44,919,458	35,478,068
Multi-Input Area Development-Global Development Alliance	3/23/2013	3/22/2018	30,481,436	17,591,917
Afghanistan Public Financial Management (APFM)	7/27/2015	7/26/2018	22,130,033	12,300,091
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	2,624,374
Commercial Law Development Program	3/1/2014	9/30/2019	10,000,000	7,527,951
Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women	11/2/2015	11/1/2018	4,800,000	2,600,000
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	1,958,000	0
Market Assessment PIO Grant with ITC: Reconnecting Afghanistan to Global Markets	3/2/2017	7/31/2017	53,859	0

Note: 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, 7/10/2017; USAID, Development Credit Authority, "Overview," 2/2/2015.

APFM will end seven months earlier than planned due to significant cuts to USAID's Office of Economic Growth budget. Program activities will cease in September 2017 and APFM will close out on December 26, 2017.<sup>684</sup>

In April 2017, APFM advisors continued to embed in line ministries, providing advice and information on budgets, planning, and asset management; developing a centralized database for planning; and creating a monitoring and evaluation framework. APFM submitted a detailed report on property taxes with several policy recommendations to consider for raising revenue. APFM also developed the requirements for an electronic, cashless transportation revenue-collection system for the five entry gates into Kabul. This would improve compliance, reduce corruption, prevent overcharges and damage to cargo, and improve efficiency.<sup>685</sup>

Additionally, APFM taught a course on the principles of non-tax revenue management for 13 members of the MOF's revenue department. APFM also provided training for mid- to high-level government officials on the Public Expenditure and Financial Accountability framework—an internationally accepted public financial management assessment tool—that was significantly revised in 2016.<sup>686</sup>



## EDUCATION

After years of upheaval in the 1980s and 1990s, Afghanistan’s public education system has become one of Afghanistan’s success stories since 2002, according to the World Bank. The number of boys and girls enrolled in school has increased dramatically, as has the number 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 improving, the quality of education and administration remains weak.<sup>687</sup>

Continuing security challenges limited access to education in 2017. The United Nations Assistance Mission in Afghanistan (UNAMA) reported 14 conflict-related incidents against either education facilities or education workers between March 1, 2017, and May 24, 2017, matching 2016, year-on-year. UNAMA also documented 17 education facilities that were occupied and used for military purposes.<sup>688</sup>

### Ministry of Education Data

According to the **Education Management Information System (EMIS)** for FY 1395 (December 22, 2015–December 21, 2016), Afghanistan reportedly had 15,709 general-education (government-run, grades 1–12) schools, including 904 inactive/closed schools, with 8.4 million students enrolled.<sup>689</sup> The number of enrolled students includes both present and absent students.<sup>690</sup> The Ministry of Education (MOE) counts students who have been absent for up to three years as enrolled because, it says, they might return to school.<sup>691</sup> In December 2016, Minister of Education Assadullah Hanif Balkhi said that after adjusting school records to deduct registered but permanently absent students, only six million students were actually attending classes in Afghanistan.<sup>692</sup>

### Education Management Information System Data

To better help the MOE gather school data to guide its decision making—and indirectly understand how donor funding is benefitting Afghanistan’s education system—donors funded 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, increasing donor concerns. To understand the scope of the problem, USAID funded two assessments of EMIS data quality to identify and address gaps in the system.<sup>693</sup>

Despite its shortcomings and inability to answer key questions, the initial assessment found that EMIS provides the capacity to manage a nationwide information system. However, there remains a gap between its actual capacity and what is needed to ensure accurate and reliable information. Key weaknesses were identified, including lack of oversight, inconsistent

#### 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.



**First- and second-grade students** in a Kabul district received new books through USAID's Afghan Children Read program. (USAID photo)

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>694</sup>

A second assessment, released this quarter, focused on verifying EMIS data to assess its reliability and identifying inconsistencies at the national, provincial, and local school levels. The assessment found that EMIS data collection varied at the school-level and there was an urgent need for training. School officials lack a clear understanding of the EMIS form and how to fill it out—particularly student and teacher data—resulting in data discrepancies and inaccurate information.<sup>695</sup> For example, the assessment documented 7% more teachers marked present in attendance registers than actually found at school. Conversely, more students were present at school than were marked present in the registers. For student enrollment, the government reported 12% more students than the assessment data.<sup>696</sup>

## National Education Strategic Plan

Afghanistan's National Education Strategic Plan 2017–2021 sets out the government's priorities and goals for the next five years. These include building more schools, improving curricula quality and relevance, and increasing student enrollment and attendance though equitable access to education. The common goal is to “prepare skilled and competent citizens through the education system to sustain Afghanistan's socioeconomic development and social cohesion.” To restore public trust and confidence, MOE pledged to be more transparent, develop a robust anticorruption strategy, streamline

## SIGAR SPECIAL PROJECT

This quarter, SIGAR published its third report detailing findings from site visits at U.S.-built or U.S.-rehabilitated schools across Afghanistan. The seven schools discussed in this report were either constructed or rehabilitated using DOD's Commander's Emergency Response Program (CERP) funds in Kunar Province. SIGAR found most of the schools to be structurally sound, safe for educational use, and well attended. However, some schools faced unsanitary conditions, lacked reliable electricity, and were at risk of structural damage due to the high prevalence of earthquakes in the region. For more information, see Section 2, p. 39.

TABLE 3.24

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 6/30/2017 (\$)
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	\$91,927,769	\$47,483,557
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	7,358,375
Support to American University of Afghanistan	8/1/2013	11/29/2019	64,400,000	34,395,776
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	17,069,996
Basic Education, Literacy, and Technical-Vocational Education (BELT), Textbooks	11/16/2011	6/30/2017	26,996,813	24,891,728
Let Girls Learn Initiative and Girls' Education Challenge Program (GEC)	6/29/2016	6/28/2021	25,000,000	5,000,000
Capacity Building at the Ministry of Education	2/6/2017	2/5/2021	23,212,618	326,524
Afghanistan's Global Partnership for Education	10/11/2012	6/30/2018	10,019,464	3,455,947
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	7,262,016	4,005,919
PROMOTE Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522

Source: USAID, response to SIGAR data call, 7/10/2017.

education operations both nationally and subnationally, increase efficiencies, and strengthen program management.<sup>697</sup>

The MOE plan will develop monitoring and evaluation capacity at all levels, to include training, and support legislative and regulatory changes that place greater responsibility for data collection at local levels. Supervisory visits from the central and provincial levels or independent third-parties will check the accuracy of the data. The evaluation process will include annual plans, checking progress against targets, and disbursements against budget allocation. National, provincial, and district data collection processes will be integrated into one information management system.<sup>698</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>699</sup> USAID had disbursed approximately \$920 million for education programs in Afghanistan, as of June 30, 2017.<sup>700</sup> USAID's active education programs have a total estimated cost of \$442 million and can be found in Table 3.24.



**A midwife weighs** a low-birthweight infant at a provincial hospital supported by USAID's Helping Mothers and Children Thrive Program. (USAID photo)

## 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>701</sup> Insecurity also impacts health-delivery services. Between March 1, 2017, and May 24, 2017, UNAMA reported 19 conflict-related incidents against either health facilities or health workers.<sup>702</sup> There were 119 conflict-related incidents in 2016, with 10 killed, 13 injured, and 42 abducted.<sup>703</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>704</sup> USAID believes that the MOPH's ability to deliver quality healthcare 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 improving health outcomes.<sup>705</sup>

USAID on-budget assistance to the MOPH provides basic health care and essential hospital services. Off-budget assistance includes activities

### SIGAR SPECIAL PROJECT

This quarter, SIGAR published its sixth report detailing findings from site visits at U.S.-built or U.S.-rehabilitated health facilities across Afghanistan. Inspections sought to verify the locations and operating conditions at 35 USAID-supported public health facilities in Takhar Province that are administered through the World Bank's System Enhancement for Health Action in Transition project. SIGAR found substantial inaccuracies in the geospatial coordinates USAID previously provided for many of these 35 health facilities, including 24 facilities that were at least 10 kilometers away from reported locations. SIGAR also found that not all facilities had access to running water. For more information, see Section 2.

**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, diagnostic services, 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.

TABLE 3.25

<b>USAID ACTIVE HEALTH PROGRAMS</b>				
<b>Project Title</b>	<b>Start Date</b>	<b>End Date</b>	<b>Total Estimated Cost (\$)</b>	<b>Cumulative Disbursement, as of 6/30/2017 (\$)</b>
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	\$75,503,848	\$1,870,031
Helping Mother and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	30,410,166
Health Sector Resiliency (HSR)	9/28/2015	9/27/2020	37,936,471	7,974,122
Strengthening Pharmaceutical System (SPS)	8/28/2011	7/10/2017	34,399,936	33,770,457
Disease Early Warning System Plus (DEWS Plus)	1/1/2015	12/30/2020	32,728,000	19,788,615
Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea	7/21/2015	7/7/2020	15,002,610	9,400,000
Challenge Tuberculosis	1/1/2015	9/29/2019	15,000,000	5,798,355
Central Contraceptive Procurement	11/1/2011	12/31/2018	13,535,571	13,035,571
Demographic and Health Surveys	9/9/2013	9/8/2018	6,699,863	6,699,863
Sustaining Health Outcomes through the Private Sector (SHOPS Plus)	1/1/2016	9/30/2017	6,000,000	4,931,022
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,610,012
Mothers and Under-Five Nutrition and Child Health (MUNCH)	12/18/2014	6/30/2017	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	6/30/2017	634,833	634,833
Global Health Supply Chain-Procurement and Supply Management-HIV/AIDS Task Order #1	4/15/2015	9/29/2021	176,568	176,568
Coordinating Comprehensive Care for Children (4 Children)	9/15/2014	9/16/2019	20,000	20,000

Source: USAID, response to SIGAR data call, 7/10/2017.

to strengthen health systems, engage the private sector, reduce child and maternal deaths, reduce tuberculosis-related deaths, reduce child undernutrition, improve the use of modern family-planning methods, and eliminate polio.<sup>706</sup> U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1 billion as of June 30, 2017.<sup>707</sup> USAID's active health programs have a total estimated cost of \$310 million, and are listed in Table 3.25.

USAID contributions to the Maternal and Under-5 Nutrition and Child Health Program (MUNCH) and the Family Planning and Assessment project ended this quarter. Extensions for Sustaining Health Outcomes through the Private Sector (SHOPS) Plus and Strengthening Pharmaceutical Systems have been initiated.<sup>708</sup>

### **Initiative for Hygiene, Sanitation, and Nutrition**

USAID's five-year, \$75.5 million Initiative for Hygiene, Sanitation, and Nutrition (IHSAN) project aims to reduce anemia among reproductive-age women by 10% and to decrease stunting in children less than five years old,

focusing on the first 1,000 days (conception to 24 months). It is USAID's largest active health program by dollar value and will be implemented in 10 priority provinces: Samangan, Badakhshan, Bamyan, Farah, Badghis, Ghor, Kunar, Nuristan, Nangarhar, and Paktiya.<sup>709</sup>

From October 1, 2016, through March 31, 2017, the IHSAN team continued project startup activities, including coordinating with relevant Afghan government and nongovernment stakeholders both at the national and provincial levels, and revising the year-one work plan. Nutrition counselors' manuals were developed, as were data collection tools. Staff from several ministries were trained on using data in their decision making while female mobilizers in three provinces were trained in nutrition education and rehabilitation. IHSAN began implementing community-based nutrition and water, sanitation, and hygiene interventions and also formed a technical advisory committee to help fund innovative ideas that advanced IHSAN health goals.<sup>710</sup>

## Polio

Afghanistan reported four new polio cases in 2017, as of June 28, the most recent one in Helmand Province. There were 13 polio cases in 2016.<sup>711</sup> Afghanistan and Pakistan, which share a 1,500-mile border, are two of only three countries where polio is still endemic (Nigeria is the third).<sup>712</sup> Large-scale population movements between Afghanistan and Pakistan increase the risk of cross-border transmission and complicate vaccination outreach.<sup>713</sup> Polio-eradication teams from Afghanistan and Pakistan met in Kabul May 24–25 to review existing coordination mechanisms, agree on new implementation measures, and discuss next steps on improving vaccination strategies.<sup>714</sup>

USAID, which has obligated more than \$25.7 million and disbursed about \$14.5 million for polio eradication in Afghanistan since FY 2003, said the Afghan government has strengthened polio-eradication cooperation and improved program quality.<sup>715</sup> However, security and access challenges constrain vaccination campaigns in some areas. USAID reported that Islamic State-Khorasan Province (IS-K) has completely banned immunization services, while the Haqqani Network does not oppose vaccination efforts once access is negotiated. Workers must also contend with misinformation that polio-immunization campaigns are American conspiracies, that immunization volunteers are spies, and that the polio vaccine is an anti-fertility drug or has side effects.<sup>716</sup>



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## COUNTERNARCOTICS

### KEY ISSUES AND EVENTS

Despite a U.S. investment of \$8.6 billion to counter Afghanistan's illicit narcotics economy, Afghanistan remains the world's largest opium producer and exporter—producing an estimated 80% of the world's opium. The narcotics industry—coupled with rampant corruption and fraud—is a major source of illicit revenue for the country.<sup>717</sup>

A United Nations (UN) opium-cultivation report released this quarter found that the estimated value of opiates produced in Afghanistan increased to \$3.02 billion in 2016 from \$1.56 billion in 2015. The value of opiates is worth more than two-thirds of the country's entire licit agricultural sector.<sup>718</sup>

Eradication efforts began in March and by May 23, Afghan authorities reported having eradicated 685 hectares in Balkh, Badghis, Herat, Kunar, Kabul, Kandahar, Laghman, Nangarhar, and Nimroz Provinces. This represents a marked increase over 2016, when only 355 hectares were eradicated.<sup>719</sup> However, the 685 hectares eradicated amount to less than 0.3% of the estimated 201,000 hectares under cultivation for opium poppy.<sup>720</sup>

