

SIGAR

Special Inspector General for
Afghanistan Reconstruction



HIGH-RISK LIST

JANUARY 2017





U.S. Seabees place prefabricated concrete pieces in the riverbed at the Musa Qal'eh low-water-crossing project. (Navy Photo by Mass Communication Specialist 1st Class Russ Stewart)

Cover photo:

A U.S. Army aviation specialist views Afghan mountains from the back of her Chinook helicopter as another follows on the way from Kabul to Jalalabad. (U.S. Army photo by Spc. Ken Scar)



SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION

I am pleased to present SIGAR's High-Risk List report to the incoming Administration and the new Congress. It identifies what we see as the greatest threats to the ultimate success of our more than 15-year-long U.S.-funded reconstruction effort in Afghanistan.

The U.S. investment in Afghanistan has been extraordinary. Since 2002, Congress has appropriated more than \$115 billion for Afghanistan's reconstruction. It is the largest expenditure to rebuild a single country in our nation's history. This tremendous amount of taxpayer money has been used to train Afghan security forces, stand up the Afghan government, and develop the local economy. Despite this enormous expenditure, the reconstruction effort remains tenuous and incomplete. U.S. and international donors recently pledged to financially support Afghanistan through 2020, with our contribution expected to remain at or near \$5 billion a year.

The work of SIGAR and other oversight agencies has found that much of the reconstruction mission is at risk. To explain why, SIGAR's High-Risk List report outlines the most critical issues threatening reconstruction. It also offers key questions for the new Administration and the 115th Congress to consider when crafting policies for addressing these vexing challenges.

While all eight risk areas outlined in this report threaten reconstruction, the questionable capabilities of the Afghan security forces and pervasive corruption are the most critical. Without capable security forces, Afghanistan will never be able to stand on its own. Without addressing entrenched corruption, the legitimacy and effectiveness of the Afghan government will remain in a perilous state. If these two risk areas are not addressed, I fear that our reconstruction efforts could ultimately fail, to the detriment of our national-security goals in Afghanistan.

SIGAR remains dedicated to its reconstruction oversight mission in Afghanistan and will continue to aggressively ferret out waste, fraud, and abuse. It is my sincere hope that this High-Risk List report, in conjunction with SIGAR's other oversight work, will help guide Congress and the Administration to ensure a more effective reconstruction effort in what has become America's longest war.

Sincerely,

A handwritten signature in black ink, appearing to read "John F. Sopko". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John F. Sopko
Special Inspector General for Afghanistan Reconstruction



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EXECUTIVE SUMMARY

In 2014, the Special Inspector General for Afghanistan Reconstruction (SIGAR) developed a High-Risk List to call attention to program areas and elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse.

This High-Risk List has been updated to identify and address systemic problems facing U.S.-funded reconstruction efforts in Afghanistan. The report highlights program areas where SIGAR believes implementing agencies need to focus. It also discusses how specific agencies are failing to mitigate risks in areas that involve their operations.

The current report differs from the 2014 report in that it has separated contract management and oversight into two areas in recognition of the increased risk to both. The eight current high-risk areas are:

AFGHAN SECURITY FORCES CAPACITY AND CAPABILITIES

Afghanistan needs a stable security environment to prevent it from again becoming a safe haven for al-Qaeda or other terrorists. More than half of all U.S. reconstruction dollars since 2002 have gone toward building, equipping, training, and sustaining the Afghan National Defense and Security Forces (ANDSF). However, the ANDSF has not yet been capable of securing all of Afghanistan and has lost territory to the insurgency. As of August 28, 2016, USFOR-A reported that only 63.4% of the country's districts were under Afghan government control or influence a reduction from the 72% as of November 27, 2015.¹ Capability gaps in key areas such as intelligence, aviation, and logistics are improving, but still hinder effectiveness.²

CORRUPTION

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

SUSTAINABILITY

Much of the more than \$115 billion the United States has committed to reconstruction projects and programs risks being wasted because the Afghans cannot sustain the investment—financially or functionally—without massive, continued donor support. Donors were expected to finance approximately 69% of Afghanistan's \$6.5 billion fiscal year (FY) 1395 national budget (December 22, 2015–December 21, 2016), mostly through grants. At 2016 conferences in Warsaw and Brussels, the United States and other donors pledged to maintain assistance to Afghanistan at or near current levels through 2020.

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ON-BUDGET SUPPORT

On-budget assistance includes direct assistance (also referred to as bilateral, government-to-government assistance) and assistance that travels through multi-donor trust funds before reaching the Afghan government. On-budget assistance is intended to reduce costs, increase Afghan government ownership, and build the Afghan institutional capacity for managing their own budget. However, on-budget assistance, whether delivered directly or through multilateral trust funds, leads to reduced U.S. control and visibility over these funds.³ Given the evidence that the Afghan government still cannot manage and protect these funds and may not use them appropriately, the Department of Defense is planning to reduce some of its on-budget assistance.

COUNTERNARCOTICS

The cultivation and trafficking of illicit drugs puts the entire U.S. investment in the reconstruction of Afghanistan at risk. Although the United States has committed more than \$8 and a half billion to counternarcotics efforts in Afghanistan, the country still leads the world in opium production, and Afghan farmers are growing more opium than ever. The Afghan insurgency receives significant funding from participating in and taxing the illicit narcotics trade, raising the question of whether the Afghan government can ever prevail without tackling the narcotics problem.

CONTRACT MANAGEMENT

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

OVERSIGHT

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

STRATEGY AND PLANNING

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

BACKGROUND FOR THE NEW ADMINISTRATION AND CONGRESS

With the new Administration and Congress coming together to address one of America's most enduring security endeavors, this is a prime opportunity to reflect on how the United States got to this point. Control of America's longest war and largest reconstruction effort will be handed over to a new Administration and a new Congress in January 2017. With more than \$115 billion appropriated for reconstruction alone, and with billions more requested, the Special Inspector General for Afghanistan Reconstruction (SIGAR) is issuing this report to highlight the greatest threats that SIGAR has identified to the mission in Afghanistan and to the U.S. taxpayer.

To achieve the goals of defeating al-Qaeda in Afghanistan and ensuring that Afghanistan never again becomes a safe haven for terrorism, the United States, the international community, and Afghanistan have paid a high price. From October 2001 to December 1, 2016, a total of 2,247 U.S. military personnel have died in support of operations there, while more than 20,000 others were wounded in action. These numbers do not include U.S. civilian casualties or military casualties that occurred in other countries in support of the U.S. mission in Afghanistan.⁴ A Brown University report on the human cost of war estimates that more than 3,500 contractors, 1,100 allied troops, 30,000 Afghan military and police personnel, and 31,000 Afghan civilians have been killed in Afghanistan since 2001.⁵

Following the September 11, 2001, terrorist attacks in this country, the United States has maintained an active presence in Afghanistan. While the initial focus was on American-led military operations to defeat al-Qaeda and the Taliban regime that sheltered them, the United States also undertook the largest reconstruction effort in its history to rebuild Afghanistan and help build the government institutions and security forces necessary to prevent it from again becoming a safe haven for terrorists.

Adjusted for inflation, the \$115 billion in U.S. appropriations provided to reconstruct Afghanistan exceeds the funds committed to the Marshall Plan, the U.S. aid program that, between 1948 and 1952, helped 16 West European countries recover in the aftermath of World War II. However, U.S. assistance to Afghanistan differs from the Marshall Plan in one key respect: whereas the Marshall Plan was a civilian effort operating in a post-war environment, over 60% of Afghanistan's reconstruction funds have been spent to support the Afghan National Defense and Security Forces (ANDSF) in their efforts to secure a country still facing a determined insurgency.

Including U.S. war funding unrelated to reconstruction, U.S. appropriations for Afghanistan now total more than three quarters of a trillion dollars—not including the \$43.7 billion requested for FY 2017.⁶

What is Reconstruction?

U.S. reconstruction programs and associated funding mainly fall into three broad categories:

- Security
- Governance
- Economic and Social Development

These categories include efforts that are more traditionally associated with reconstruction, such as building new government facilities, hospitals, schools, roads, and power plants. However, they also include funds to pay the salaries of the Afghan security forces, implement programs to promote good governance, rebuild Afghanistan's justice sector and bolster the rule of law, help the government fight corruption and narcotics cultivation and trafficking, and strengthen Afghanistan's weak economy. U.S. tax dollars provide weapons to Afghan soldiers as well as schools for Afghan children.