Cultivation results for this year are not yet available, but media reports and certain Ministry of Counter-Narcotics (MCN) officials indicate 2017 results will likely exceed last year's totals. Opium is even grown on government-controlled land or in the vicinity of security check points in some provinces.<sup>721</sup> The MCN deputy minister noted, "Unfortunately, the narcotics production is on the rise this year. ... We are concerned that narcotics would increase this year, including in areas and provinces where previously we had zero opium production."<sup>722</sup>

Afghanistan also suffers from widespread illegal drug use. A 2015 Afghanistan National Drug Use Survey estimated that roughly 11% of the population would test positive for one or more drugs, including 5.3% of the urban population and 13% of the rural population. Drug use among women and children is among the highest documented worldwide, and 30.6% of households tested positive for some form of illicit drug.<sup>723</sup> Afghan drug use generates crime, funds the insurgency, and costs the Afghan government hundreds of millions of dollars in health-care costs, crime prevention, and lost economic productivity.<sup>724</sup>

# COUNTERNARCOTICS

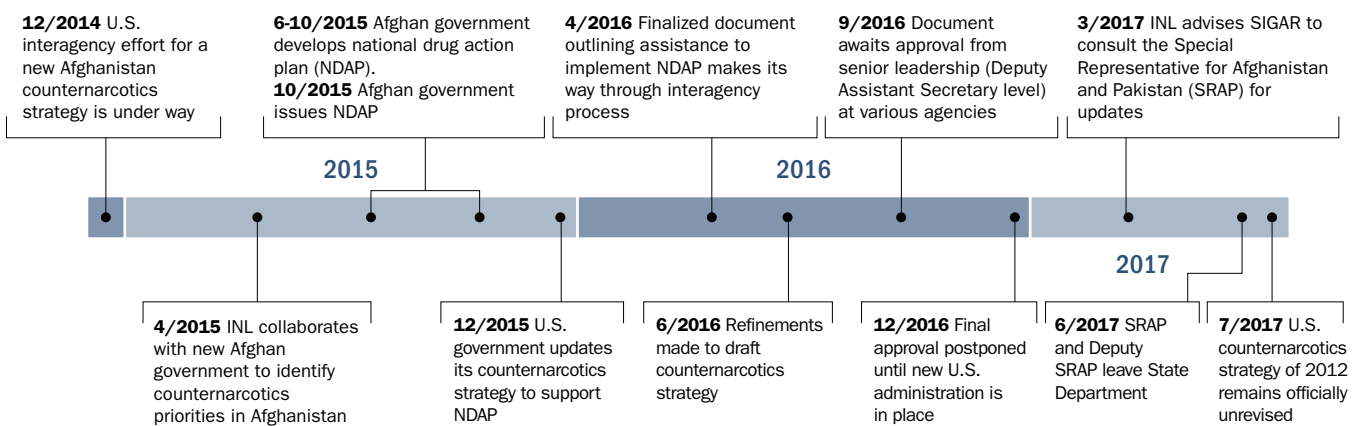
State's Bureau of International Narcotics and Law Enforcement Affairs (INL) noted that the Afghan government recognizes the negative impact of illegal drugs and has taken steps to address the problem, but the Afghan government has been slow to implement the National Drug Action Plan (NDAP) it adopted in 2015. Of the 22 indicator targets, the Afghan government reports that it has successfully implemented seven targets. According to INL, the Afghan government will require ongoing financial and technical assistance from the international community if it is to achieve the NDAP's objectives.<sup>725</sup>

A revised U.S. counternarcotics strategy will focus on building Afghanistan's capacity to counter narcotics and will support the country's goals and objectives, as outlined in the NDAP.<sup>726</sup> However, the revised strategy has been delayed since last year. INL had previously informed SIGAR that the outcome of the U.S. elections would not impact the clearance process as the strategy made its way through the various agencies.<sup>727</sup> After the elections, INL directed SIGAR to the office of the Special Representative for Afghanistan and Pakistan (SRAP), which was the State Department's organizing office for Afghanistan policy. INL also informed SIGAR that final interagency approval of the strategy would be postponed until the new U.S. administration was established.<sup>728</sup> The new Administration recently announced it was phasing out State's SRAP office; the strategy remains under review.<sup>729</sup>

Figure 3.31 below provides a timeline of events concerning the revised U.S. strategy.

FIGURE 3.31

## THE PATH TOWARDS A REVISED U.S. COUNTERNARCOTICS STRATEGY



Source: INL, response to SIGAR data call, 12/29/2014, 3/27/2015, 6/25/2015, 9/24/2015, 4/1/2016, 6/24/2016, 9/23/2016, 12/20/2016, 3/24/2017, and 6/22/2017; INL, *International Narcotics Strategy Control 2016 Volume I*, 3/2016, p. 92; *Politico*, "State's Afghanistan-Pakistan envoy leaves, spurring confusion about U.S. diplomacy in region," 6/23/2017.

Assistant Secretary of State for INL William Brownfield met with President Ghani in July 2017 and discussed countering narcotics at the regional and global level. According to a palace statement, Brownfield stated that the United States is currently working on a strategy to counter narcotics and would like Ghani's advice on the strategy. Meanwhile, Ghani welcomed the U.S. effort on a revised strategy to combat illegal narcotics. He added that terrorist organizations and drug traffickers are interconnected and need to be fought jointly.<sup>730</sup>

## U.S. RECONSTRUCTION FUNDING FOR COUNTERNARCOTICS

As of June 30, 2017, the United States has provided \$8.6 billion for counternarcotics (CN) efforts in Afghanistan since 2002. Congress appropriated most CN funds for Afghanistan through the Department of Defense Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3.1 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).<sup>731</sup>

ASFF is primarily used to develop the Afghan National Army and Police, including the Counter Narcotics Police of Afghanistan (CNPA) and the Special Mission Wing (SMW), which support the counternarcotics efforts of the Ministries of Defense (MOD) and Interior (MOI).<sup>732</sup>

USAID's ESF-funded 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 Drug Enforcement Administration (DEA) receives funds through direct appropriations to operate in Afghanistan.<sup>733</sup>

SIGAR will issue a Lessons Learned Program report later this year that will examine U.S. counternarcotics efforts from 2002 through 2016. This comprehensive review will incorporate satellite-imagery data analysis and provide recommendations to policymakers to improve future strategies and programs.

## INTERDICTION AND ERADICATION

The U.S. and Afghan governments use both interdiction and eradication to counter the cultivation and production of illicit narcotics in Afghanistan. According to the Department of State:

Drug interdiction—or preventing illicit drugs from reaching their destination—is important in stemming the flow of illegal drugs and countering the negative effects of organized criminal groups. INL supports interdiction efforts through training, equipping, and providing technical assistance

### Reliability and Accuracy of INL's Financial Information

Over the years, SIGAR has frequently received financial information from INL with the caveat that the amounts did not present an accurate picture. Once again this quarter, INL informed SIGAR it is unable to “provide cumulative money appropriated, obligated, and expended as it will overstate the total value of each program.”<sup>734</sup> The issue apparently stems from the lack of an integrated financial system at the State Department; staff are unable to efficiently compile the data as certain information is manually maintained and not automated.<sup>735</sup> INL has informed SIGAR in the past of its intent to use a financial management system similar to USAID's Phoenix, which may enable greater detail at the project level. This quarter, INL informed SIGAR that the cumulative financial information pertaining to the specialized counternarcotics police units “may be lower than the amount authorized” since these amounts “are estimated from obligating documents such as memoranda of understanding and interagency agreements.”<sup>736</sup>

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

Source: UNODC, *Multilingual Dictionary of Precursors and Chemicals*, 2008, viii.

Conflict, criminality, and narcotics continue to be critical threats to personal safety, public service delivery, and private investment.

Source: DOD, *Enhancing Security and Stability in Afghanistan*, 6/2017, p. 7.

to partner nation law enforcement agencies. Such efforts increase the capacity to detect, investigate, disrupt, and seize shipments of illicit drugs and the chemicals (known as **precursors**) needed to process and produce drugs.

Eradication—or the physical destruction—of illicit crops remains an important tool for decreasing the production of illegal drugs and preventing them from entering the United States, or other drug markets. INL provides training, equipment, and technical assistance to foreign governments to support their own eradication programs, and address related counternarcotics and law enforcement challenges.<sup>737</sup>

The CNPA has the lead for counternarcotics efforts among Afghan security forces. It consists of regular narcotics police and specialized units.<sup>738</sup> Afghan Uniform Police and Afghan Border Police also participate in counternarcotic activities.<sup>739</sup> The specialized units include the Sensitive Investigative Unit (SIU), National Interdiction Unit (NIU), and the Intelligence Investigation Unit. The CNPA has approximately 2,000 assigned personnel; roughly half of them are based in Kabul.<sup>740</sup>

## Interdiction Results

In Afghanistan, INL partners with DEA and DOD to build the capacity of the CNPA, with particular focus on support for two specialized units mentored by DEA: the SIU and the NIU.<sup>741</sup> Recently, the NIU's commander was replaced after failing a polygraph test. According to DOD, this is a positive development since the previous commander was ineffective and probably leaking information to hostile forces.<sup>742</sup>

Between 2007 and 2016, INL has provided approximately \$242.8 million to support the NIU and SIU. It has budgeted \$38.5 million for fiscal year (FY) 2016.<sup>743</sup>

The poor security situation in Afghanistan makes interdiction a challenge. During the third quarter of FY 2017 (data available April 1 to June 16, 2017) interdictions declined approximately 60%, from 58 to 24 operations, over the previous quarter, despite mentoring from U.S. Special Forces units, greater access to Resolute Support mission (RS) enablers, and improving interoperability.<sup>744</sup> DOD noted that recent partnering with U.S. Special Forces had no immediate impact on overall levels of narcotics processing, but continued mentoring by Coalition partners would likely be required to maintain the current level of operations.<sup>745</sup> Most interdiction activities occurred in the capital and eastern regions, and included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. These operations resulted in both seizures of illicit narcotics and the destruction of multiple drug labs.<sup>746</sup>

According to INL, the RS assistance to NIU has enabled missions in Nangarhar, Helmand, and Farah Provinces. Between April 1 and May 31, 2017, NIU and SIU seized 2,695 kilograms of opium, 23,250 kilograms of

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TABLE 3.26

INTERDICTION RESULTS, FISCAL YEARS 2008–2017											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	TOTAL
Number of Operations	136	282	263	624	669	518	333	270	190	115	3,400
Detainees	49	190	484	862	535	386	442	394	301	119	3,762
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,063	227,524	1,123,349
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,056	2,859	3,532	1,809	37,413
Morphine seized (kg)	409	5,195	2,279	18,040	10,042	11,067	5,925	505	13,041	89,395	155,898
Opium seized (kg)	15,361	79,110	49,750	98,327	70,814	41,350	38,379	27,600	10,487	21,593	452,771
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	130,846	36,250	53,184	234,981	42,314	71,417	809,279

Note: The significant difference in precursor chemicals total seizures between 2014 and 2015 is due to a 12/22/2014 seizure of 135,000 liters of precursor chemicals.  
\*Results for period 10/1/2016–6/16/2017.

Source: DOD, response to SIGAR data call, 7/29/2015 and 6/28/2017.

morphine base, and 30 kilograms of heroin and heroin base. The NIU and SIU were responsible for 29 arrests.<sup>747</sup> In addition, 22 heroin processing laboratories were dismantled between March 3 and May 24, 2017.<sup>748</sup>

As shown in Table 3.26, from 2008 through June 16, 2017, 3,400 interdiction operations have resulted in the seizure of 452,771 kg of opium. However, these seizures over nearly a decade would account for less than 1% of the opium produced in Afghanistan in 2016 alone. According to the 2016 Opium Survey by the UN Office on Drugs and Crime (UNODC), Afghanistan’s potential opium production was approximately 4,800 metric tons (or 4.8 million kg) in 2016 alone.<sup>749</sup>

According to SIGAR analysis, of the \$8.6 billion dedicated to counternarcotics, approximately \$331.4 million was spent to support eradication, even though eradication has historically had minimal impact on curbing opium cultivation. INL has obligated \$6.8 million on the Governor-Led Eradication program since 2008 and spent \$324.6 million on the Poppy Eradication Force between FY 2005 and FY 2010.<sup>750</sup>

In the 2016 opium survey conducted by UNODC, only 9% of poppy farmers list fear of eradication as the most common reason for not cultivating poppy, behind considering the activity un-Islamic (17%) and fear of addiction (10%).<sup>751</sup> In 2007, only 1% of opium growers surveyed answered that fear of eradication stopped them from growing poppy.<sup>752</sup> For more than a decade, economic conditions have been the driving force behind opium cultivation: 85% of poppy farmers provided that as a reason in 2007, 92% in 2008, 71% in 2015, and approximately 49% in 2016.<sup>753</sup> As Table 3.26 illustrates, eradication has little impact on the amount of opium cultivated and produced in Afghanistan. Moreover, drugs flows through the “**Balkan route**” have shifted. According to UNODC, although the Balkan route remains the world’s main opiate trafficking route, another branch through the Caucasus

**Balkan Route:** a transit corridor for Afghan heroin to reach western and central Europe via Iran and Turkey. According to UNODC, its importance has declined due to more effective law enforcement and the declining opiate use in western and central Europe.

Source: UNODC, *World Drug Report 2014*, 6/2014, x, p. 23.



countries has gained importance. That route bypasses Turkey, where the growing displacement of refugees heading to the European Union may have pushed traffickers to seek alternate routes.<sup>754</sup>

Coalition advisors have provided train, advise, and assist support to the CNPA since February 2016. 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 is the only ANDSF organization with night-vision, rotary-wing air assault, and fixed-wing intelligence, surveillance, and reconnaissance capabilities.<sup>755</sup> According to DOD, the SMW will expand to include additional helicopter crews, consolidate the fixed-wing PC-12 aircraft into a new fixed-wing *kandak* (battalion), and create an aviation-support *kandak*.<sup>756</sup> More information on the Special Mission Wing is available on pages 114–115 of this report.

## Eradication Results

Compared to the previous year, the total area under poppy cultivation in 2016 increased 10% from 183,000 to 201,000 hectares. Opium production was estimated at 4,800 tons—a 43% increase from its 2015 level. In fact, the improvement of Afghanistan’s poppy yields was largely responsible for the worldwide opium production increase between 2015 and 2016. Global opium production increased by one-third to 6,380 tons compared to the previous year.<sup>757</sup> The value of opiates produced in Afghanistan is more than two-thirds the value of the country’s entire agricultural sector. The value of the illicit opiate economy was estimated at \$3.02 billion in 2016, up from \$1.56 billion in 2015.<sup>758</sup>

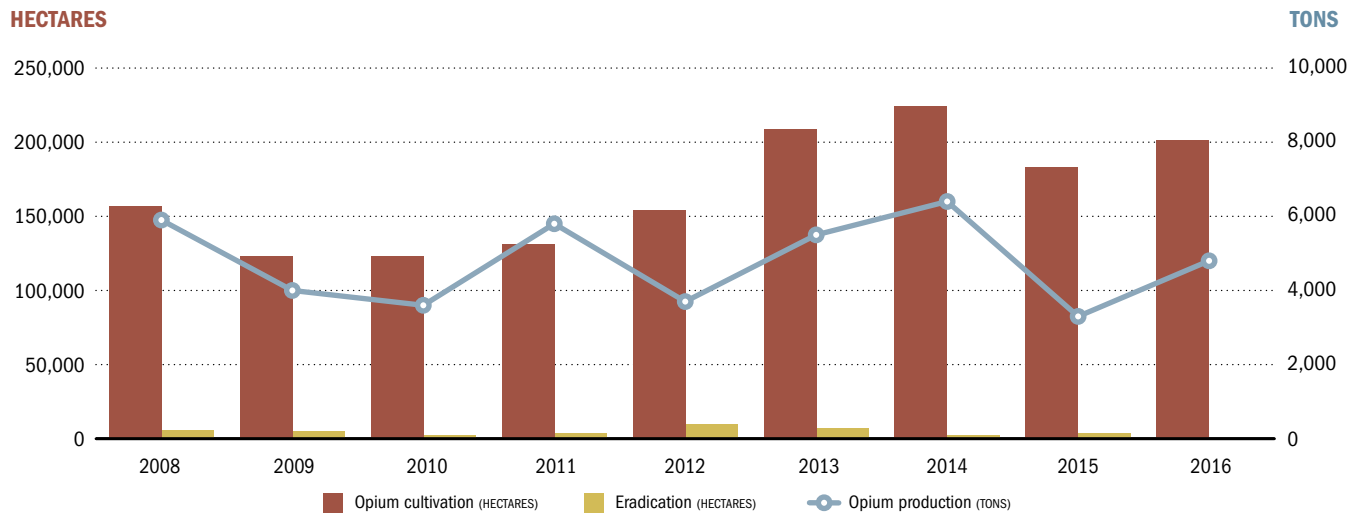
The latest MCN/UNODC eradication report available indicates that only 652 hectares were eradicated as of May 2017. This is an increase over the 204 hectares that had been eradicated during the same time period last year, but considering that it is less than 0.02% of the total number of hectares under opium cultivation in Afghanistan, as shown in Figure 3.32, these figures highlight how little impact eradication efforts have had in countering Afghanistan’s opium problem. Moreover, these eradication figures are provisional, as satellite-imagery verification has not taken place. The report noted that some farmers have resisted eradication operations in Nangarhar; security forces personnel have died as a result of clashes with farmers and anti-government elements.<sup>759</sup>

According to INL, eradication has occurred in Badakhshan, Balkh, Kabul, Kapisa, Badghis, Kandahar, Nangarhar, Laghman, Nimroz, Herat, and Kunar Provinces. The verified eradicated hectares will be available in October.<sup>760</sup> Under the Governor-Led Eradication (GLE) program, governors are reimbursed \$250 for every UNODC-verified hectare of eradicated poppy.<sup>761</sup> GLE is the only eradication program supported by the U.S. government and annually accounts for less than 2% of INL’s Afghanistan counternarcotics

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FIGURE 3.32

## AFGHAN OPIUM CULTIVATION, ERADICATION, AND PRODUCTION SINCE 2008



Source: UNODC, *World Drug Report 2017, Booklet 2*, 6/2017, pp. 50, 52, 54.

budget.<sup>762</sup> INL disbursed \$67,300 in advance payments for the 2017 eradication season in December 2016. Additionally, INL disbursed \$10,000 to cover the costs of one of four eradication conferences hosted by MCN.<sup>763</sup>

### Good Performers Initiative

The INL-funded Good Performers Initiative (GPI) is a program that seeks to incentivize provincial governors' counternarcotics and supply-reduction activities by supporting sustainable, community-led development projects in provinces that significantly reduced or eliminated poppy cultivation. However, it is no longer taking on new projects.

From June 2012 to April 2016, INL funded GPI projects on-budget through the Afghan Ministry of Finance. INL phased out GPI due to MCN's inability to adequately manage the program, approving no new GPI projects after April 30, 2016. INL performed a risk assessment of MCN's financial risk-management system in 2015 and found 24 internal-control deficiencies that increased the potential for a material misstatement in financial reporting, ineffective operations, and noncompliance with laws and regulations.<sup>764</sup> According to GPI's 2014 annual report, procurement was slow and the ministry assigned unprofessional staff. Insufficient coordination and lengthy processing of on-budget payments caused the slow implementation of projects.<sup>765</sup>

Projects still under way as of April 2016 continue to receive INL funding until their completion.

As of May 31, 2017, INL reported that 286 projects valued at \$126.4 million had been contracted. Of those, 244 projects have been completed; 42 are still in progress.<sup>766</sup>

INL is also working on an alternative-development project called Boost Alternative Development Intervention through Licit Livelihoods (BADILL), formerly known as Strengthen and Diversify Licit Livelihoods through Alternative Development Interventions (see pages 196–197). BADILL is expected to follow through on INL's commitments to those provinces most affected by the GPI cancellation.<sup>767</sup>

## Ministry of Counter Narcotics Capacity-Building

Since 2008, INL has obligated \$35.2 million and expended \$26 million to build capacity at the MCN. During the third quarter of FY 2015, INL conducted an independent risk assessment of the MCN's public financial-management system. The report identified significant deficiencies that increased the potential for inaccurate financial reporting, inefficiency, ineffective operations, and noncompliance with laws and regulations. Areas of particular concern were internal controls, program management and monitoring, and facility management.<sup>768</sup>

Based on recommendations in the risk assessment, in mid-2016 INL solicited and awarded a contract for a financial-remediation plan that was expected to be completed in 2016.<sup>769</sup> However, that original schedule changed “following delays in solicitation.”<sup>770</sup> According to INL, the financial-remediation plan was still “on schedule,” per the terms of the contract, as of March 24, 2017.<sup>771</sup> INL said it was too early to measure improvements as a result of the financial-remediation plan. The contractor, the Afghanistan Holding Group, is currently developing standard operating procedures for the implementation of effective financial controls.<sup>772</sup> Successful remediation is expected to permit the MCN to receive direct assistance funds.<sup>773</sup>

## ALTERNATIVE DEVELOPMENT

USAID's alternative-development (AD) programs support U.S. counternarcotics objectives by helping host countries to develop economic alternatives to narcotics production. INL funding supports supply-reduction and alternative-development programs. INL told SIGAR it holds biweekly meetings with USAID to coordinate their AD efforts and ensure that INL AD efforts complement and leverage ongoing USAID activities.<sup>774</sup> According to USAID, both agencies also jointly attend AD program meetings with UNODC, the UN Development Programme (UNDP), the MCN, and the Ministry of Agriculture, Irrigation, and Livestock.<sup>775</sup>

INL has been implementing AD programming in Afghanistan since 2007 through GPI and a series of grants with the Aga Khan Foundation to strengthen subnational governance and alternative livelihoods. INL AD

programs target high poppy-cultivating areas, in line with Afghan government priorities laid out in Afghanistan's National Drug Action Plan.<sup>776</sup> Only two of the 22 indicators of the NDAP concern alternative development: the number of provinces implementing preventive drug education programs and the number of poppy-cycle timed campaigns implemented. Only one campaign was implemented during the NDAP's first year; 24 provinces implemented preventive drug-education campaigns, exceeding the target of 22 provinces.<sup>777</sup>

## Boost Alternative Development Intervention Through Licit Livelihoods

INL chose UNODC as the BADILL project's implementer because of its global expertise in alternative development. According to INL, UNODC has technically qualified and experienced staff at the provincial level, including strong working relations with Afghan government counterparts and other stakeholders.<sup>778</sup>

UNODC's project proposal includes large- and small-scale projects in various provinces that run counter to recommendations of its own internal evaluation.<sup>779</sup> For instance, a rose-oil processing facility will be built in Nangarhar; dams and terraces will be built to protect agricultural land for certain watershed management and rehabilitation projects in certain provinces.<sup>780</sup>

INL has obligated \$20 million for BADILL and informed SIGAR in January 2017 that it had transferred all funds to UNODC. INL says that the performance-monitoring plan has not yet been drafted.<sup>781</sup> Between January and March of this year, some of UNODC's key achievements were

- selecting 50 districts for program implementation
- selecting about 250 communities for baseline study and alternative-development interventions
- creating a list of small- and large-scale interventions
- holding working-group meetings at provincial level and headquarters
- hiring staff, including a communication and monitoring and evaluation officer
- starting national procurement with input from UNODC headquarters.

As of March 30, 2017, UNODC has disbursed \$1.19 million.<sup>782</sup>

## Community-Based Agriculture and Rural Development

INL has obligated and disbursed all \$17.8 million for its Community-Based Agriculture and Rural Development (CBARD) project: \$2.8 million to UNODC and \$15 million to UNDP, its two implementing partners.<sup>783</sup> The program aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities in Farah and Badghis Provinces, the second and sixth-highest poppy-cultivating provinces in 2016, respectively, according to UNODC.<sup>784</sup>



**A woman participating** in USAID's RADP-North agricultural program checks the progress of melon seedlings. (USAID photo)

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 infrastructure, such as irrigation, transportation, and facilities. The project is scheduled to end in 2020.<sup>785</sup>

According to INL, this quarter, UNDP and its implementing partner developed draft criteria for identifying beneficiary communities and farmers. UNODC developed questionnaires for a socioeconomic survey. In March, INL provided \$2.2 million to UNODC and \$356,400 to UNDP to conduct surveys of its programs and assessments for future programs. UNODC and UNDP are expected to use the new funding to survey additional communities and conduct assessments that will include information on off-farm employment and access to finance.<sup>786</sup> INL has not yet drafted the performance-monitoring plan for CBARD.<sup>787</sup>

SIGAR has highlighted UNODC's mixed results on alternative-development projects. Prior UNODC projects such as the Afghanistan Drug Control and Rural Rehabilitation Programme (ADCRRP) and Afghanistan Pilot Program's Poppy Reduction Project ended early and failed to reduce opium poppy cultivation. ADCRRP had a budget of \$9.2 million and had over 200 subprojects across five provinces.<sup>788</sup> UNODC's Poppy Reduction Project had a \$10.5 million budget and also more than 200 subprojects implemented by nongovernmental organizations (NGO).<sup>789</sup> CBARD's geographical target areas are provincial locations with significant and high security risk levels: Ab Kamari, Bala Murghab and Qadis Districts in Badghis; Khaki-Safed and Pusht Rod Districts in Farah.<sup>790</sup> The CBARD timeframe is four years, the same timeframe for previous failed UNODC alternative-development projects. Communities were expected to abandon poppy in return for assistance over a two- to four-year period.<sup>791</sup> UNDP's lack of alternative-development expertise in Afghanistan is also a concern. UNDP's focus is helping countries build and share solutions to the challenges of democratic governance, poverty reduction, crisis prevention and recovery, energy and environment, and women's empowerment.<sup>792</sup> UNDP's work with livelihoods is linked to efforts to protect the environment, bring sustainable energy to rural areas, and prepare for natural disasters.<sup>793</sup>

## Kandahar Food Zone

The Kandahar Food Zone (KFZ) is a \$45.4 million, USAID-funded project implemented by International Relief and Development (IRD). KFZ addresses the drivers of poppy cultivation in Kandahar Province by rehabilitating irrigation infrastructure, expanding alternative livelihood opportunities, supporting small businesses, and building the capacity of the MCN to develop effective alternative-development policies. The project started in 2013 and is scheduled to end in August 2018.<sup>794</sup> The target for the next two years is to renovate an additional 127 kilometers of 14 irrigation





**Farmers discuss selection** of new seed varieties as part of USAID's RADP-North program. (USAID photo)

canals, continue vineyard trellising, **intercropping**, planting new orchards, and agribusiness development to increase international sales.<sup>795</sup>

According to USAID, during the second quarter of FY 2017, KFZ made progress on certain performance indicators: 67 hectares were improved with high-value crops compared to none the previous quarter (the target for FY 2017 is 350 hectares) and 94% of households reported an income increase from licit livelihoods in the targeted areas (the target for FY 2017 was 10%). A total of 334 farmers are growing high-value crops as a result of U.S. government assistance.<sup>796</sup> Rehabilitation and construction of the 14 canals reached 85% completion, and 41 damaged greenhouses were rehabilitated. KFZ facilitated the export of \$51,400 of high-value crops and over \$116,000 in national sales. The program trained more than 400 women and 100 men on women's rights and roles in Afghan society. It also provided technical assistance to 100 female farmers for off-season vegetable production (KFZ had distributed materials and fertilizers to 100 women to grow off-season vegetables in their kitchen gardens during the previous quarter).<sup>797</sup>

Although KFZ is showing progress against many indicators, the program's overall impact on curbing opium cultivation is mixed. Results initially seemed promising: poppy cultivation decreased 49% during the second year of the project after the rehabilitation of 12 canals. But the following year, opium cultivation rose 3% in the targeted districts.