Security, governance, and economic and social development are all critical to Afghanistan's success. If any sector fails, the whole effort is at risk. For example, without capable security forces, Afghanistan will be unable to keep its population safe, ensure that its government institutions are not threatened, and fight the narcotics cultivators and traffickers whose proceeds help fund the insurgency. Without good governance, corruption and mismanagement will undermine the legitimacy of the government or result in Afghan army and police salaries being paid to "ghost soldiers" to the benefit of corrupt commanders or bureaucrats.

Moreover, without economic development—and an environment more conducive to attracting private investment and promoting growth—Afghanistan will never be able to collect enough revenue to pay for government operations, public services, and security forces. Unfortunately, after 15 years, Afghanistan's government is still in no position to support itself and will require donor assistance for the foreseeable future if it is to survive.

Success is Dependent on U.S. and International Assistance

Donor countries were expected to finance approximately 69% of Afghanistan's \$6.5 billion 2016 national budget, mostly through grants. The largest financial expense by far is for supporting the ANDSF. However, according to the Department of Defense (DOD), most assessments suggest the Afghan economy cannot grow quickly enough in the next five years to cover a significantly larger share of these security costs.

In FY 2016, Afghanistan's security expenditures were \$5.01 billion, of which the United States provided \$3.65 billion. President Obama's FY 2017 amended budget request sought \$4.26 billion for that purpose. Afghanistan, by comparison, planned to contribute only \$336 million in 2016, approximately 17% of Afghanistan's total estimated domestic revenues for that year, to cover the expenses of its Ministry of Interior (including all police forces) and Ministry of Defense (including the army).

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However, the cost of paying for Afghanistan's security expenditures is far less than paying for the American military presence in Afghanistan. From FY 2001 to FY 2016, the United States spent approximately \$785 billion on the war effort in Afghanistan;⁷ however, only \$68.7 billion of those funds have gone to build, train, equip, and sustain the entire Afghan national army, police, and air force.⁸

Oversight is Mission Critical

The U.S. reconstruction effort in Afghanistan has had many successes. Afghanistan's security forces are trained and equipped. They are defending Afghan territory and the Afghan population even as they suffer heavy casualties. Afghanistan's current government is taking steps toward rooting out endemic corruption. Education and health care have improved, as have some sectors of the economy.

While those successes are laudable, the need for vigorous oversight remains, especially as the United States shifts from off-budget assistance—whereby the United States purchases goods and services on behalf of Afghanistan—to on-budget assistance, whereby funds are provided directly to and executed by the Afghan government. On-budget assistance is intended to be less costly and to increase the Afghan government's institutional capacity for managing their own operations.

However, on-budget assistance, whether provided directly or through multilateral-donor trust funds, reduces U.S. control and visibility over taxpayer dollars. We have serious concerns about the ability of the U.S. government to track on-budget assistance, as multiple government agencies have told SIGAR that once the money goes into the Afghan treasury or a multilateral trust fund, we lose the ability to follow the money and ensure it is spent as intended.

The U.S. mission in Afghanistan will continue to encounter significant challenges. Afghanistan is one of the world's poorest and most dangerous countries. Literacy rates, while improving, remain very low. Afghanistan is still the world's number-one opium producer and the proceeds of its illicit narcotics sales benefit the Taliban, who take a cut from farmers as a "tax." Despite a U.S. investment of \$8 and a half billion to counter the problem, Afghan opium production is at an all-time high. Additionally, the central government's capabilities are generally weak and it often lacks the capacity to manage and account for donor funds.

Corruption remains a significant problem. According to Transparency International, Afghanistan ranked 166th-worst out of 168 countries in 2015, ahead of only Somalia and North Korea in public perceptions of corruption. Ninety percent of Afghans say that corruption is a problem in their daily lives. In 2016, SIGAR issued a lessons learned report entitled *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan* that found that the enormous amount of U.S. aid poured into the Afghan economy significantly contributed to the growth of corruption in all facets of Afghan life.



A U.S. Army specialist provides security outside the Farah justice center building in Farah Province as part of a Provincial Reconstruction Team. (Navy photo by Chief Hospital Corpsman Josh Ives)

Congress Created SIGAR to Help Safeguard American’s Investment

Largely because of the growing size and scope of the American investment in Afghanistan’s reconstruction, in 2008 Congress created SIGAR to conduct robust, independent, and objective oversight of the vast U.S. investment in Afghanistan. Since then, SIGAR has been at the forefront of the ongoing effort to safeguard the United States’ investment in Afghanistan. SIGAR maintains by far the largest presence of any U.S. oversight agency in Afghanistan and its staff have more experience in country than that of any other organization. SIGAR comprises auditors, investigators, inspectors, and other professionals committed to ensuring that taxpayer funds are protected from fraud, waste, and abuse.

To fulfill its congressional mandate, SIGAR publishes audit and inspection reports that delve into the details of U.S.-funded programs and projects in Afghanistan. SIGAR’s Office of Special Projects produces prompt and actionable reports to examine emerging and time-sensitive issues. SIGAR’s Lessons Learned Program identifies lessons and develops actionable recommendations on broad reconstruction topics viewed across a 15-year timeframe. In addition, SIGAR’s Research and Analysis Directorate produces a quarterly report—mandated by Congress in Public Law 110-181—compiling the most current information from all of the agencies operating in Afghanistan. The quarterly reports provide the most comprehensive assessment of the U.S.-funded reconstruction effort for each quarter of the fiscal year.

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SIGAR's work expands far beyond audits and inspection reports, however. SIGAR's Investigations Directorate actively conducts criminal and civil investigations into malfeasance related to Afghan reconstruction funds, and has a solid working relationship with the leadership of Afghanistan. SIGAR's investigators have worked with President Ghani to save hundreds of millions of dollars that would have otherwise been at risk due to contract fraud. SIGAR is also the only U.S. inspector general invited to the weekly meetings of the National Procurement Council, which are presided over by President Ghani and Chief Executive Abdullah. The invitation largely originated out of SIGAR's documentation of contract fraud to Afghan leadership. President Ghani has also issued a presidential decree granting SIGAR access to Afghan documents needed to investigate the Kabul Bank financial scandal.

In addition to protecting funds, SIGAR identifies and helps to address systemic problems facing U.S.-funded reconstruction efforts. Unlike other inspectors general that are housed within a specific department or agency, SIGAR's congressional mandate and designation as a "Special Inspector General" gives it a unique perspective and ability to look across the jurisdictional lines of the various U.S. departments and agencies working in Afghanistan. As such, SIGAR is able to analyze reconstruction efforts as a whole and look for gaps in U.S. planning and coordination.

Because SIGAR has a specific, mission-driven purpose, the agency is temporary: by statute it will begin its shut-down process when total unexpended reconstruction funding drops below \$250 million. At this time, however, \$7.5 billion in reconstruction funding remains to be spent. In addition, at two international conferences held in 2016, the United States and international partners pledged to continue to provide billions in financial support for the ANDSF and non-security development aid.

At the Warsaw Summit in July, the North Atlantic Treaty Organization (NATO) agreed to continue spending around \$5 billion annually through 2020 to support the ANDSF, of which, the United States is expected to provide roughly \$3-4 billion a year.⁹ At the Brussels Conference on Afghanistan, international partners committed and confirmed their intention to provide \$15.2 billion in development aid between 2017 and 2020, and Secretary of State John Kerry said he would work with Congress to provide civilian assistance "at or very near" the current levels of about \$1 billion through 2020.¹⁰

Seven Critical Questions for Decision Makers and Policymakers

A large part of SIGAR's approach to oversight is based on the concept that government leaders and policymakers can achieve substantially better results by using evidence and analysis to inform decisions. To help agencies do this, in 2012, SIGAR developed a list of seven key questions for U.S. policymakers considering foreign-assistance projects based upon our work and the work of other oversight agencies in Afghanistan. If these questions are asked before spending even a dollar of taxpayer funds, U.S. government assistance will be far more effective. The seven questions are:

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

SIGAR has asked agency decision makers to consider these questions because they can provide indications as to whether a program will succeed or fail, and Congress has instituted the above questions as predicates before the Defense Department can approve infrastructure projects that may be inaccessible to standard oversight processes. The success or failure of a given intervention is vital to future strategic planning, allocation of resources, and, in short, policymaking. If an agency cannot determine whether its programs are succeeding, it becomes far more difficult for policymakers to determine appropriate policy.

While the Departments of Defense and State, as well as the U.S. Agency for International Development, do set baselines or use other performance metrics to assess their programs, SIGAR has cautioned that greater scrutiny needs to be exercised along every step of the project-management cycle: from selecting appropriate baselines, to measuring and monitoring data against those starting points, and finally in the interpretation of “results” that too often are counts of outputs rather than assessments of outcomes.

Avoiding Pitfalls to Increase the Chances of Success

With limited resources and funding, U.S. reconstruction efforts must be planned with care to ensure that they further U.S. strategic interests and policy goals in the most cost-effective way possible. However, SIGAR has found that challenges in Afghanistan are so widespread that sometimes there is an assumption that if you throw enough money or people at a problem, the status quo will improve. In other words, implementers sometimes think their initial objective need not be precise, because the intervention will surely do some good somewhere. While that may sometimes be true, the U.S. government must hold itself to the highest standard when billions of taxpayer dollars and the sacrifice of so many lives hang in the balance. Taxpayers demand precision, and outputs must never be confused with outcomes.

It is important that the United States sets realistic, measureable standards because the baselines chosen inevitably become the standards by which a project or program will be judged. This is particularly difficult in a war zone where agencies often must make

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educated guesses based upon imperfect information. Nevertheless, policy decisions must be made and adjusted based upon honestly measured results. If after 15 years and so much blood and treasure invested in Afghanistan, we cannot be honest about our successes and failures, we are not only leaving the Afghans in a precarious position, but also putting the entire mission there at risk.

SIGAR's Ongoing and Future Support of the U.S. Mission

SIGAR does not determine or develop policy, but provides tough, fair, and effective reporting that helps guide U.S. policy and decision makers. When SIGAR becomes concerned about how U.S. taxpayer dollars are spent, SIGAR makes it clear to Congress, the relevant agencies, and the public. This work continues. To date, \$7.5 billion of appropriated reconstruction funds remain in the pipeline awaiting disbursement.

SIGAR's Investigations Directorate is currently conducting 259 investigations, and SIGAR is the only U.S. oversight agency in Afghanistan still conducting inspections of reconstruction projects, despite the fact that approximately 90 infrastructure projects valued at nearly \$800 million are currently planned or are under construction. In addition, SIGAR's Lessons Learned Program continues its work to identify enduring lessons and craft actionable recommendations to help the U.S. government improve current and future reconstruction efforts.

HIGH-RISK AREAS

In 2014, the Special Inspector General for Afghanistan Reconstruction (SIGAR) developed a High-Risk List to call attention to program areas and elements of the U.S.-funded reconstruction effort in Afghanistan that are especially vulnerable to significant waste, fraud, and abuse or a direct threat to the overall reconstruction mission.

With this updated High-Risk List, SIGAR seeks to identify and address systemic problems currently facing U.S.-funded reconstruction efforts in Afghanistan. The report highlights program areas where SIGAR believes the new Administration and Congress need to focus. It also discusses how specific agencies are failing to mitigate risks in areas that involve their operations.

The High-Risk List also serves as an internal planning tool for SIGAR to guide its oversight work and build a body of knowledge necessary to develop macro-level recommendations and provide assistance to help Congress, U.S. agencies, and the public correct major problems and improve reconstruction programs.

Reconstruction efforts face numerous challenges in Afghanistan. The High-Risk List report focuses on program areas and elements that are:

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

Using these criteria, SIGAR has identified eight high-risk issue areas. All were in the original report issued in December 2014. However, in this revision, Oversight has been separated from Contract Management and appears here as a separate area to reflect SIGAR's increasing concern about it

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

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Sources of Risk

SIGAR's years of experience in Afghanistan, as well as the experience of other oversight agencies, has revealed numerous sources of risk in implementing reconstruction programs in Afghanistan. These include:

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

Even in conflict-free areas, no reconstruction or development project is without risk of waste, fraud, and abuse. In conflict areas where security concerns and instability are high, the risk is naturally much greater. But the evidence is clear that American taxpayer dollars and American strategic and humanitarian interests in Afghanistan are being placed at *unnecessarily high* levels of risk by widespread failure to anticipate problems and to install prudent countermeasures.

HIGH-RISK AREA I: AFGHAN SECURITY FORCES CAPACITY AND CAPABILITIES

Why it is a High Risk

Afghanistan needs a stable security environment to prevent it from again becoming a safe haven for al-Qaeda or other terrorists, and to allow reconstruction and development activities to succeed. The key component of the U.S. plan to create enduring security within Afghanistan is to build the capacity of the Afghan National Defense and Security Forces (ANDSF). More than half of all U.S. reconstruction dollars since 2002 have gone toward building, equipping, training, and sustaining the ANDSF. However, the ANDSF has not yet been capable of securing all of Afghanistan and has lost territory to the insurgency. As of August 28, 2016, USFOR-A reported that only 63.4% of the country's districts were under Afghan government control or influence, a reduction from the 72% as of November 27, 2015.¹¹

What SIGAR Found

As of September 30, 2016, the U.S. Congress had appropriated nearly \$68.7 billion to support the ANDSF. Most of these funds (\$64.2 billion) were provided through the Afghanistan Security Forces Fund (ASFF) to the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. Congress established the ASFF to build, equip, train, and sustain the ANDSF, which comprises the Afghan National Army (ANA), the Afghan Air Force (AAF), and the Afghan National Police (ANP). Of the \$64.2 billion appropriated for the ASFF, approximately \$61.2 billion had been obligated and \$60.1 billion disbursed.¹²

The major challenge to developing the capacity and capability of the ANDSF is building the force while it is concurrently engaged in fighting an active insurgency. The ANDSF suffers from high attrition rates that erode capability gains and create a continual need to recruit and train new security-force members.

Afghan security officials report that ANDSF casualties have increased sharply since assuming full security responsibility from the Coalition forces at the start of 2015. According to USFOR-A, from January 1, 2016, through August 19, 2016, a total of 5,523 ANDSF service members were killed and an additional 9,665 members were wounded.¹³ Specialized or advanced training has been delayed or withheld because commanders cannot spare troops from the front lines. U.S. advisors have advocated for an operational-readiness cycle—train, fight, take leave—for troops exhausted from continual fighting, as not allowing breaks can lead to fewer reenlistments. In addition, from January 2015 through August 19, 2016, there were 101 insider attacks in which ANDSF personnel turned on fellow ANDSF security force members. These attacks killed 257 Afghan personnel and wounded 125.¹⁴

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In February 2016, General John F. Campbell, then the Resolute Support (RS) and U.S. Forces-Afghanistan (USFOR-A) commander, informed the Senate Armed Services Committee (SASC) that Afghanistan had not achieved the enduring level of security and stability sufficient to justify a reduction in U.S. support of the ANDSF.¹⁵ Also that month, National Intelligence Director James Clapper put the SASC on notice that the intelligence community believed “fighting in 2016 will be more intense than 2015, continuing a decade-long trend of deteriorating security.”¹⁶

These views are not new. General Joseph F. Dunford, former commander of the International Security Assistance Force (ISAF) and USFOR-A, had earlier warned Congress that the ANDSF would need continued support to keep Afghanistan secure. On March 12, 2014, he testified before the Senate Armed Services Committee, “If we leave at the end of 2014, the Afghan security forces will begin to deteriorate. The security environment will begin to deteriorate, and I think the only debate is the pace of that deterioration.”¹⁷

The director of the Defense Intelligence Agency testified before the House Armed Services Committee that the ANDSF struggled with high operational tempo and lack of Coalition support in 2015, their first full year conducting independent operations. The director said these conditions led to uneven operations execution and as a result, insurgents were able to expand their influence in rural areas. He contended that deploying specialized Afghan units and their supporting units is necessary to secure key population centers in Afghanistan.¹⁸ However, the commander of the ANA Special Operations Command expressed frustration over the misuse of Afghan special forces, calling for them to be used for specific, short-term missions instead of for defending territory.¹⁹ One Resolute Support advisor expressed concern that the ANA’s over-reliance on “commandos” risks burning out those elite forces.²⁰ During a December 2, 2016, press briefing General Nicholson expressed concern about sustaining the number of operations the Afghan special forces execute and the plan to regenerate the special forces over the winter months.²¹

As the security situation has deteriorated in Kabul, several U.S. agencies reported impacts on their missions and movement. The agencies included the Treasury’s Office of Technical Assistance (OTA), the Department of Justice, and the USAID’s Afghanistan Trade and Revenue (ATAR) project office.²²

The North Atlantic Treaty Organization (NATO) has warned that much work remains to be done to develop and maintain a modern Afghan army and national police, and to build ministerial capacity in military and police planning, budgets, program operation, acquisition, and personnel processes.