As of June 30, 2017, USAID has disbursed \$36.1 million on KFZ.<sup>798</sup>

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**Intercropping:** the cultivation of two or more crops at the same time in the same field. The most common goal of intercropping is to produce a greater yield on a given piece of land.

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Source: George Ouma and P. Jeruto, "Sustainable horticultural crop production through intercropping: The case of fruits and vegetable crops: A review," *Agriculture and Biology Journal of North America*, 2010, pp. 1,098, 1,100.



## Regional Agricultural Development Program

USAID's 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, eastern, and northern regions of Afghanistan. The projects focus on strengthening the capacity of farmers to improve the productivity of wheat, high-value crops, and livestock. Using a **value-chain** approach, these projects work with farmers and agribusinesses to overcome obstacles hindering production, processing, sales, and overall development of agricultural value chains.<sup>799</sup>

RADP-East (RADP-E) is a USAID-funded \$28.1 million program designed to expand sustainable agriculture-led economic growth in the provinces of Ghazni, Kapisa, Laghman, Logar, Nangarhar, Parwan, Wardak, and Kabul. RADP-E works with the private sector to identify constraints to business and value-chain performance, and implement market-based solutions.<sup>800</sup> RADP-E started in 2016 and is expected to end in 2021.<sup>801</sup> RADP-E is intended to increase the sales of agricultural goods and services by \$57 million by the final year of the program.<sup>802</sup> As of June 30, 2017, approximately \$3.2 million had been expended.<sup>803</sup>

According to USAID, between January 1 and March 31, 2017, RADP-E continued its efforts in preparing for its implementation phase. This included completing various studies, surveys, and analyses, as well as collecting information from relevant stakeholders. RADP-E held working group meetings with Afghan government representatives.<sup>804</sup>

**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, transportation, and wholesale and retail sales.

Source: USAID, response to SIGAR vetting, 4/12/2015.



**Fruit from the Kanda region** of Afghanistan are shipped to India with help from USAID's RADP-South program. (USAID photo)

RADP-North (RADP-N) is a USAID-funded, \$78.4 million program that started in 2014 and is scheduled to end in May 2019. RADP-N invests in increased sustainability and profitability of select value chains—wheat, high-value crops, and livestock—in rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz, and Samangan Provinces.<sup>805</sup> Between January 1 and March 31, 2017, RADP-N implemented a dozen activities and issued 25 grants valued at nearly \$900,000 and held demonstration field days for approximately 1,300 farmers. RADP-N held follow-up visits to farmer organizations: one agribusiness company received a contract for 120 tons of Afghan red raisins while attending the India International Trade Fair. The program facilitated the registration of a female farmer group cooperative and delivered **paravet** kits to graduates of its paravet training program. RADP-N identified the women beneficiaries of its bakery activity. The 20 women contracted for and finished the construction of the bakery production center and received some of the equipment.<sup>806</sup> As of June 30, 2017, approximately \$37.7 million had been expended.<sup>807</sup>

RADP-South (RADP-S) is a USAID-funded \$125 million program that started in 2013 and is scheduled to end in October 2018.<sup>808</sup> The purpose of RADP-S is to improve food and economic security for rural Afghans in Kandahar, Helmand, Uruzgan, and Zabol Provinces. The program supports farmers and micro, small, medium, and large agribusinesses to improve production, processing, and commodity sales. RADP-S strengthens market systems by using local agricultural firms to champion reforms. RADP-S is working to increase the incomes of farmers, agribusinesses, and veterinary professionals, while raising awareness among farming families of proper nutrition and balanced diets.<sup>809</sup> Some key accomplishments during January 1 and March 31, 2017, are:

- over 3,700 new farmers receiving training in post-harvesting techniques for wheat and high-value crops, including more than 480 women
- more than 20,380 beneficiaries of program interventions, of whom 1,944 were women
- monitoring of nearly 2,600 farmers resulting in over 3,100 hectares of land using improved technologies and management practices; 280 farmers planted high-value crops for the first time.<sup>810</sup>

A key implementing partner was asked to stop work in February 2017 as a result of vetting issues. This had an impact on RADP-S performance.

The adoption of the Afghan national technical-assistance salary scale has resulted in longer hiring timelines (from 60 days to over 100 days) since candidates frequently decline reduced salary offers and employee background vetting is now required for all previous years (instead of only the previous three years).<sup>811</sup>

As of June 30, 2017, approximately \$89.7 million had been expended.<sup>812</sup>

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**Paraveterinarian or paravet:** is a community-based animal health worker who provides initial diagnosis and basic treatment of animals.

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Source: A. Catley, T. Leyland, et al., "Para-veterinary professionals and the development of quality, self-sustaining community-based services," *Revue scientifique et technique (International Office of Epizootics)*, 2004, p. 225.

## Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a USAID-funded, \$61.3 million program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production. The program started in 2010 and is scheduled to end in December 2019.<sup>813</sup>

According to USAID, the program has helped export 52,000 tons of produce valued at \$57 million to markets in Pakistan, Canada, India, the United Arab Emirates (UAE), and Russia. In addition, USAID said the program created more than 7,700 agribusiness jobs, trained 112,500 farmers, and benefitted 38,400 households.<sup>814</sup> Under the current extension, CHAMP is focusing on supply chain, marketing, and export promotion of Afghan fresh and dry fruits and nuts. It continues to support traders at trade offices in India and the UAE.<sup>815</sup> From January 1 to March 31, 2017, CHAMP assistance enabled the export of 435 metric tons of raisins and apples valued at \$1.4 million. The program supported the participation of traders at the Gulfood Exhibition held late February to early March in Dubai: nine traders gained contracts worth \$3.37 million for various fruits, nuts, and spices, and potential deals worth over \$10.2 million for other products. CHAMP collaborated with USAID's Afghanistan Trade and Revenue (ATAR) project on some activities.<sup>816</sup>

As of June 30, 2017, USAID has disbursed \$49 million on CHAMP.<sup>817</sup>

“The number of addicts is highly alarming, and the increase in drug addiction can lead to [the] spread of dangerous diseases. We are working towards this, however, our efforts are not sufficient, and addressing this problem also requires the long-term commitment from [the] international community.”

—Feda Mohammad Paykan,  
Deputy Minister of Public Health

## DRUG DEMAND REDUCTION

A 2015 Afghanistan National Drug Use Survey conservatively estimated that roughly 11% of the population would test positive for one or more drugs, including 5.3% of the urban population and 13% of the rural population. Drug use among women and children is among the highest documented worldwide, and 30.6% of households tested positive for some form of illicit drug.<sup>818</sup> According to the UN, 0.6% of the global adult population suffer from drug use disorders. Opioids, including heroin, remain the most harmful type of drug.<sup>819</sup>

The United States is helping Afghanistan face this public-health crisis by funding a new rural treatment program to expand substance abuse treatment to the hardest-hit local communities. According to INL, the demand for treatment and prevention services far exceeds the capacity of the centers, most of which have extensive waiting lists for new patients. The United States also supports UNODC's global child-addiction program to develop protocols for treating opioid-addicted children, training treatment staff, and delivering services through NGOs.<sup>820</sup> It also supports an antidrug curriculum in Afghan schools, which has trained over 300 teachers and reached over 30,000 students.<sup>821</sup> INL started a pilot rural treatment program in June in Jowzjan and Laghman Provinces.<sup>822</sup>

Source: Ministry of Counter Narcotics Coordination Meeting with Supporting Organizations in the Fight Against Narcotics, May 16, 2017, in Kabul, Afghanistan.

Since 2015, INL has transitioned responsibility for 28 of the 86 U.S.-funded drug treatment centers to the MOPH. Transition of other treatment centers, originally scheduled for January 2017, has been suspended while INL, the MOPH, the MCN, and the NGOs renegotiate the transition plan.<sup>823</sup> The remaining treatment centers will transition by the end of 2019. INL reduced funding to all facilities (including the 28 MOPH centers) by approximately 20% in 2015, another 15% in 2016, and another 25% in 2017.<sup>824</sup>

INL has been working with the Afghan government and the **Colombo Plan** drug advisory program to develop and maintain the country's drug treatment system since 2003.<sup>825</sup> The most frequent beneficiaries at the treatment centers are adult males. Of the 86 facilities, 66 are residential and 20 are outpatient centers; 31 are dedicated to female clients. Among the residential treatment centers, 44 also offer home-based services.<sup>826</sup> The residential treatment centers consist of 40 centers for adult males, eight centers for adult females, eight centers for children, five centers for adolescent males and five centers for adolescent females.<sup>827</sup> Twelve of the 44 home-based programs provide services to adult females.<sup>828</sup> Over 6,200 persons were treated during the first quarter of FY 2017.<sup>829</sup> The security situation in Helmand Province resulted in limited outreach and client admissions to the treatment centers located there during the first quarter of FY 2017.<sup>830</sup>

Since 2002, INL has obligated and expended the following amounts on drug demand reduction:

- \$32.3 million obligated and \$31 million expended on drug treatment centers
- \$11.4 million obligated and \$10 million expended on training clinical staff (for drug treatment clinics)
- \$18.5 million obligated and \$12 million expended for clinical staff's salaries<sup>831</sup>

INL has obligated and spent \$12.5 million in FY 2016 and \$16.1 million in FY 2017. INL estimates that approximately 105,000 patients have been treated to date.<sup>832</sup>

## Counter-Narcotics Community Engagement

INL has obligated \$12.7 million and expended \$11.9 million to fund its Counter-Narcotics Community Engagement (CNCE) program since April 2013.<sup>833</sup> CNCE funds communication and outreach programs aimed at discouraging poppy cultivation, preventing drug use, and encouraging licit crops. According to INL, surveys indicate that the public messaging campaigns are having a slow but steady impact on Afghan attitudes about illicit narcotics.<sup>834</sup> CNCE is in its third phase, which began May 2016 and ends November 2017.<sup>835</sup>

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**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.

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Source: The Colombo Plan Secretariat Website, "History," [www.colombo-plan.org](http://www.colombo-plan.org), accessed 7/1/2017; INL, *International Narcotics Control Strategy Report: Volume I, Drug and Chemical Control*, 3/2017, p. 26.





# 4 OTHER AGENCY OVERSIGHT





# OTHER AGENCY OVERSIGHT CONTENTS

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Irrigation projects have expanded agricultural land near Forward Operating Base Gamberi in southeastern Afghanistan. (SIGAR photo by Tom Niblock)

## 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 OIG)
- Department of State Office of Inspector General (State OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

# OTHER AGENCY OVERSIGHT

## COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 USAID OIG's two financial audits related to reconstruction issued during the quarter as one report.

TABLE 4.1

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2017			
Agency	Report Number	Date Issued	Report Title
USAID OIG	N/A	Q3 FY 2017	USAID OIG issued 2 financial audits of USAID/Afghanistan Programs

Source: DOD OIG, response to SIGAR data call, 6/23/2017; State OIG, response to SIGAR data call, 6/23/2017; GAO, response to SIGAR data call, 6/23/2017; USAID OIG, response to SIGAR data call, 3/23/2017; USAAA, response to SIGAR data call, 6/23/2017.

### U.S. Department of Defense Office of Inspector General

During this quarter, DOD OIG did not complete any reports related to Afghanistan reconstruction.

### U.S. Department of State Office of Inspector General-Middle East Regional Operations

During this quarter, State OIG did not complete any reports related to Afghanistan reconstruction.

### Government Accountability Office

During this quarter, GAO did not complete any reports related to Afghanistan reconstruction.

### U.S. Army Audit Agency

During this quarter, USAAA did not complete any reports related to Afghanistan reconstruction.

### U.S. Agency for International Development Office of Inspector General

During this quarter, USAID OIG issued two financial audit reports of USAID/Afghanistan programs. These audits identified no questioned costs, no significant deficiencies in internal controls, and no instances of material noncompliance.

## ONGOING OVERSIGHT ACTIVITIES

As of June 30, 2017, the participating agencies reported 20 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.

# OTHER AGENCY OVERSIGHT

TABLE 4.2

ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF JUNE 30, 2017			
Agency	Project Number	Date Initiated	Project Title
DOD OIG	D2017-D00SPO-0081.000	2/2/2017	Evaluation of U.S./Coalition Efforts to Train, Advise, and Assist the Afghan Air Force
DOD OIG	D2017-D000JB-0063.000	1/11/2017	Audit of Combined Security Transition Command - Afghanistan Oversight and Management of Ammunition Supporting Operation Freedom's Sentinel
DOD OIG	D2016-DISPA2-0195.000	8/11/2016	Evaluation of Airborne ISR Allocation Process Supporting Counterterrorism Operations in Afghanistan
DOD OIG	D2016-D000CG-0163.000	6/8/2016	Audit of DOD Support for Counternarcotics Requirements
DOD OIG	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 OIG	D2016-D00SPO-0083.000	2/19/2016	Allegations of Child Sexual Abuse by Members of the Afghan National Defense and Security Forces
State OIG	17AUD065	6/1/2017	Audit of the Bureau of International Narcotics and Law Enforcement Affairs' Aviation Program
State OIG	17AUD018	1/1/2017	Follow-Up Review of Explosive Detection Dogs in Iraq and Afghanistan
State OIG	17AUD14	10/1/2016	Audit of Department of State Grants and Cooperativ Agreements Awarded to Kennesaw State University
State OIG	17AUD031	9/1/2016	Audit of Afghanistan Life Support Services (ALiSS) Contract Planning & Solicitation and Award Process
State OIG	16AUD077	8/1/2016	Audit of the Department of State's Invoice Review Process for Iraq and Afghanistan
State OIG	16AUD074	6/1/2016	Audit of Counter Narcotics and Police Reform Program Compliance Follow-up in Pakistan and Afghanistan
State OIG	16AUD044	10/15/2015	Audit of Embassy Kabul Construction and Commissioning
GAO	101668	2/10/2017	U.S.-Procured Equipment in Afghanistan
GAO	101213	10/31/2016	Iraqi and Afghan Special Immigrant Resettlement
GAO	101053	8/1/2016	Afghan 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
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 OIG, response to SIGAR data call, 6/23/2017; State OIG, response to SIGAR data call, 6/23/2017; GAO, response to SIGAR data call, 6/23/2017; USAID OIG, response to SIGAR data call, 6/23/2017; USAAA, response to SIGAR data call, 6/23/2017.

## U.S. Department of Defense Office of Inspector General

DOD continues to face many challenges in executing its Overseas Contingency Operations (OCO). DOD OIG has identified priorities based on those challenges and high risks. DOD OIG oversight focuses on the areas of monitoring and oversight of acquisition and contracting processes that support training, equipping, and sustaining Afghanistan security forces. DOD OIG will also continue to review and assess the department's efforts to train and equip Afghan National Defense and Security Forces (ANDSF).

The DOD OIG-led Southwest Asia Joint Planning Group assists in the coordination and deconfliction of federal and DOD OCO-related oversight activities. DOD OIG, 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

# OTHER AGENCY OVERSIGHT

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 OIG has six ongoing projects this quarter that relate to reconstruction or security operations in Afghanistan.

## **Evaluation of U.S./Coalition Efforts to Train, Advise, and Assist the Afghan Air Force (D2017-D00SPO-0081.000, Initiated February 2, 2017)**

DOD OIG is evaluating the U.S./Coalition progress toward—and its planned efforts to accomplish—the Train, Advise, and Assist Command-Air (TAAC-Air) mission of training, advising, and assisting their Afghan partners to develop into a professional, capable, and sustainable air force.

## **Audit of Combined Security Transition Command—Afghanistan Oversight and Management of Ammunition Supporting Operation Freedom's Sentinel (D2017-D000JB-0063.000, Initiated January 11, 2017)**

DOD OIG is determining whether the Combined Security Transition Command-Afghanistan provided effective oversight of ammunition for the ANDSF. This is part of a series of audits related to U.S.-direct assistance to the Government of the Islamic Republic of Afghanistan.

## **Evaluation of Airborne ISR Allocation Process Supporting Counterterrorism Operations in Afghanistan (D2016-DISPA2-0195.000, Initiated August 11, 2016)**

DOD OIG is determining whether US Forces-Afghanistan's airborne intelligence, surveillance, and reconnaissance (ISR) allocation process effectively supports U.S. counterterrorism operations.

## **Audit of DOD Support for Counternarcotics Requirements (D2016-D000CG-0163.000, Initiated June 8, 2016)**

In response to congressional requests, the DOD OIG is determining whether DOD effectively supported counternarcotics requirements agreed upon between the Department of Justice and DOD. In addition, the DOD OIG 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 OIG 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.

## **Allegations of Child Sexual Abuse by Members of the Afghan National Defense and Security Forces (D2016-D00SP0-0083.000, Initiated February 19, 2016)**

DOD OIG is focusing on answering a number of specific questions, including DOD implementation of Title 10 “Leahy Laws” statutory language 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 seven ongoing projects this quarter related to Afghanistan reconstruction.

## **Audit of the Bureau of International Narcotics and Law Enforcement Affairs’ Aviation Program (Project No. 17AUD065, Initiated June 1, 2017)**

To determine whether the Bureau of International Narcotics and Law Enforcement Affairs (INL) is administering its aviation program, including key internal controls such as inventory management, aviation asset usage, aircraft maintenance and asset disposal, in accordance with federal requirements and department guidelines.

## **Follow-Up Review of Explosive Detection Dogs in Iraq and Afghanistan (Project No. 17AUD018, Initiated January 1, 2017)**

In a 2010 report, OIG found that the Bureau of Diplomatic Security (DS) could not verify the detection abilities of its explosive-detection canines under three programs: the Baghdad Embassy Security Force, the Kabul Embassy Security Force, and Personal Protective Services in Kabul. OIG made recommendations for DS to improve those programs by, among other things, independently verifying the canines’ detection abilities, and developing and issuing procedures on importing and storing testing materials. This audit will follow up on the recommendations made in the 2010 report.



# OTHER AGENCY OVERSIGHT

## **Audit of Department of State Grants and Cooperative Agreements Awarded to Kennesaw State University (Project No. 17AUD014, Initiated October 1, 2016)**

The purposes of this audit are: (1) to determine whether Kennesaw State University appropriately expended funds and accurately reported financial performance of grant programs in Afghanistan and (2) to determine whether Kennesaw State University met program goals and accurately reported programmatic performance.

## **Audit of Afghanistan Life Support Services (ALiSS) Contract Planning & Solicitation and Award Process (Project No. 17AUD031, Initiated September 1, 2016)**

The audit seeks 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 Department of State's Invoice Review Process for Iraq and Afghanistan (Project No. 17AUD077, Initiated August 1, 2016)**

The audit seeks to determine if contracting officer representatives were adequately overseeing invoices for overseas contingency operations' contracts.

## **Audit of Counter Narcotics and Police Reform Program Compliance Follow-up in Pakistan and Afghanistan (Project No. 16AUD074, Initiated June 1, 2016)**

The audit will attempt 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)**

This audit seeks 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 five ongoing projects this quarter related to Afghanistan reconstruction.

## **U.S.-Procured Equipment in Afghanistan (Project No. 101668, Initiated February 10, 2017)**

This review addresses what equipment the U.S. government has purchased for the ANDSF. Since 2002, the United States, with assistance from NATO and other coalition nations, has worked to train, equip, and develop the capability of the ANDSF. In January 2015, the ANDSF formally assumed security responsibilities for all of Afghanistan. The United States continues to train and equip the ANDSF to develop a force that can protect the Afghan people and contribute to regional and international security. A House report associated with the Fiscal Year 2017 National Defense Authorization Act cited concerns about the security situation in Afghanistan and included a provision for GAO to review U.S. assistance to the ANDSF, including weapons and equipment.

## **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. 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 refugees' and SIVs' entry into 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? (3) What factors, if any, affect resettlement agencies' ability to serve Iraqi and Afghan SIV holders?

## **Afghan 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 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 equipment support the overall strategy for the ANDSF; (3) describe the current capability and capacity of the ANDSF to operate and sustain such

# OTHER AGENCY OVERSIGHT

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 State, DOD, USAID, and SIGAR 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.

This report investigates the extent that DOD has: (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; and (3) taken actions to address prior GAO recommendations regarding its biometrics and forensics capabilities since 2011.

## **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)**

The objectives of this audit are to determine if USAID/Afghanistan has adopted internal policies and procedures to adequately verify the achievement of New Development Partnership (NDP) indicators contained in the July 25, 2015, NDP results framework; and if USAID/Afghanistan has adequately verified the achievement of completed indicators under the NDP 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)**

The objectives of this audit are to determine if USAID/Afghanistan has 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 www.sigar.mil  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), 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 <a href="http://www.sigar.mil">www.sigar.mil</a>
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 <a href="http://www.sigar.mil">www.sigar.mil</a>
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 <a href="http://www.sigar.mil">www.sigar.mil</a>
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 June 30, 2017. Table B.2 lists fund appropriated for counternarcotics initiatives since 2002.

TABLE B.2

COUNTERNARCOTICS, CUMULATIVE AMOUNT APPROPRIATED, SINCE 2002 (\$ MILLIONS)	
ASFF	\$1,311.92
DOD CN	3,141.63
ESF	1,555.38
INCLE	2,178.47
DEA <sup>a</sup>	444.61
<b>Total</b>	<b>\$8,632.01</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, 7/19/2017; State, response to SIGAR data call, 7/11/2017; DOD, response to SIGAR data call, 6/25/2017 and 3/8/2016; USAID, response to SIGAR data call, 7/10/2017; DOJ, response to SIGAR data call, 6/30/2017.

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. DOD reprogrammed \$230 million into FY 2015 ASFF. 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, \$400 million from FY 2015 in Pub. L. No. 114-113, and \$150 million from FY 2016 in Pub. L. No. 115-31. 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> Final FY 2017 appropriation amounts for State and USAID accounts were still being determined when this report went to press.

Table B.1 Source: DOD, response to SIGAR data call, 7/17/2017, 6/25/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 7/11/2017, 4/21/2017, 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, 7/10/2017; OMB, response to SIGAR data call, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 7/10/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 6/30/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-31, 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	\$68,265.37	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
Voluntary Peacekeeping (PKO)	State	\$69.33	69.33
Afghanistan Freedom Support Act (AFSA)	DOD	\$550.00	550.00
Drug Interdiction & Counter-Drug Activities (DOD CN)	DOD	\$3,141.63	296.34
<b>Total - Security</b>		<b>\$73,542.54</b>	<b>3,411.98</b>
<b>Governance &amp; Development</b>			
Commander's Emergency Response Program (CERP)	DOD	\$3,689.00	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
Child Survival & Health (CSH + GHAI)	USAID	\$554.63	128.60
Commodity Credit Corp (CCC)	USAID	\$33.43	8.80
USAID (other)	USAID	\$52.22	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	\$4.65	2.91
International Narcotics Control & Law Enforcement (INCLE)	State	\$4,875.86	989.28
Drug Enforcement Administration (DEA)	DOJ	\$235.20	23.93
<b>Total - Governance &amp; Development</b>		<b>\$32,290.74</b>	<b>4,435.52</b>
<b>Humanitarian</b>			
P.L. 480 Title I	USDA	\$5.00	5.00
P.L. 480 Title II	USAID	\$891.28	254.80
Disaster Assistance (IDA)	USAID	\$665.17	298.23
Transition Initiatives (TI)	USAID	\$37.58	32.58
Migration & Refugee Assistance (MRA)	State	\$1,185.03	313.00
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>\$3,086.81</b>	<b>1,093.33</b>
<b>Civilian Operations</b>			
Oversight		\$480.59	0.00
Other		\$10,339.02	539.63
<b>Total - Civilian Operations</b>		<b>\$10,819.62</b>	<b>539.63</b>
<b>Total Funding</b>		<b>\$119,739.71</b>	<b>9,480.46</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	3,502.26	4,262.72
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
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
108.05	290.97	192.81	230.06	392.27	379.83	472.99	255.81	238.96	0.00	138.76	144.78
<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>3,642.22</b>	<b>4,407.49</b>
215.00	209.00	488.33	550.67	1,000.00	400.00	400.00	200.00	30.00	10.00	5.00	5.00
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
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	1.95
0.00	0.00	21.96	2.81	4.90	6.25	7.10	1.84	0.80	0.82	0.10	0.15
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	0.20	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	3.10
<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>2,952.39</b>	<b>1,490.96</b>	<b>1,149.99</b>	<b>1,043.63</b>	<b>10.20</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	55.78
0.00	0.00	0.00	0.75	0.84	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	75.57	20.90
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>169.51</b>	<b>244.85</b>	<b>156.18</b>	<b>144.09</b>	<b>202.91</b>	<b>155.50</b>	<b>115.50</b>	<b>76.68</b>
0.00	2.50	14.30	25.20	34.40	37.20	59.00	58.70	62.65	68.60	62.37	55.67
131.90	207.80	435.51	1,065.86	1,761.70	905.10	1,425.43	1,272.49	852.45	909.50	794.48	37.17
<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>1,484.43</b>	<b>1,331.19</b>	<b>915.10</b>	<b>978.10</b>	<b>856.85</b>	<b>92.85</b>
<b>3,502.96</b>	<b>10,042.67</b>	<b>6,069.97</b>	<b>10,510.54</b>	<b>16,712.32</b>	<b>15,861.81</b>	<b>14,646.70</b>	<b>9,631.10</b>	<b>6,811.76</b>	<b>6,223.97</b>	<b>5,658.20</b>	<b>4,587.22</b>

# APPENDICES

## APPENDIX C

### SIGAR WRITTEN PRODUCTS\*

#### SIGAR Audits

##### Completed Performance Audits

SIGAR completed two performance audits during this reporting period.

COMPLETED SIGAR PERFORMANCE AUDITS AS OF JUNE 30, 2017		
Report Identifier	Report Title	Date Issued
SIGAR 17-57-AR	Afghanistan National Defense and Security Forces: DOD Spent \$457.7 Million on Intelligence-Capacity-Building Programs, But Impact Cannot Be Fully Assessed Because of a Lack of Performance Metrics	7/2017
SIGAR 17-56-AR	Salary Support: State and USAID Need to Address SIGAR's Prior Recommendations for Safeguarding Payments for Afghan Government Employees and Embedded Technical Advisors	7/2017

##### New Performance Audits

SIGAR initiated one performance audit during this reporting period.

NEW SIGAR PERFORMANCE AUDITS AS OF JUNE 30, 2017		
Project Identifier	Project Title	Date Initiated
SIGAR 121A	Afghanistan Anti-Corruption Strategy	6/2017

##### Ongoing Performance Audits

SIGAR had 11 ongoing performance audits during this reporting period.

ONGOING SIGAR PERFORMANCE AUDITS AS OF JUNE 30, 2017		
Project Identifier	Project Title	Date Initiated
SIGAR 120A	Afghan Air Force's Ability to Operate and Maintain U.S.-Provided Aircraft	3/2017
SIGAR 119A	U.S. Army Corps of Engineers' Local national Quality Assurance Program	3/2017
SIGAR 118A	DOD Efforts to Advise the Afghan Ministries of Defense and Interior	1/2017
SIGAR 117A	USAID's Regional Agricultural Development Program	12/2016
SIGAR 116A	Promoting Gender Equity in National Priority Programs (Promote)	11/2016
SIGAR 115A	U.S. Government Efforts to Increase the Supply, Quantity, and Distribution of Electric Power from the Kajaki Dam	4/2016
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 110A	Effectiveness of the Commander's Emergency Response Program in Afghanistan	8/2015
SIGAR 102A	Afghanistan Infrastructure Fund Follow-Up	11/2014
SIGAR 100A	DOD Oversight of Infrastructure Projects Transferred to the Afghan Government	8/2014

\* SIGAR may also report on products and events occurring after June 30, 2017, up to the publication date.

# APPENDICES

## Completed Financial Audits

SIGAR completed four financial audits during this reporting period.