Since its creation in 2008, SIGAR has developed a substantial body of work on U.S. reconstruction activities in the security sector, including 49 performance-audit and inspection reports.²³ These reports highlighted areas in which ANDSF capacity and capabilities are at risk and provided recommendations to strengthen and improve reconstruction efforts. Most of SIGAR’s security-sector audit products fall into six issue areas, some are addressed in other areas within this High-Risk List report:

- capabilities of the ANDSF and assessment of those capabilities (5 reports)
- infrastructure (27 reports)
- equipment and other resources provided to the ANDSF, and maintenance of that equipment (8 reports)
- training (1 report)
- personnel management of the ANDSF (3 reports)
- contracting and management (5 reports)

In the area of ANDSF capability, SIGAR has actively monitored ANDSF assessment reporting and has issued two audit reports on the systems and processes used to rate ANDSF capability, one in 2010 and another in February 2014. Assessments of the ANA and ANP are indicators of the effectiveness of U.S. and Coalition efforts to build, train, equip, and sustain the ANDSF. These assessments also provide both U.S. and Afghan stakeholders with updates on the status of these forces as transition continues and Afghanistan assumes responsibility for its own security.

SIGAR's 2010 audit report found that the rating system in use at that time, the Capability Milestone (CM) rating system, had not provided reliable or consistent assessments of ANDSF capabilities, had overstated ANDSF operational capabilities, and had inadvertently created disincentives for ANDSF development. Moreover, the highest-level rating criteria for ANDSF units did not include the capability of sustaining independent operations. In April 2010, ISAF Joint Command (IJC) replaced the CM rating system with the Commander's Unit Assessment Tool (CUAT).²⁴ However, SIGAR's February 2014 audit report noted that the IJC had developed a new assessment tool, the Regional Command ANDSF Assessment Report (RASR), because the CUAT was too difficult to read, inconsistently applied, and not useful.²⁵

The RASR was replaced by the Monthly ANDSF Assessment Report (MAAR) in January 2015 concurrent with the transition from the ISAF combat mission to the Resolute Support train, advise, and assist mission. However, due to the decreased Coalition presence, U.S. service personnel are no longer in a position to directly assess the Afghan security units below the headquarters level. The MAAR assesses the ANA combat corps and the ANP pillars at the headquarters level only. The U.S. military told SIGAR that the current assessment tool was "not intended to be used as an assessment or evaluation of the entire ANDSF."²⁶ This raises questions about how much DOD knows about ANDSF effectiveness at an operational level, and leaves the U.S. without a means to directly ascertain the results of its investment in the ANDSF.

SIGAR also looked at the capability of the ANDSF's Special Mission Wing (SMW), the Afghan Public Protection Force (APPF), the Afghan Local Police (ALP), and the National Engineer Brigade (NEB). At the time, the SMW and APPF were found to lack capacity—in both personnel numbers and expertise—to perform.

A SIGAR audit found the effectiveness of the ALP, tasked with defending their local communities, was hindered by lack of logistical support—supplies often were diverted, delayed, of inferior quality, or heavily pilfered—which increased the likelihood

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of attrition. Additionally, SIGAR reviewed payroll documentation and identified several irregularities, primarily with the data collected and the forms used to facilitate the salary-disbursement process.²⁷

Another SIGAR audit found the Afghan National Engineer Brigade (NEB) is incapable of operating independently, largely due to delays in basic training and in providing engineer-training equipment, even after USFOR-A lowered the goal to train the NEB by December 31, 2014, to a “partially capable” level.²⁸

In the area of ANDSF equipment, SIGAR looked at DOD’s accountability for vehicles provided to the ANDSF. In that 2012 audit report, SIGAR found that CSTC-A had not previously submitted claims for vehicles damaged or equipment and parts lost or stolen during transit, and so was not reimbursed by the transportation contractors. Rather, CSTC-A paid separately for repairs and replacement of missing equipment and parts. SIGAR also observed that CSTC-A was providing fuel to the ANA for vehicles that had in fact been destroyed.²⁹ In a 2016 audit report on the ANA Technical Equipment Maintenance Program, SIGAR found that the capacity of the Afghans to manage the supply chain was lacking, the costs of spare parts were significantly underestimated, performance metrics did not accurately assess the contractor performance or progress, ANA maintenance capability did not develop as anticipated, contract oversight declined due to deteriorating security conditions, and the contractor was paid based on the number of vehicles in the fleet instead of the number of vehicles repaired.³⁰

In addition, since 2010, the United States has increasingly shifted from directly purchasing fuel for the ANDSF to providing on-budget assistance to the ministries of defense and interior—including direct assistance (bilateral or government-to-government assistance) and assistance provided through multi-donor trust funds. On-budget assistance is intended to allow the Afghans more freedom to manage their own budget and to build their capacity for doing so.³¹ However, fuel is easy to steal and easy to sell on the black market. In 2015, the DOD Inspector General reported on the effectiveness of the ANDSF’s policies and procedures for the management and accountability of fuel, finding that the Afghan government had “inadequate” control measures, “leading to gaps and vulnerabilities that increased the probability of theft and the diversion of fuel.”³² The theft of fuel not only robs U.S. taxpayers and damages the reconstruction effort, but stolen fuel and profits from selling it can wind up in the hands of insurgents.³³ SIGAR has been told that a high percentage of fuel has been stolen and that Taliban commanders give instructions to their forces to buy weapons, ammunition, and fuel from the Afghan army and police. SIGAR also has learned that CSTC-A is considering ending on-budget funding for fuel purchases.

SIGAR has also looked at the program to provide literacy training to ANDSF personnel. Literacy affects mission success as widespread illiteracy undermines effective training, use of technical manuals, understanding orders, inventorying equipment, documenting operations, and other vital military functions. SIGAR was concerned that, despite a \$200 million literacy-training contract, the overall literacy rate of the ANDSF was unknown. The training programs focused on numbers of graduates; there was no tracking of how many graduates remain on

active duty, become casualties, or leave the service.³⁴ The Afghan government took over literacy training in January 2015 with the transition to the Resolute Support mission.³⁵

SIGAR has long been concerned about the presence of “ghost” soldiers and police on the ANDSF payroll. In a 2011 audit of the ANP payroll process, SIGAR found that many weaknesses identified earlier by other U.S. Government audit agencies—such as irreconcilable and unverified data, a lack of data-reconciliation and verification procedures, and difficulties implementing electronic systems—continued to pose challenges to the CSTC-A, the United Nations Development Programme (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA), and the Afghan Ministries of Interior (MOI) and Finance (MOF).³⁶ In a January 2015 audit, SIGAR found that problems persisted with tracking and reporting ANP personnel and payroll data that could result in personnel being paid for days not worked—data that CSTC-A and UNDP rely on the MOI and the ANP to collect and accurately report.³⁷ SIGAR also found that nearly 20% of ANP personnel are at risk of not receiving their full salaries because they are paid in cash by an MOI-appointed “trusted agent” in a process that lacks documentation and accountability. CSTC-A and UNDP officials told SIGAR that there is limited oversight of trusted agents and a higher risk that funds may be subject to corruption. Further, CSTC-A reported that corrupt practices within the trusted-agent system of salary payments “could take as much as 50 [percent] of a policeman’s salary.”³⁸ As with the ANA, a fully operational and electronic system to track and report ANP personnel and payroll data is needed to prevent internal errors, external inconsistencies, and manipulation.³⁹

An April 2015 SIGAR audit of ANA salary payments again identified multiple issues with lack of controls on the daily, unit-level attendance process; a lack of detailed procedures to verify ANA personnel and payroll data; and the lack of procedures to reconcile personnel, attendance, payment confirmation, and disbursement data. SIGAR recommended that USFOR-A ensure the MOD uses a fully operational electronic system(s) to track and report all ANA personnel and payroll data at the corps level and above, calculate ANA salaries, and ensure that these systems have controls in place to prevent internal errors, external inconsistencies, and manipulation.⁴⁰