### COMPLETED SIGAR FINANCIAL AUDITS AS OF JUNE 30, 2017

Report Identifier	Report Title	Date Issued
SIGAR 17-55-FA	USAID Implementation Letter with Da Afghanistan Breshna Sherkat (DABS) for Kajaki Dam Unit 2	7/2017
SIGAR 17-54-FA	State Grant with Sesame Workshop for Media Programs	7/2017
SIGAR 17-50-FA	USAID Cooperative Agreement with Management Sciences for Health (MSH) for Strengthening Pharmaceutical Systems (SPS)	6/2017
SIGAR 17-44-FA	USAID Cooperative Agreement with Volunteers for Economic Growth Alliance (VEGA) for Assistance in Building Afghanistan by Developing Enterprise (ABADE)	5/2017

## Ongoing Financial Audits

SIGAR had 12 financial audits in progress during this reporting period.

### ONGOING SIGAR FINANCIAL AUDITS AS OF JUNE 30, 2017

Project Identifier	Project Title	Date Initiated
SIGAR F-110	DOD Contract with Friends of the American University of Afghanistan for Village Stability Operations Project Subject Matter Experts	11/2016
SIGAR F-109	DOD Contract with Alion Science and Technology Corporation for Kabul Business Incubator	11/2016
SIGAR F-108	DOD Contract with Development Alternatives Inc. for Professional Business Analysis, Advisory and Assistance Support Services	11/2016
SIGAR F-107	DOD Contract with SRK Consulting Inc. for Mineral Tender Development and Geological Services	11/2016
SIGAR F-106	DOD Contract with Leidos Inc. (previously SAIC) for Economic Impact Assessment	11/2016
SIGAR F-105	DOD Contract with aXseum Solutions LLC for Banking and Financial Infrastructure Development	11/2016
SIGAR F-104	DOD Contract with Curtis, Mallet-Prevost, Colt & Mosle LLP for Advisory Services and International Hydrocarbons Sector	11/2016
SIGAR 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
SIGAR 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
SIGAR 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
SIGAR F-100	DOD Contract with Textron Inc. for Training and Logistics Support with the Afghan National Army Mobile Strike Force Vehicle Program	6/2016
SIGAR F-099	DOD Contract with Textron Inc. for Mobile Strike Force Vehicle Interim Contractor Training Support for the Afghan National Army	6/2016

# APPENDICES

## SIGAR Classified Evaluations Completed Classified Evaluation

SIGAR completed one classified evaluation report this reporting period.

### COMPLETED SIGAR CLASSIFIED EVALUATIONS AS OF JUNE 30, 2017

Report Identifier	Report Title	Date Issued
SIGAR 17-47-IPc	DOD and State Implementation of the Leahy Laws in Afghanistan	6/2017

## SIGAR Inspections Completed Inspections

SIGAR completed one inspection report during this reporting period.

### COMPLETED SIGAR INSPECTIONS AS OF JUNE 30, 2017

Product Identifier	Product Title	Date Issued
SIGAR 17-46-IP	Pol-i-Charkhi Prison: Renovation Work Remains Incomplete More than 7 Years after the Project Began	6/2017

## SIGAR Special Projects Completed Special Projects

SIGAR completed three Special Projects products this reporting period.

### COMPLETED SIGAR SPECIAL PROJECTS AS OF JUNE 30, 2017

Product Identifier	Product Title	Date Issued
SIGAR 17-53-SP	Schools in Kunar Province	7/2017
SIGAR 17-51-SP	Review: USAID-Supported Health Facilities in Takhar Province	6/2017
SIGAR 17-48-SP	ANA Proprietary Camouflage Uniforms	6/2017

## Special Projects Inquiry Letters

SIGAR completed five Special Projects inquiry letters this reporting period.

### COMPLETED SIGAR SPECIAL PROJECTS INQUIRY LETTERS AS OF JUNE 30, 2017

Product Identifier	Product Title	Date Issued
SIGAR 17-52-SP	Follow-up Letter: Qaisar-Laman Road Project	5/2017
SIGAR 17-49-SP	Stabilization in Key Areas	6/2017
SIGAR 17-45-SP	Initiative to Strengthen Local Administrations (ISLA) Program	6/2017
SIGAR 17-43-SP	Asian Development Bank's Qaisar-Laman Road Project	5/2017
SIGAR 17-42-SP	INL Prison Construction and Rehabilitation	5/2017

## SIGAR Lessons Learned Projects Ongoing Lessons Learned Projects

SIGAR has seven ongoing Lessons Learned projects this reporting period.

### ONGOING SIGAR LESSONS LEARNED PROJECTS AS OF JUNE 30, 2017

Project Identifier	Project Title	Date Initiated
SIGAR LL-08	Monitoring & Evaluation	4/2017
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



## APPENDIX D

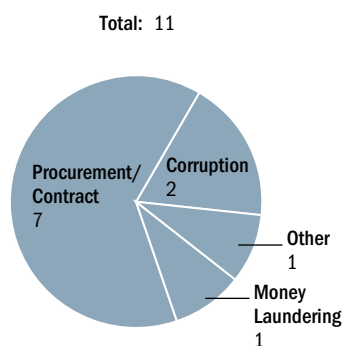
### SIGAR INVESTIGATIONS AND HOTLINE

#### SIGAR Investigations

This quarter, SIGAR opened 11 new investigations and closed eight, bringing the total number of ongoing investigations to 267. Of the new investigations, most were related to procurement/contract fraud, as shown in Figure D.1. Of the closed investigations, most were closed due to unfounded allegations, as shown in Figure D.2.

FIGURE D.1

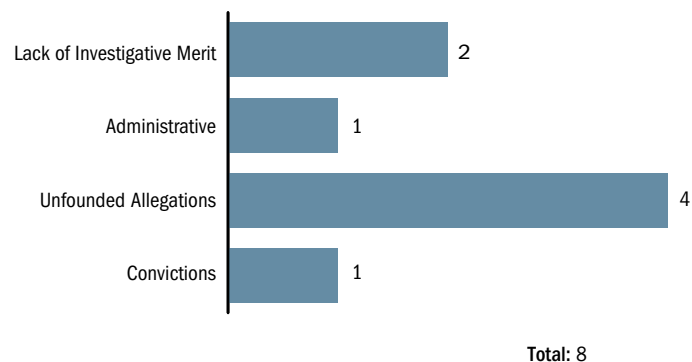
**SIGAR NEW INVESTIGATIONS, APRIL 1-JUNE 30, 2017**



Source: SIGAR Investigations Directorate, 7/11/2017.

FIGURE D.2

**SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, APRIL 1-JUNE 30, 2017**



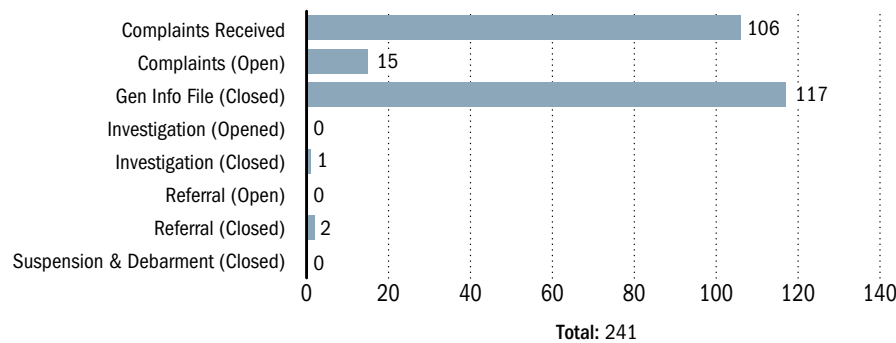
Source: SIGAR Investigations Directorate, 7/11/2017.

## SIGAR Hotline

The SIGAR Hotline received 106 complaints this quarter, as shown in Figure D.4. In addition to working on new complaints, the Investigations directorate continued its work on complaints received prior to April 1, 2017. This quarter, the directorate processed 241 complaints, most of which are under review or were closed, as shown in Figure D.3.

FIGURE D.3

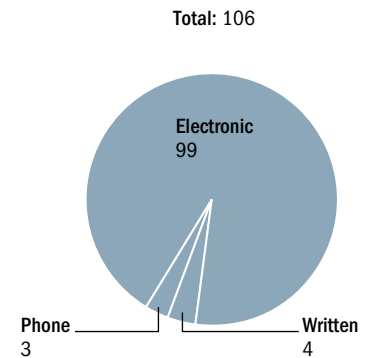
STATUS OF SIGAR HOTLINE COMPLAINTS: APRIL 1-JUNE 30, 2017



Source: SIGAR Investigations Directorate, 7/7/2017.

FIGURE D.4

SOURCE OF SIGAR HOTLINE COMPLAINTS, APRIL 1-JUNE 30, 2017



Source: SIGAR Investigations Directorate, 7/7/2017.

## 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 June 30, 2017. *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 JUNE 30, 2017</b>		
<b>Special Entity Designations</b>		
Arvin Kam Construction Company	Noh-E Safi Mining Company	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"	Noor Rahman Company	Triangle Technologies
Ayub, Mohammad	Noor Rahman Construction Company	Wasim, Abdul Wakil
Fruzi, Haji Khalil	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	Zaland, Yousef
Haji Amir Muhammad	Rahman, Nur, a.k.a. "Noor Rahman," a.k.a. "Noor Rahman Safa"	Zurmat Construction Company
Haji Dhost Mohammad Zurmat Construction Company	Rhaman, Mohammad	Zurmat Foundation
Jan, Nurullah		Zurmat General Trading
Khan, Haji Mohammad Almas		Zurmat Group of Companies, d.b.a. "Zurmat LLC"
		Zurmat Material Testing Laboratory
<b>Suspensions</b>		
Al-Watan Construction Company	Yousef, Najeebullah	Elham, Yaser, a.k.a. "Najibullah Saadullah"
Basirat Construction Firm	Rahimi, Mohammad Edris	Everest Faizy Logistics Services
Brophy, Kenneth	Wooten, Philip Steven	Faizy Elham Brothers Ltd
Naqibullah, Nadeem	Domineck, Lavette Kaye	Faizy, Rohullah
Rahman, Obaidur	Markwith, James	Hekmat Shadman General Trading LLC
Campbell, Neil Patrick	All Points International Distributors Inc.	Hekmat Shadman Ltd., d.b.a. "Hikmat Shadman Ltd"
Borcata, Raul A.	Cipolla, James	Hikmat Shadman Construction and Supply Company
Close, Jarred Lee	Hercules Global Logistics	Hikmat Shadman Logistics Services Company, d.b.a. "Hikmat Shadman Commerce Construction and Supply Company," d.b.a. "Hikmat Shadman Commerce Construction Services"
Logistical Operations Worldwide	Schroeder, Robert	Saif Hikmat Construction Logistic Services and Supply Co
Robinson, Franz Martin	AISC LLC	Shadman, Hikmatullah, a.k.a. "Hikmat Shadman," a.k.a. "Haji Hikmatullah Shadman," a.k.a. "Hikmatullah Saadullah"
Taylor, Zachery Dustin	American International Security Corporation	Travis, James Edward
Aaria Group Construction Company	Brothers, Richard S.	Sherzai, Akbar Ahmed
Aaria Group	David A Young Construction & Renovation Inc.	Bertolini, Robert L.
Aaria Herai General Trading	Force Direct Solutions LLC	Kahn, Haroon Shams, a.k.a. "Haroon Shams"
Aaria M.E. General Trading LLC	Harris, Christopher	Shams Constructions Limited
Aaria Middle East	Hernando County Holdings LLC	Shams General Services and Logistics Unlimited
Aaria Middle East Company LLC	Hide-A-Wreck LLC	Shams Group International, d.b.a. "Shams Group International FZE"
Aaria Middle East Company Ltd - Herat	Panthers LLC	Shams London Academy
Aaria Supplies Company Ltd	Paper Mill Village Inc	Shams Production
Aaria Supply Services and Consultancy	Shroud Line LLC	Shams Welfare Foundation
Aftech International	Spada, Carol	Autry, Cleo Brian
Aftech International Pvt. Ltd	Taylor, Michael	Chamberlain, William Todd
Alam, Ahmed Farzad	Welventure LLC	Cook, Jeffrey Arthur
Albahar Logistics	World Wide Trainers LLC	Harper, Deric Tyron
American Aaria Company LLC	Young, David	Swim, Alexander
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		

# APPENDICES

TABLE D.1 (CONTINUED)

## SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2017 (CONTINUED)

### Suspensions (continued)

Walls, Barry Lee, Jr.	Al Iraq Al Waed	Lugo, Emanuel
Ciampa, Christopher	Al Quraishi Bureau	Montague, Geoffrey K.
Casellas, Luis Ramon	Al Zakoura Company	Pena, Ramiro
International Contracting and Development	Al-Amir Group LLC	Ware, Marvin
Sobh, Adeen Nagib, a.k.a. "Ali Sobh"	Al-Noor Contracting Company	Green, Robert Warren
Stallion Construction and Engineering Group	Al-Noor Industrial Technologies Company	Bailly, Louis Matthew
Wazne Group Inc., d.b.a. "Wazne Wholesale"	California for Project Company	Albright, Timothy H.
Wazne, Ayman, a.k.a. "Ayman Ibrahim Wazne"	Civilian Technologies Limited Company	Bailly, Louis Matthew
Hampton, Seneca Darnell	Industrial Techniques Engineering Electromechanically Company	Bunch, Donald P.
Green, George E.	Jamil, Omar K.	Epps, Willis
Tran, Anthony Don	Pulsars Company	Kline, David
Vergez, Norbert	San Francisco for Housing Company	Morgan, Sheldon J.
Mayberry, Teresa	Sura Al Mustakbal	Badgett, Michael J.
Addas, James	Top Techno Concrete Batch	Blevins, Kenneth Preston
Advanced Ability for U-PVC	Edmondson, Jeffrey B.	Banks, Michael

### Debarments

Farooqi, Hashmatullah	Qasimi, Mohammed Indress	Fazli, Qais
Hamid Lais Construction Company	Radhi, Mohammad Khalid	Hamdard, Mohammad Yousuf
Hamid Lais Group	Safi, Fazal Ahmed	Kunari, Haji Pir Mohammad
Lodin, Rohullah Farooqi	Shin Gul Shaheen, a.k.a. "Sheen Gul Shaheen"	Mushfiq, Muhammad Jaffar
Bennett & Fouch Associates LLC	Espinoza-Loor, Pedro Alfredo	Mutallib, Abdul
Brandon, Gary	Campbell, Neil Patrick	Nasrat, Sami
K5 Global	Navarro, Wesley	National General Construction Company
Ahmad, Noor	Hazrati, Arash	Passerly, Ahmaad Saleem
Noor Ahmad Yousufzai Construction Company	Midfield International	Rabi, Fazal
Ayeni, Sheryl Adenike	Moore, Robert G.	Rahman, Atta
Cannon, Justin	Noori, Noor Alam, a.k.a. "Noor Alam"	Rahman, Fazal
Constantino, April Anne	Northern Reconstruction Organization	Roshandil, Mohammad Ajmal
Constantino, Dee	Shamal Pamir Building and Road Construction Company	Saber, Mohammed
Constantino, Ramil Palmes	Wade, Desi D.	Safi, Azizur Rahman
Crilly, Braam	Blue Planet Logistics Services	Safi, Matiullah
Drotleff, Christopher	Mahmodi, Padres	Sahak, Sher Khan
Fil-Tech Engineering and Construction Company	Mahmodi, Shikab	Shaheed, Murad
Handa, Sdiharth	Saber, Mohammed	Shirzad, Daulet Khan
Jabak, Imad	Watson, Brian Erik	Uddin, Mehrab
Jamally, Rohullah	Abbasi, Shahpoor	Watson, Brian Erik
Khalid, Mohammad	Amiri, Waheedullah	Wooten, Philip Steven
Khan, Daro	Atal, Waheed	Espinoza, Mauricio
Mariano, April Anne Perez	Daud, Abdullilah	Alam, Ahmed Farzad
McCabe, Elton Maurice	Dehati, Abdul Majid	Greenlight General Trading
Mihalcz, John		

# APPENDICES

TABLE D.1 (CONTINUED)

<b>SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2017 (CONTINUED)</b>		
<b>Debarments (continued)</b>		
Aaria Middle East Company LLC	NBCC & GBCC JV	Dawkins, John
Aaria Middle East Company Ltd – Herat	Noori, Navid	Mesopotamia Group LLC
Aaria M.E. General Trading LLC	Asmatullah, Mahmood, a.k.a. "Mahmood"	Nordloh, Geoffrey
Aaria Middle East	Khan, Gul	Kieffer, Jerry
Barakzai, Nangjalai	Khan, Solomon Sherdad, a.k.a. "Solomon"	Johnson, Angela
Formid Supply and Services	Mursalin, Ikramullah, a.k.a. "Ikramullah"	CNH Development Company LLC
Aaria Supply Services and Consultancy	Musafer, Naseem, a.k.a. "Naseem"	Johnson, Keith
Kabul Hackle Logistics Company	Ali, Esrar	Military Logistic Support LLC
Yousef, Najeebullah	Gul, Ghanzi	Eisner, John
Aaria Group	Luqman Engineering Construction Company, d.b.a. "Luqman Engineering"	Taurus Holdings LLC
Aaria Group Construction Company	Safiullah, a.k.a. "Mr. Safiullah"	Brophy, Kenneth Michael
Aaria Supplies Company Ltd.	Sarfarez, a.k.a. "Mr. Sarfarez"	Abdul Haq Foundation
Rahimi, Mohammad Edris	Wazir, Khan	Adajar, Adonis
All Points International Distributors Inc.	Akbar, Ali	Calhoun, Josh W.
Hercules Global Logistics	Crystal Construction Company, d.b.a. "Samitullah Road Construction Company"	Clark Logistic Services Company, d.b.a. "Clark Construction Company"
Schroeder, Robert	Samitullah (Individual uses only one name)	Farkas, Janos
Helmand Twinkle Construction Company	Ashna, Mohammad Ibrahim, a.k.a. "Ibrahim"	Flordeliz, Alex F.
Waziri, Heward Omar	Gurvinder, Singh	Knight, Michael T., II
Zadran, Mohammad	Jahan, Shah	Lozado, Gary
Afghan Mercury Construction Company, d.b.a. "Afghan Mercury Construction & Logistics Company"	Shahim, Zakirullah a.k.a. "Zakrullah Shahim", a.k.a. "Zikrullah Shahim"	Mijares, Armando N., Jr.
Mirzali Naseeb Construction Company	Alyas, Maiwand Ansunullah a.k.a. "Engineer Maiwand Alyas"	Mullakhiel, Wadir Abdullahmatin
Montes, Diyana	BMCS	Rainbow Construction Company
Naseeb, Mirzali	Maiwand Haqmal Construction and Supply Company	Sardar, Hassan, a.k.a. "Hassan Sardar Inqilab"
Robinson, Franz Martin	New Riders Construction Company, d.b.a. "Riders Construction Company," d.b.a. "New Riders Construction and Services Company"	Shah, Mohammad Nadir, a.k.a. "Nader Shah"
Smith, Nancy	Riders Constructions, Services, Logistics and Transportation Company	Tito, Regor
Sultani, Abdul Anas a.k.a. "Abdul Anas"	Riders Group of Companies	Brown, Charles Phillip
Faqiri, Shir	Domineck, Lavette Kaye	Sheren, Fasela, a.k.a. "Sheren Fasela"
Hosmat, Haji	Markwith, James	Anderson, Jesse Montel
Jim Black Construction Company	Martinez, Rene	Charboneau, Stephanie, a.k.a. "Stephanie Shankel"
Arya Ariana Aryayee Logistics, d.b.a. "AAA Logistics," d.b.a. "Somo Logistics"	Maroof, Abdul	Hightower, Jonathan
Garst, Donald	Qara, Yousef	Khan, Noor Zali, a.k.a. "Wali Kahn Noor"
Mukhtar, Abdul a.k.a. "Abdul Kubar"	Royal Palace Construction Company	Saheed, a.k.a. "Mr. Saheed," a.k.a. "Sahill," a.k.a. "Ghazi-Rahman"
Noori Mahgir Construction Company	Bradshaw, Christopher Chase	Weaver, Christopher
Noori, Sherin Agha	Zuhra Productions	Al Kaheel Oasis Services
Long, Tonya	Zuhra, Niajai	Al Kaheel Technical Service
Isranuddin, Burhanuddin	Boulware, Candice a.k.a. "Candice Joy Dawkins"	CLC Construction Company
Matun, Navidullah, a.k.a. "Javid Ahmad"		CLC Consulting LLC
Matun, Wahidullah		Complete Manpower Solutions
Navid Basir Construction Company		Mohammed, Masiuddin, a.k.a. "Masi Mohammed"
Navid Basir JV Gaggar Baba Construction Company		Rhoden, Bradley L., a.k.a. "Brad L. Rhoden"

# APPENDICES

TABLE D.1 (CONTINUED)

## SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2017 (CONTINUED)

### Debarments (continued)

Rhoden, Lorraine Serena	Bashizada, Razia	LTCCORP Government Services - OH Inc
Royal Super Jet General Trading LLC	Coates, Kenneth	LTCCORP Government Services Inc
Super Jet Construction Company	Gibani, Marika	LTCCORP Government Services-MI Inc
Super Jet Fuel Services	Haidari, Mahboob	LTCCORP O&G LLC
Super Jet Group	Latifi, Abdul	LTCCORP Renewables LLC
Super Jet Tours LLC, d.b.a. "Super Jet Travel and Holidays LLC"	McCammon, Christina	LTCCORP Inc.
Super Solutions LLC	Mohibzada, Ahmadullah, a.k.a. "Ahmadullah Mohebzada"	LTCCORP/Kaya Djibouti LLC
Abdullah, Bilal	Neghat, Mustafa	LTCCORP/Kaya East Africa LLC
Farmer, Robert Scott	Qurashi, Abdul	LTCCORP/Kaya Romania LLC
Mudiyanselage, Oliver	Raouf, Ashmatullah	LTCCORP/Kaya Rwanda LLC
Kelly, Albert, III	Shah, David	LTCORP Technology LLC
Ethridge, James	Touba, Kajim	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"
Fernridge Strategic Partners	Zahir, Khalid	Toltest/Desbuild Germany JV LLC
AISC LLC	Aryubi, Mohammad Raza Samim	Veterans Construction/Lakeshore JV LLC
American International Security Corporation	Atlas Sahil Construction Company	Afghan Royal First Logistics, d.b.a. "Afghan Royal"
David A Young Construction & Renovation Inc.	Bab Al Jazeera LLC	American Barriers
Force Direct Solutions LLC	Emar-E-Sarey Construction Company	Arakozia Afghan Advertising
Harris, Christopher	Muhammad, Pianda	Dubai Armored Cars
Hernando County Holdings LLC	Sambros International, d.b.a. "Sambros International Ltd," d.b.a. "Sambros-UK JV"	Enayatullah, son of Hafizullah
Hide-A-Wreck LLC	Sambros JV Emar-E-Sarey Construction Company, d.b.a. "Sambros JV ESCC"	Farhas, Ahmad
Panthers LLC	Antes, Bradley A.	Inland Holdings Inc
Paper Mill Village Inc.	Lakeshore Engineering & Construction Afghanistan Inc, d.b.a. "Lakeshore General Contractors Inc"	Intermaax, FZE
Shroud Line LLC	Lakeshore Engineering Services Inc	Intermaax Inc
Spada, Carol	Lakeshore Engineering Services/Toltest JV LLC	Karkar, Shah Wali
Welventure LLC	Lakeshore Toltest - Rentenbach JV LLC	Sandman Security Services
World Wide Trainers LLC	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
Young, David Andrew	Lakeshore Toltest Guam LLC	Specialty Bunkering
Woodruff and Company	Lakeshore Toltest JV LLC	Spidle, Chris Calvin
Travis, James Edward	Lakeshore Toltest RRCC JV LLC	Vulcan Amps Inc
Khairfullah, Gul Agha	Lakeshore/Walsh JV LLC	Worldwide Cargomasters
Khalil Rahimi Construction Company	LakeshoreToltest METAG JV LLC	Aziz, Haji Abdul, a.k.a. "Abdul Aziz Shah Jan," a.k.a. "Aziz"
Momand, Jahanzeb, a.k.a. "Engineer Jahanzeb Momand"	LTC & Metawater JV LLC	Castillo, Alfredo, Jr.
Yar-Mohammad, Hazrat Nabi	LTC Holdings Inc.	Abbasi, Asim
Walizada, Abdul Masoud, a.k.a. "Masood Walizada"	LTC Italia SRL	Muturi, Samuel
Alizai, Zarghona	LTC Tower General Contractors LLC	Mwakio, Shannel
Aman, Abdul	LTCCORP Commercial LLC	Ahmad, Jaweed
Anwari, Laila	LTCCORP E&C Inc	Ahmad, Masood
Anwari, Mezhgan		A & J Total Landscapes
Anwari, Rafi		Aryana Green Light Support Services
Arghandiwal, Zahra, a.k.a. "Sarah Arghandiwal"		
Azizi, Farwad, a.k.a. "Farwad Mohammad Azizi"		



# APPENDICES

TABLE D.1 (CONTINUED)

<b>SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2017 (CONTINUED)</b>		
<b>Debarments (continued)</b>		
Mohammad, Sardar, a.k.a. "Sardar Mohammad Barakzai"	Pudenz, Adam Jeff Julias	Mondial Defence Systems Ltd
Pittman, James C., a.k.a. "Carl Pittman"	Green, Robert Warren	Mondial Defense Systems USA LLC
Poaipuni, Clayton	Mayberry, Teresa	Mondial Logistics
Wiley, Patrick	Addas, James	Khan, Adam
Crystal Island Construction Company	Advanced Ability for U-PVC	Khan, Amir, a.k.a. "Amir Khan Sahel"
Afghan Columbia Constructon Company	Al Bait Al Amer	Sharq Afghan Logistics Company, d.b.a. "East Afghan Logistics Company"
Ahmadi, Mohammad Omid	Al Iraq Al Waed	Hafizullah, Sayed; a.k.a. "Sadat Sayed Hafizullah"; a.k.a. "Sayed Hafizullah Delseoz"
Dashti, Jamsheed	Al Quraishi Bureau	Sadat Zohori Construction and Road Building Company; d.b.a. "Sadat Zohori Cons Co"
Hamdard, Eraj	Al Zakoura Company	Abdullah, Son of Lal Gul
Hamidi, Mahrokh	Al-Amir Group LLC	Ahmad, Aziz
Raising Wall Construction Company	Al-Noor Contracting Company	Ahmad, Zubir
Artemis Global Inc., d.b.a. "Artemis Global Logistics and Solutions;" d.b.a. "Artemis Global Trucking LLC"	Al-Noor Industrial Technologies Company	Aimal, Son of Masom
O'Brien, James Michael, a.k.a. "James Michael Wienert"	California for Project Company	Ajmal, Son of Mohammad Anwar
Tamerlane Global Services Inc., d.b.a. "Tamerlane Global LLC;" d.b.a. "Tamerlane LLC;" d.b.a. "Tamerlane Technologies LLC"	Civilian Technologies Limited Company	Fareed, Son of Shir
Jean-Noel, Dimitry	Industrial Techniques Engineering Electromechanically Company	Fayaz Afghan Logistics Services
Hampton, Seneca Darnell	Pena, Ramiro	Fayaz, Afghan, a.k.a. "Fayaz Alimi," a.k.a. "Fayaz, Son of Mohammad"
Dennis, Jimmy W.	Pulsars Company	Gul, Khuja
Timor, Karim	San Francisco for Housing Company	Habibullah, Son of Ainuddin
Wardak, Khalid	Sura Al Mustakbal	Hamidullah, Son of Abdul Rashid
Rahmat Siddiqi Transportation Company	Top Techno Concrete Batch	Haq, Fazal
Siddiqi, Rahmat	Albright, Timothy H.	Jahangir, Son of Abdul Qadir
Siddiqi, Sayed Attaullah	Insurance Group of Afghanistan	Kaka, Son of Ismail
Umbrella Insurance Limited Company	Ratib, Ahmad, a.k.a. "Nazari"	Khalil, Son of Mohammad Ajan
Taylor, Michael	Jamil, Omar K.	Khan, Mirullah
Gardazi, Syed	Rawat, Ashita	Khan, Mukamal
Smarasinghage, Sagara	Casellas, Luis Ramon	Khoshal, Son of Sayed Hasan
Security Assistance Group LLC	Saber, Mohammad a.k.a. "Saber," a.k.a. "Sabir"	Malang, Son of Qand
Bailey, Louis Matthew	Zahir, Shafiullah Mohammad a.k.a. "Shafiullah," a.k.a. "Shafie"	Masom, Son of Asad Gul
Kumar, Krishan	Achiever's International Ministries Inc., d.b.a. "Center for Achievement and Development LLC"	Mateen, Abdul
Raj, Janak	Bickersteth, Diana	Mohammad, Asghar
Singh, Roop	Bonview Consulting Group Inc.	Mohammad, Baqi
Masraq Engineering and Construction Company	Fagbenro, Oyetayo Ayoola, a.k.a. "Tayo Ayoola Fagbenro"	Mohammad, Khial
Miakheil, Azizullah	Global Vision Consulting LLC	Mohammad, Sayed
Stratton, William G	HUDA Development Organization	Mujahid, Son of Abdul Qadir
Umeer Star Construction Company	Strategic Impact Consulting, d.b.a. "Strategic Impact KarKon Afghanistan Material Testing Laboratory"	Nangiali, Son of Alem Jan
Zahir, Mohammad Ayub	Davies, Simon	Nawid, Son of Mashoq
Marshal Afghan American Construction Company	Gannon, Robert, W.	Noorullah, Son of Noor Mohammad
Marshal, Sayed Abbas Shah	Gillam, Robert	Qayoum, Abdul
Peace Thru Business		Roz, Gul