CSTC-A is implementing four automated systems to address the deficiencies with personnel and pay accountability. The Afghan Human Resource Information Management system (AHRIMS) contains ANDSF personnel data and all the approved positions within the MOD and the MOI. The Afghan Personnel Pay System (APPS) is under development; when implemented it will integrate the data in AHRIMS with compensation and payroll data to process authorizations, record unit-level time and attendance data, and calculate payroll amounts.⁴¹ Once the automated pay system is ready for use, CSTC-A plans to provide 100% funding only for personnel in authorized positions being paid electronically.⁴² The Afghan Automated Biometric Identification System (AABIS) and the ANDSF Identification Card System (ID) along with APPS will contain unique biometric-registration numbers. Only those ANDSF members registered in AABIS will be issued an ID, and only those members both registered and with a linked ID will be authorized to have an APPS record.⁴³ CSTC-A is overseeing the integration of the biometrically linked ID into the APPS⁴⁴ to ensure the employee exists and

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payments are sent directly into the employee's bank account.⁴⁵ According to CSTC-A, this structure will dramatically reduce the potential for nonexistent personnel to be entered into APPS, although it will not completely eliminate the risk of paying for "ghost" personnel. Routine checks are required to determine that personnel are properly accounted for and are still actively serving in the ANDSF.⁴⁶

What has Changed since the last High-Risk List

The number of armed groups opposing the Afghan government has increased since Operation Enduring Freedom mission ended on December 31, 2014, and Afghan forces took lead responsibility for their country's security. During a press briefing on December 2, 2016, Resolute Support (RS) and U.S. Forces-Afghanistan (USFOR-A) commander General Nicholson said 20 terrorist groups were present in the Afghanistan-Pakistan region.⁴⁷

The Taliban and other insurgents have gained territory over the past two years. Approximately 63.4% of the country's districts are under Afghan government control or influence as of August 28, 2016, a decrease from the 70.5% reported as of January 29, 2016. During a press briefing on September 23, 2016, General Nicholson reported 68–70% of the population lived in those districts.⁴⁸ Of the 407 districts within the 34 provinces, 258 districts were under government control (88 districts) or influence (170), 33 districts (in 16 provinces) were under insurgent control (8) or influence (25), and 116 districts were "contested."⁴⁹ USFOR-A described contested districts as having "negligible meaningful impact from insurgents."⁵⁰

The ANDSF implemented a "sustainable security strategy" in the summer of 2016 that may have increased the number of districts controlled or influenced by insurgents. The new strategy prioritizes the use of available resources by following a "hold-fight-disrupt" methodology.⁵¹ The Resolute Support Deputy Chief of Staff for Communications described the sustainable security strategy as maintaining control of certain, but not all, areas of the country. The ANDSF will immediately act against insurgent activity in a hold-or-fight area, such as key population centers, major economic arteries, and the Ring Road. In other areas the ANDSF will disrupt insurgent operations when resources permit, but will no longer seek to hold on or fight for those areas.⁵²

Reports of "ghost" soldiers and police continue to surface. In January 2016, media reported that the price of maintaining ghost soldiers on the rolls was being paid on the battlefield, as the number of troops fighting alongside "ghost soldiers" is a fraction of the men required for the fight.⁵³ In June 2016, the Helmand Province police chief claimed half of the Helmand police consisted of ghost personnel.⁵⁴ In late July, General Nicholson sent a letter to the Minister of Interior outlining the actions required to reduce or eliminate ghost police as a condition for continued U.S. support.⁵⁵

After the 2014 withdrawal of most U.S. and Coalition forces from Helmand, the Afghan Army's 215th Corps, which is responsible for security in Helmand, began to suffer setbacks. In late 2015, insurgents began occupying parts of Helmand Province. As a result the United States sent additional U.S. Army soldiers to help rebuild and reinforce the beleaguered 215th Corps.⁵⁶

DOD reports that both the Ministry of Defense and the Ministry of Interior continue to struggle with providing logistics and maintenance support to the ANSDF throughout the country and with addressing systemic deficiencies that lead to high attrition rates.⁵⁷ During the December 2, 2016, press briefing, General Nicholson reported leadership and corruption are two areas targeted for improvement in 2017. He said due to “ineffectiveness and corruption” in the supply system, soldiers at outposts don’t always get ammunition, food, and water they need.⁵⁸

Since the U.S. and Coalition forces drew down and transferred security responsibility to the Afghan government, the U.S. government has increasingly limited visibility over Afghan data-collection processes ranging from the ANSDF capabilities to the ministerial support capacity. As a result, the U.S. government will become even more reliant on Afghan ministries’ reporting. This reliance, in the absence of U.S. ability to validate the reporting, may place a significant portion of the annual U.S. government funding for the ANSDF at risk.

Questions for Policymakers

- Is the ANSDF size and force structure appropriate to meet the security demands of a country developing security forces and leaders while also combatting violent insurgent groups?
- Are ANSDF operational readiness cycles (training, deployment, and leave rotations), recruitment, and retention efforts improving so as to reduce casualties and offset attrition?
- Do the security forces in the fight have the right mix and quantity of equipment to suppress the insurgents? With rotating deployments of U.S. service members with various operational backgrounds, how is the right weapon system/equipment solution for the mission determined? Are Afghan officials appropriately involved in generating the requirements?
- Is the ANSDF making sufficient progress in building capacity and capabilities needed to effectively perform the security responsibilities and manage the business of the ministries? How accurately is the progress measured with limited numbers of Coalition advisors available to perform the train, advise, and assist mission?
- Are an appropriate number of Coalition advisors assigned to the Essential Function offices to perform the train, advise, and assist mission? Does the RS mission need to provide more training below the ANA-corps level and the ANP-zone level?
- To what extent do DOD’s established requirements and planned acquisitions for Afghan security assistance align with Afghan security-force structure, unit activations and deployments, and sustainment capabilities?
- What safeguards can DOD implement to strengthen accountability for U.S.-funded equipment and infrastructure? Do the Afghans have the capacity and capability to properly account for, sustain, protect, and use the equipment and infrastructure received? How can DOD prepare the Afghans to be more accountable?
- Can the successful Afghan special forces model be expanded to other Afghan units?

HIGH-RISK AREA 2: CORRUPTION

Why it is a High Risk

Corruption continues to be one of the most serious threats to the U.S.-funded Afghanistan reconstruction effort. As former U.S. Ambassador to Afghanistan Ryan Crocker told SIGAR in 2016, “The ultimate point of failure for our efforts ... wasn’t an insurgency. It was the weight of endemic corruption.” Ambassador Crocker’s remarks echoed the findings of a 2014 study issued by DOD’s Joint Staff, which found that “Corruption alienates key elements of the population, discredits the government and security forces, undermines international support, subverts state functions and rule of law, robs the state of revenue, and creates barriers to economic growth.”⁵⁹

What SIGAR Found

As SIGAR examined in its 2016 Lessons Learned report, *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, corruption was not always at the top of the U.S. agenda. In fact, some would argue that it still is not given the importance it deserves. Not until 2009—eight years into the reconstruction effort—did the U.S. government begin to understand the connections among a vast, interdependent web of corrupt Afghan officials, criminals, drug traffickers, and insurgents. At that time, the United States took measures to counter corruption in Afghanistan.⁶⁰

Two scandals in 2010 exposed the impotence of these measures. The first was the arrest of Mohammed Zia Salehi, a key aide to President Karzai, for obstructing an investigation into a money-transfer firm suspected of moving billions of dollars out of Afghanistan for crooked Afghan officials, drug traffickers, and insurgents. A wiretap caught Salehi soliciting a bribe, but President Karzai ordered him released within hours of his arrest.⁶¹

A second, even larger scandal began to unfold in September 2010. Kabul Bank, the largest bank in Afghanistan at that time, nearly collapsed amidst publicity that the bank was insolvent. The bank had operated as a massive pyramid scheme: hundreds of millions of dollars had been fraudulently lent to fictitious companies, with loans rarely paid off.⁶² Two of the principal beneficiaries were the then-president’s brother, Mahmoud Karzai, and the first vice president’s brother, Haseen Fahim.⁶³ Although 21 individuals were ultimately convicted in the nearly \$1 billion theft from the bank, few of the politically connected defendants have served jail time or repaid significant portions of their debt.⁶⁴

Despite the U.S. government’s increasing outspokenness on the subject, corruption remains a grave problem. Serious anticorruption questions were raised in November 2015, when senior Afghan government officials announced a business partnership with Khalilullah Ferozi—sentenced to 10 years in prison for his role in the Kabul Bank fraud—in an Afghan government township project. President Ashraf Ghani cancelled the partnership and fired one of his senior officials following widespread public condemnation.⁶⁵ However,



Afghan officials discuss leadership and management techniques during a conference in Zabul Province. (DOD photo by Senior Airman Nathanael Callon, USAF)

it is worrying that such an initiative could get so far. The collaboration with Ferozi seemed to contradict the intent of President Ghani's October 2014 decree ordering the pursuit and prosecution of all those involved in the Kabul Bank case, as well as the government's September 2015 self-graded assessment that its actions taken in response to Kabul Bank had broken the "aura of impunity that had surrounded high level malfeasance."⁶⁶

The hidden nature of corruption makes it difficult to measure precisely. However, surveys and international indices give some idea of the scope of the problem. According to Transparency International, Afghanistan in 2015 ranked 166th-worst out of 168 countries, ahead of only Somalia and North Korea in public perceptions of corruption.⁶⁷ Eighty nine percent of Afghans say that corruption is a problem in their daily lives.⁶⁸ From 2006–2016, 75% of Afghans surveyed said corruption is a major problem in the country.⁶⁹

Corruption on this scale is a costly drain on the already depressed Afghan economy. The World Bank has said that "corruption creates an unfavorable business environment by undermining the operation efficiency of firms and raising the costs and risks associated with doing business." Inefficient regulations present opportunities for bribes. In 2014,

- Firms in Afghanistan were asked or expected to pay a bribe about 35% of the time when soliciting six different public services, permits, or licenses.
- About 35% of firms in Afghanistan were expected or required to give bribes in meetings with tax inspectors.

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- Some 48% of firms in Afghanistan were expected to give gifts or pay bribes to secure a government contract.
- Approximately 60% of firms in Afghanistan were expected to give gifts or pay bribes to secure a construction permit.
- About 24% of firms in Afghanistan were expected to give gifts or pay bribes to secure an import license.⁷⁰

Reducing corruption and increasing accountability are important components of the U.S. reconstruction strategy in Afghanistan. Since 2002, the United States has designated numerous programs or activities to directly or indirectly strengthen the ability of Afghan government institutions to combat corruption. In 2010, in line with a commitment to provide more assistance directly to the Afghan government, the United States and other donors promised technical assistance to develop the Afghan government's capacity to reduce corruption.⁷¹

SIGAR has been working with the Afghan government to reduce corruption. For example, SIGAR investigated a case along with the U.S. military and the Afghan government that prevented millions in U.S. funds from being lost to corruption. Following a 2013 SIGAR audit that found CSTC-A lacked sufficient accountability over fuel procured for the Afghan Army, CSTC-A turned responsibility for procuring ANA fuel over to the Ministry of Defense (MOD).

SIGAR's subsequent work, however, identified problems with the MOD's ability to manage and account for on-budget assistance used to pay for fuel. In 2015, SIGAR uncovered corruption in the award of a nearly \$1 billion, multi-year Afghan MOD fuel contract. The breakthrough in this case came after SIGAR and CSTC-A briefed President Ashraf Ghani on February 1, 2015, that four contractors had engaged in price-fixing, bid-rigging, and bribery prior to the award of the MOD fuel contract, criminally increasing its cost to the Afghan government and the American taxpayer by more than \$214 million.⁷²

Following the briefing, President Ghani immediately suspended the MOD officials involved in the fuel contract award, cancelled the entire contract, warned the contractors involved of possible debarment, and assigned an independent Afghan investigator to look into the award of the MOD fuel contract, as well as that of an additional 11 MOD contracts for other commodities. Such rapid and decisive action sends a strong signal in a country routinely rated as one of the world's most corrupt. The fuel scandal accelerated plans to reform Afghan government procurement with the replacement of the Special Procurement Commission (SPC) with a National Procurement Commission (NPC) chaired by President Ashraf Ghani himself. A SIGAR Investigations Directorate representative attends the weekly NPC meetings. Generally, the only non-Afghan representatives at the NPC meetings are from CSTC-A and SIGAR.

In September 2016, SIGAR released a follow-up to its 2009 report on Afghanistan's High Office of Oversight and Anti-Corruption (HOO). The new report found that the HOO still suffered from a lack of independence and authority to fulfill its mandate, a lack of

enforcement power, and, in some instances, a failure to register and verify legally required asset declarations by public officials. Moreover, the asset declarations that were verified by the HOO contained errors and omissions that would have hindered robust verification efforts. Because the HOO was unable to provide SIGAR with supporting documentation showing how it verified asset declarations and the outcomes of verification efforts, those errors in and omissions from verified declaration forms raised questions regarding the efficacy of the process.

Further, SIGAR found there were still no penalties for failing to comply with HOO requests, and that the office lacked authority and enforcement power. The HOO director general told SIGAR that his office lacked the personnel needed to effectively obtain asset registrations and verify the assets of Afghan officials. SIGAR reviewed the filing history of 27 top officials under the Ghani Administration who were required to submit asset declaration forms to the HOO for verification. As of March 2016, the HOO reported that it verified one asset-declaration form (President Ghani's) and had 22 others under review. Four officials had yet to submit their legally required asset declarations.

SIGAR has long been concerned about the threat that corruption poses to the reconstruction effort. Every one of SIGAR's quarterly reports to Congress has highlighted this threat, from the looting of the Kabul Bank and the failures of Afghanistan's Attorney General to prosecute senior officials, to the depredations caused by illegal land seizures and endemic extortion of ordinary Afghans for everyday services. SIGAR also has conducted audits of U.S. efforts to combat corruption, on the weaknesses of Afghanistan's anticorruption bodies, and on the challenges corruption poses to customs and revenue collection.

What has Changed since the last High-Risk List

In December 2016, the Asia Foundation released *Afghanistan in 2016: A Survey of the Afghan People*—its twelfth annual public-opinion survey in Afghanistan. The survey has recorded the views of more than 87,000 Afghans since 2004 on a host of issues including corruption. According to the survey, in 2016, nearly all Afghans say corruption is a problem in all areas of their lives, with 61% of Afghans saying corruption is a major problem in daily life and 28% calling it a minor problem. While Afghans over the past 10 years have consistently rated corruption as a serious problem, the percentage of Afghans who believe corruption is a problem of daily life has steadily increased over that time.⁷³

In addition, Integrity Watch Afghanistan (IWA) released its *National Corruption Survey 2016: Afghan Perceptions and Experiences of Corruption*. IWA's survey—funded mostly by SIGAR—estimated that Afghans paid nearly \$3 billion in bribes over the last year—a 50% increase compared to IWA's 2014 survey findings.⁷⁴ Respondents to the survey listed insecurity, unemployment, and corruption as the major problems facing Afghanistan. Corruption is seen as fueling insecurity by undermining support for the government and driving citizens towards the Taliban.⁷⁵

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More than 70% of respondents said that corruption is now worse than it was two years ago, when the last IWA survey was conducted. More people are paying higher amounts of money in bribes: For the year, Afghans paid more in bribes than the government is expected to generate in revenue from taxes, customs tariffs and other sources of income.⁷⁶

To highlight the seriousness of the threat, SIGAR has issued several reports focused on corruption including *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, its first Lessons Learned Program report, issued in September 2016. The report examines how the U.S. government—primarily the Departments of Defense, State, Treasury, and Justice, and the U.S. Agency for International Development—understood the risks of corruption in Afghanistan, how the U.S. response to corruption evolved, and the effectiveness of that response. SIGAR’s research and analysis revealed that corruption substantially undermined the U.S. mission in Afghanistan from the beginning of Operation Enduring Freedom.

SIGAR found that corruption cut across all aspects of the reconstruction effort, jeopardizing progress made in security, rule of law, governance, and economic growth. The report concluded that failure to effectively address the problem meant U.S. reconstruction programs, at best, would continue to be subverted by systemic corruption and, at worst, would fail.