# APPENDICES

TABLE D.1 (CONTINUED)

## SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF JUNE 30, 2017 (CONTINUED)

Debarments (continued)		
Shafiq, Mohammad	Yaseen, Mohammad	Etihad Hamidi Logistics Company; d.b.a. "Etihad Hamidi Transportation, Logistic Company Corporation"
Shah, Ahmad	Yaseen, Son of Mohammad Aajan	Hamidi, Abdul Basit; a.k.a. Basit Hamidi
Shah, Mohammad	Zakir, Mohammad	Kakar, Rohani; a.k.a. "Daro Khan Rohani"
Shah, Rahim	Zamir, Son of Kabir	Mohammad, Abdullah Nazar
Sharif, Mohammad	Rogers, Sean	Nasir, Mohammad
Waheedullah, Son of Sardar Mohammad	Slade, Justin	Wali Eshaq Zada Logistics Company; d.b.a. "Wali Ashqa Zada Logistics Company"; d.b.a. "Nasert Nawazi Transportation Company"
Wahid, Abdul	Morgan, Sheldon J.	Ware, Marvin
Wais, Gul	Dixon, Reginald	Belgin, Andrew
Wali, Khair	Emmons, Larry	
Wali, Sayed	Epps, Willis	
Wali, Taj	Etihad Hamidi Group; d.b.a. "Etihad Hamidi Trading, Transportation, Logistics and Construction Company"	

## APPENDIX E

## ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
AABIS	Afghan Automated Biometric Identification System
AAEP	Afghanistan Agriculture Extension Project
AAF	Afghan Air Force
AATP	Afghan Aviation Transition Plan
ABADE	Assistance in Building Afghanistan by Developing Enterprises
ABP	Afghan Border Police
ACAP	Afghan Civilian Assistance Program
ACC	Army Contracting Command
ACE	Agricultural Credit Enhancement
ACEP	Afghan Civic Engagement Program
ACJC	Anti-Corruption Justice Center
AD	alternative-development
ADALAT	Assistance for Development of Afghan Legal Access and Transparency
ADB	Asian Development Bank
ADCRRP	Afghanistan Drug Control and Rural Rehabilitation Programme
ADF	Agricultural Development Fund
AERCA	Advancing Effective Reforms for Civic Accountability (formerly Afghanistan Electoral Reform and Civic Advocacy Program)
AFMIS	Afghan Financial Management Information System
AFN	afghani (currency)
AGO	Attorney General's Office
AHRIMS	Afghan Human Resource Information Management System
AIBA	Afghanistan Independent Bar Association
AICS	Afghanistan Institute for Civil Society
AIF	Afghanistan Infrastructure Fund
AIP	Annual Inspection Plan
AITF	Afghanistan Infrastructure Trust Fund
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
ANPH	Afghan National Police Hospital
ANPR	Afghanistan National Peace and Reconciliation Strategy
AO	abandoned ordnance
APFM	Afghanistan Public Financial Management program
APPS	Afghan Personnel Pay System

*Continued on the next page*

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<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
APRP	Afghan Peace and Reintegration Plan
ARL	Army Research Laboratory
ARP	Afghans Read Program
ARTF	Afghanistan Reconstruction Trust Fund
ASFF	Afghanistan Security Forces Fund
ASOF	Afghanistan Source Operations Management
ASSF	Afghan Special Security Forces
ATAR	Afghanistan Trade and Revenue Project
AUB	Afghan United Bank
AUP	Afghan Uniform Police
AWDP	Afghanistan Workforce Development Program
AWOL	absent without leave
BADILL	Boost Alternative Development Intervention through Licit Livelihoods
BAF	Bagram Air Field
BELT	Basic Education, Literacy, and Technical-Vocational Education and Training
BPHS	Basic Package of Health Services
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
CID MPFU	U.S. Army Criminal Investigation Division Major Procurement Fraud Unit
C-IED	counter-improvised-explosive device
CMR	certified mission ready
CMS	Case Management System
CN	Counternarcotics
CNCE	Counter Narcotics Community Engagement
CNPA	Counternarcotics Police of Afghanistan
CoreIMS	Core Information Management System
CSO	civil-society organization
CSSP	Corrections System Support Program
CSTC-A	Combined Security Transition Command-Afghanistan
CTFC	Counter Threat Finance Cell
CTTSO	Combatting Terrorism Technical Support Office
DABS	Da Afghanistan Breshna Sherkat
DCA	Development Credit Authority
DCAA	Defense Contract Audit Agency
DCAR	Delegated Cooperation Agreement
DCIS	Defense Criminal Investigative Service
DEA	Drug Enforcement Administration (U.S.)
DEWS Plus	Disease Early Warning System Plus
DFAC	dining facility
DFID	Department for International Development
DHS	Demographic and Health Survey
DIG	Deputy Inspector General

*Continued on the next page*

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<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
DOD	Department of Defense (U.S.)
DOD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DOD IG	Department of Defense Office of Inspector General
DOJ	Department of Justice (U.S.)
ECF	Extended Credit Facility
EF	essential function
EFT	electronic funds-transfer
EMIS	Education Management Information System (Afghan)
EPHS	Essential Package of Hospital Services
ERW	explosive remnants of war
ESF	Economic Support Fund
EU	European Union
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FCWG	Financial Crimes Working Group
FEP	Foreign Excess Property Program
FinTRACA	Financial Transactions and Reports Analysis Center of Afghanistan
FPIP	fiscal performance improvement plan
FY	fiscal year
GAO	Government Accountability Office (U.S.)
GCPSU	General Command Police Special Unit
GCPSU	General Command Police Special Units
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
GLE	Governor-Led Eradication
GOOD	Gender Occupational Opportunity Development
GPI	Good Performer's Initiative
GRAIN	Grain Research and Innovation
GVHR	gross violations of human rights
HEMAYAT	Helping Mothers and Children Thrive
HIG	Hezb-e Islami Gulbuddin
HIMS	Health Information Management System
HOOAC	High Office of Oversight for Anti-Corruption (Afghan)
HPC	High Peace Council
HQ	headquarters
HSR	Health Sector Resiliency
ICRC	International Committee of the Red Cross
ID	ANDSF Identification Card System
IDLG	Independent Directorate of Local Governance
IEC	Independent Election Commission (Afghan)
IED	improvised explosive device
IG	inspector general
IHSAN	Initiative for Hygiene, Sanitation, and Nutrition

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ACRONYM OR ABBREVIATION	DEFINITION
IL	implementation letter
ILNA	institutional learning needs assessment
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.)
IP	incentive program
IRD	International Relief and Development Inc.
IRS	Internal Revenue Service
IS-K	Islamic State Khorasan Province
ISLA	Initiative to Strengthen Local Administrations Program
ISR	intelligence, surveillance, and reconnaissance
ITC	Intelligence Training Center
JED	Judicial Education Department
JRD	Juvenile Rehabilitation Directorate
JSSP	Justice Sector Support Program (State)
JTP	Justice Training Transition Program (State)
KAF	Kandahar Air Field
KBR	Kabul Bank Receivership Organization
KFZ	Kandahar Food Zone
kg	kilograms
KNMH	Kabul National Military Hospital
kWh	kilowatt-hours
LOTFA	Law and Order Trust Fund for Afghanistan
MAIL	Ministry of Agriculture, Irrigation and Livestock (Afghan)
MCN	Ministry of Counter-Narcotics (Afghan)
MCTF	Major Crimes Task Force
MEC	Monitoring and Evaluation Committee (Afghan)
MEDEVAC	medical evacuation
MICP	Ministerial Internal Control Program
MISTI	Measuring Impacts of Stabilization Initiatives
MOCI	Ministry of Commerce and Industry (Afghan)
MOD	Ministry of Defense (Afghan)
MOE	Minister of Education (Afghan)
MOEc	Ministry of Economy (Afghan)
MOF	Ministry of Finance (Afghan)
MOI	Ministry of Interior (Afghan)
MOI HQ & IS	Ministry of Interior Headquarters and Institutional Support (Afghan)
MOJ	Ministry of Justice (Afghan)
MOMP	Ministry of Mines and Petroleum (Afghan)
MOPH	Ministry of Public Health (Afghan)
MOPW	Ministry of Public Works (Afghan)
MSB	money service businesses
MSH	Management Sciences for Health
MUNCH	Mothers Under-Five Nutrition and Child Health Program

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<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
NATO	North Atlantic Treaty Organization
NDAP	National Drug Action Plan
NDS	National Directorate of Security
NEI	Northern Electrical Interconnect
NEPS	Northeast Power System
NGO	nongovernmental organization
NISTA	Not In Service for Training
NIU	National Interdiction Unit
NMHRA	National Medicine and Healthcare Products Regulatory Authority
NSOCC-A	NATO Special Operations Component Command-Afghanistan
O&M	operations and maintenance
OCIE	organizational clothing and individual equipment
OCHA	Office for the Coordination of Humanitarian Affairs
OECD	Organization for Economic Cooperation and Development
OFS	Operation Freedom's Sentinel
OIG	Office of the Inspector General
OIG-I	Office of Inspector General-Investigations
OPIC	Overseas Private Investment Corporation
OR	operational readiness
OTA	Office of Technical Assistance (U.S. Treasury)
OTSG	Office of the Surgeon General
PAI	Personnel Asset Inventory
PDP	provincial-development plan
PEEL	Program Evaluation for Effective Learning
PM/WRA	Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (State)
POAM	Program of Actions & Milestones
PRD	Population Registration Department
PTEC	Power Transmission Expansion and Connectivity
QDDR	Quadriennial Diplomacy and Development Review
R&D	research and development
RADP	Regional Agriculture Development Program
RMaP	resource management and procurement
RS	Resolute Support
RSO	Regional Security Office
RSSP	Road Sector Sustainability Program
SAAF	Strengthening Afghan Agricultural Faculties
SCIP	Security Cooperation Information Portal
SCSP	Strategic Communication Support to the Palace
SEA	Strengthen Education in Afghanistan
SEHAT	System Enhancement for Health Action in Transition
SEPS	Southeast Power System
SHAHAR	Strong Hubs for Afghan Hope and Resilience
SHOPS Plus	Sustaining Health Outcomes through the Private Sector
SIKA	Stability in Key Areas Program
SIU	Sensitive Investigation Unit

*Continued on the next page*

# APPENDICES

<b>ACRONYM OR ABBREVIATION</b>	<b>DEFINITION</b>
SMAF	Self-Reliance through Mutual Accountability Framework
SMART	specific, measurable, achievable, realistic, and time-bound
SMW	Special Mission Wing (Afghan)
SOM	Senior Officials Meeting
SPFS	Special Purpose Financial Statement
SPS	Strengthening Pharmaceutical Systems
SRAP	Special Representative for Afghanistan and Pakistan
State OIG	Department of State Office of the Inspector General
STO	Small Taxpayer's Office
SWIM	Strengthening Watershed and Irrigation Management
TAA	train, advise, and assist
TAAC	train, advise, and assist command
TAAC	Train, Advise, Assist Command
TA-MOPW	Technical Assistance for the Ministry of Public Works Project
TF	task force
TTHS	Trainee, Transient, Holdee, and Students
UAE	United Arab Emirates
UHF	ultra-high frequency
UN	United Nations
UNAMA	UN Assistance Mission in Afghanistan
UNDP	UN Development Programme
UNMAS	UN Mine Action Service
UNODC	UN Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of the Inspector General
USFOR-A	U.S. Forces-Afghanistan
USMC	United States Marine Corps
UXO	unexploded ordnance
VEGA	Volunteers for Economic Growth Alliance
VP2	The Vital Presence Validation Process
WIE	Women in the Economy Project
WPP	Women's Participation Projects
WTO	World Trade Organization

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**Afghan youngsters** enjoy Kabul's newest amusement park. (UNAMA photo by Fardin Waezi)

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