The report identified five main findings:

1. Corruption undermined the U.S. mission in Afghanistan by fueling grievances against the Afghan government and channeling material support to the insurgency.
2. The United States contributed to the growth of corruption by injecting tens of billions of dollars into the Afghan economy, using flawed oversight and contracting practices, and partnering with malign powerbrokers.
3. The U.S. government was slow to recognize the magnitude of the problem, the role of corrupt patronage networks, the ways in which corruption threatened core U.S. goals, and that certain U.S. policies and practices exacerbated the problem.
4. Even when the United States acknowledged corruption as a strategic threat, security and political goals consistently trumped strong anticorruption actions.
5. Where the United States sought to combat corruption, its efforts saw only limited success in the absence of sustained Afghan and U.S. political commitment.

From these findings, SIGAR identified six lessons that should inform U.S. policies and actions at the onset of and throughout a contingency operation:

1. The U.S. government should make anticorruption efforts a top priority in contingency operations to prevent systemic corruption from undermining U.S. strategic goals.
2. U.S. agencies should develop a shared understanding of the nature and scope of corruption in a host country through political economy and network analyses.

3. The U.S. government should take into account the amount of assistance a host country can absorb, and agencies should improve their ability to effectively monitor this assistance.
4. The U.S. government should limit alliances with malign powerbrokers and aim to balance any short-term gains from such relationships against the risk that empowering these actors will lead to systemic corruption.

U.S. strategies and plans should incorporate anticorruption objectives into security and stability goals, rather than viewing anticorruption as imposing tradeoffs on those goals.

The U.S. government should recognize that solutions to endemic corruption are fundamentally political. Therefore, the United States should bring to bear high-level, consistent political will when pressing the host government for reforms and ensuring U.S. policies and practices do not exacerbate corruption.

The report also made recommendations for legislative and executive branch action.

SIGAR has also been working with the U.S. Embassy Kabul, the U.K. Department for International Development, the U.K. National Crime Agency, and other allies on anticorruption issues. For example, on August 10, 2016, SIGAR sent an inquiry letter to Ambassador McKinley regarding the extent of his department's support for the newly established Anti-Corruption Justice Center (ACJC). The ACJC was created by President Ghani to combat high-level corruption within the Afghan government. SIGAR sent the inquiry to U.S. Embassy Kabul because of its involvement in supporting the development of ACJC operations.

Ambassador McKinley responded in a letter of September 7, 2016, letter, that while State is supportive of anticorruption efforts in general, Embassy Kabul's position is that the ACJC must be an Afghan-led initiative. The ACJC is still in a developmental phases, and Embassy Kabul's role has been very limited. Ambassador McKinley said the most important factor in the ACJC's success would be the will of the Afghan government to prosecute high-level officials fairly in order to combat corruption.

Questions for Policymakers

- Why is the U.S. government still unable to develop a comprehensive, interagency anticorruption strategy for the reconstruction effort in Afghanistan?
- Has the U.S. government dedicated sufficient resources to protect U.S. reconstruction funds from further fraud and theft?
- Have U.S. technical assistance programs tangibly reduced corruption or corruption risk within the Afghan government?
- How will the international community define and track relevant anticorruption benchmarks, and how will the Afghan government demonstrate progress against these benchmarks?

HIGH-RISK AREA 3: SUSTAINABILITY

Why it is a Risk

Much of the more than \$115 billion the United States has committed to Afghanistan reconstruction projects and programs risks being wasted because the Afghans cannot sustain the investment—financially or functionally—without massive, continued donor support. The International Monetary Fund (IMF) said Afghanistan’s “perilous” security environment, political uncertainties, and endemic corruption negatively affect development spending, private investment, institutional reforms, economic efficiency, and equality.⁷⁷ Afghanistan’s aid dependence will continue beyond 2030, according to the World Bank.⁷⁸

Donors were expected to finance approximately 69% of Afghanistan’s \$6.5 billion fiscal year (FY) 1395 national budget (December 22, 2015–December 21, 2016), mostly through grants.⁷⁹ The largest financial expense by far is to support the Afghan National Defense and Security Forces (ANDSF), which was \$5.0 billion in FY 2016, of which the United States paid \$3.65 billion. DOD expects the FY 2017 ANDSF requirement to cost \$4.9 billion.⁸⁰

Two Afghanistan-related donor conferences took place in 2016. At the July summit in Warsaw, North Atlantic Treaty Organization (NATO) member nations pledged to sustain the ANDSF through 2020 at or near current levels.⁸¹ The United States has historically assumed most of this financial burden.

In October, at the Brussels Conference on Afghanistan international partners committed and confirmed their intention to provide \$15.2 billion in development aid between 2017 and 2020.⁸² Secretary of State John Kerry said he would work with Congress to provide civilian assistance “at or very near” the current levels through 2020.⁸³ For reference, the United States Congress appropriated more than \$1 billion in development aid for Afghanistan in FY 2016, as of September 30, 2016.⁸⁴

What SIGAR Found

For programs or projects established under the aegis of Afghan reconstruction for immediate or eventual ownership, control, and operation by Afghans, functional sustainability requires adequate provision of, among other things:

- organizational structure and authorities
- reasonably predictable funding, facilities, and access to materiel
- suitable human resources in managerial, technical, operational, maintenance, and enforcement capacities
- political will to pursue objectives and provide governmental support

SIGAR’s work strongly suggests that Afghanistan lacks the capacity—financial, technical, managerial, or otherwise—to maintain, support, and execute much of what has been built or established during more than 14 years of international assistance.

ANDSF Sustainability

The United States has committed the bulk of reconstruction funds appropriated since FY 2002—nearly \$68.7 billion as of September 30, 2016—to build up the ANDSF, which comprise the Afghan National Army (ANA), the Afghan Air Force (AAF), and the Afghan National Police (ANP).⁸⁵

The Afghanistan Security Forces Fund (ASFF) is the United States' principal fund to provide financial assistance to the ANDSF. On December 23, 2016, President Obama signed the FY 2017 National Defense Authorization Act, authorizing up to \$4.26 billion for the ASFF. As this report was going to press, the government was operating under a continuing resolution through April 28, 2017. President Obama pledged to recommend to his successor that the United States continue to seek funding for the ANDSF at or near current levels through 2020. For its part, the international community pledged at the October 2016 NATO summit in Warsaw more than \$800 million annually for the ANDSF from 2018 to 2020.⁸⁶

The Afghan government will bear primary responsibility for sustaining the ANDSF in the future. The 2012 NATO summit in Chicago estimated Afghanistan's contribution to the ANDSF costs to be at least \$500 million beginning in 2015 (at the 2012 currency exchange rate), with the aim of assuming full financial responsibility for its own security forces by 2024.⁸⁷ DOD reported that most assessments suggest that the Afghan economy cannot grow quickly enough in the next five years to cover a significantly larger share of ANDSF costs.⁸⁸

Afghanistan did not meet its 2015 commitment if its cost share is denominated in dollars, as originally agreed.⁸⁹ The Afghan government contributed \$421 million to sustain the ANDSF in 2015.⁹⁰ However, citing the Afghani's 22% depreciation against the U.S. dollar since 2012, DOD reported that the United States and international community accept that the Afghan government met its commitment when denominated in local currency.⁹¹

In 2012, a SIGAR audit specifically examined the ANDSF's capacity to provide the O&M necessary to sustain reconstruction-funded projects. The report determined that the ANDSF would be incapable of fully sustaining ANDSF facilities after the transition in 2014 and the expected decrease in U.S. and Coalition support.⁹²

Afghan officials told SIGAR that they see the Afghan government contributing 3% of gross domestic product (GDP) annually to security, raising its contribution as the economy grows. Under even the most optimistic GDP growth scenarios, however, this contribution would not result in the Afghan government fully funding the ANDSF by 2024.

Ensuring that Afghanistan never again becomes a haven for international terrorists depends on the ANDSF's ability to secure the country. But under current and future plans, not only is the ANDSF not fiscally sustainable, but the significant U.S. investment in Afghanistan's security is at risk because sustainment planning also requires reasonably accurate data.

In April 2015, SIGAR reported that unannounced audit visits to ANA and Afghan Air Force units found the identities of only 103 of 134 personnel sampled could be verified against ANA personnel data. Some lacked ANA identification cards, and a few were not even listed in the services' human-resources database. SIGAR's auditors also found

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inconsistent use of daily rosters, lack of verification of numbers, unsupervised paper-based and manually submitted data systems, weak controls, and Afghan ministry failures to submit financial records to the U.S. military, among other difficulties.⁹³

Additionally, a 2013 SIGAR audit examined \$4.7 billion in planned and ongoing ANDSF construction projects. The report concluded that DOD was funding a program that is potentially building permanent facilities in excess of the ANDSF's eventual needs, and it was doing so without knowledge of the facilities' utilization or the Afghan government's willingness or ability to sustain them. In order to reduce construction of new U.S.-funded facilities and save reconstruction funds, SIGAR recommended, among other things, that DOD develop a plan to reduce future excess capacity taking into consideration potential cuts to the number of ANDSF personnel, and identify the extent to which current U.S.-funded facilities were underutilized.⁹⁴

Combined Security Transition Command-Afghanistan (CSTC-A) stated at that time that it had several initiatives under way to identify areas of excess capacity and projects that could be descope or cancelled. CSTC-A said these initiatives, coupled with routine reviews, reduced U.S. and coalition funding by over \$432 million from January 2013 to August 2013. General Dunford, then-commander of International Security Assistance Force (ISAF), requested quarterly reviews to ensure ANDSF facility requirements remain valid and that construction is on track.⁹⁵

Afghan Public-Sector Sustainability

While security is a significant driver of costs, public-sector development in Afghanistan has also contributed to the country's growing fiscal gap. Each new development project that the United States and other international donors fund increases the country's operation and maintenance costs, adding pressure to Afghanistan's operating budget. Indeed, Afghanistan has one of the lowest rates of domestic-revenue collection in the world, averaging 9% of GDP from 2006 through 2013, according to the IMF.⁹⁶ It slipped to 8.5% of GDP in 2014.⁹⁷

On a positive note, the Afghan government is working with the IMF on macroeconomic policies and a structural-reform agenda, having recently agreed to a three-year, \$45 million Extended Credit Facility (ECF) loan agreement with Afghanistan. The ECF, which follows the satisfactory conclusion of an informal Staff-Monitored Program, is to focus on institution building, fiscal and financial reforms, and combating corruption to lay the foundations for increased private-sector development.⁹⁸ Afghanistan's poor record with its two previous ECF arrangements, the most recent of which expired in November 2014, caused program reviews to be suspended. The IMF said both previous ECFs fell short of their goals.⁹⁹ The newly approved ECF could give the National Unity Government additional options for managing its financial affairs during the current period of economic and fiscal stress.

Energy-Sector Sustainability

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.¹⁰⁰ Since 2002, USAID disbursed



View of the electrical towers on the USAID-supported Arghandi to Ghazni Transmission Line. (USAID photo)

more than \$1.5 billion to build power plants, substations, and transmission lines, and to provide technical assistance in the sector.¹⁰¹ For its part, DOD disbursed approximately \$180 million for power projects through the Commander's Emergency Response Program as of July 2015, and roughly \$373.8 million through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.¹⁰²

In the energy sector, the problem of planning and implementing programs without considering the cost and feasibility of sustaining them is strikingly evident. Both the international community and the Afghan government agree that improving the energy sector is essential to Afghanistan's economic progress and long-term viability. However, while USAID is helping the Afghan national power utility, Da Afghanistan Breshna Sherkat (DABS), to increase electricity supply and revenue generation by improving sustainability, management, and commercial viability,¹⁰³ the Afghans cannot afford to pay for much of the electric-power infrastructure that the U.S. reconstruction effort continues to provide.

Until 2013, Afghanistan lacked an energy-sector master plan to establish priorities, time-frames, and costs associated with energy-sector goals. A January 2010 SIGAR audit found that although the energy supply had more than doubled since 2001, the Afghan government was unable to fully fund operations and maintenance (O&M) for the donor-provided facilities.¹⁰⁴ Also in January 2010, SIGAR issued an audit report on USAID's efforts to build the Tarakhil Power Plant, a 105-megawatt power plant on the outskirts of Kabul. The Afghan government had committed to commercializing the operations to cover fuel costs and other operations-and-maintenance expenses within one year of its creation. However, SIGAR

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found that the Afghan government would likely require assistance to cover these expenses for several years after the plant's completion.¹⁰⁵ Four years later, a 2014 USAID audit of the same power plant found that it was still not being operated and maintained in a sustainable manner by DABS. Training did not prepare personnel to run the plant or maintain the equipment, and DABS did not provide adequate management support or ensure the plant had enough spare parts at hand.¹⁰⁶ In 2015, SIGAR determined that the plant remains severely underutilized.¹⁰⁷

DABS and other government entities will eventually be responsible for sustaining the Northeast Power System and Southeast Power System projects, including O&M costs once they are completed and turned over to the government.¹⁰⁸ However, a July 2012 SIGAR audit on Afghanistan Infrastructure Fund projects—mostly large-scale energy-sector infrastructure projects jointly managed and implemented by USAID and USFOR-A—raised questions about DABS's capacity and said that Afghanistan lacks the financial and other resources necessary to pay for O&M. It also found that although USAID and USFOR-A prepared sustainment plans for these projects, the plans included no cost-sustainment analysis.¹⁰⁹

An April 2013 SIGAR audit examined USAID's \$61 million efforts to commercialize DABS. Because of a lack of data about other directorates, SIGAR focused its report on DABS-Kabul. Despite some improvements in revenue collection, DABS-Kabul was not self-sufficient.¹¹⁰ USAID said DABS's revenues have increased over the last three years, allowing it to pay for more of its operating expenses, although nonrecurring major capital-infrastructure expenses are still mainly funded by donors.¹¹¹ A World Bank report cautioned that even though DABS, with donor assistance, has been able to reduce some commercial losses (unbilled sales, uncollectibles, and power theft) and improve revenue collections, its commercial and technical (transmission and distribution operational) losses "remain significant." The report added that DABS cannot raise or expect donors to provide the capital necessary to meet Afghanistan's energy-infrastructure requirements.¹¹² Afghanistan will likely be unable to sustain U.S. investments in this sector.

Other Infrastructure Sustainability

The United States has also invested heavily in the Afghan health sector. U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1 billion as of September 30, 2016.¹¹³ A 2013 SIGAR audit examined the \$18.5 million spent to build two hospitals in Afghanistan and determined that USAID did not fully assess the Ministry of Public Health's (MOPH) ability to operate and maintain the facilities. The new O&M costs for these hospitals could be five times the costs of the hospitals they replaced, a burden that neither USAID nor the MOPH agreed to assume.¹¹⁴ This investment is likely unsustainable.

A 2015 SIGAR inquiry into locations of USAID's now-concluded \$233 million Partnership Contracts for Health (PCH) program, which funded health-care facilities in 13 Afghan provinces, found inaccurate location information for nearly 80%.¹¹⁵ After analyzing updated location coordinates provided by USAID, SIGAR found new irregularities, which USAID

committed to address, even though senior USAID officials seemed to assert that geospatial data is not an important oversight-monitoring tool. SIGAR disagrees.¹¹⁶ Assessing Afghanistan's sustainment of this U.S. investment will be almost impossible if the location of physical assets cannot be determined and if those responsible for the investment do not seem to care.

Since 2002, USAID has provided approximately \$2.2 billion cumulatively for more than 1,240 miles of road construction and O&M costs.¹¹⁷ Afghanistan has more than 76,400 miles of road, 28,000 of which have been rehabilitated or improved. However, the World Bank has reported 85% are in poor shape and a majority cannot be used year-round.¹¹⁸ Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to USAID.¹¹⁹ Afghanistan is estimated to spend \$17 million annually for O&M, \$100 million less than the Asian Development Bank says they need to spend.¹²⁰

Although domestic revenue collection has improved recently, year-on-year, the Afghan government faces significant challenges to reducing its dependence on international donors for non-security expenditures. In March 2015, SIGAR wrote to DOD, State, and USAID to share concerns raised by many U.S. Embassy Kabul officials during Special Inspector General Sopko's February 2015 trip to Afghanistan about the Afghan government's inability to meet its budgetary obligations due to projected decreases in revenue. U.S. officials noted at that time that a large portion of the revenue decline then occurring could be attributed to concerns that approximately half of customs duties for Afghan FY 1393 were believed to have been stolen.¹²¹

USAID's four-year, \$77.8 million Afghanistan Trade and Revenue (ATAR) project is a trade-facilitation program designed in part to improve and streamline the government's ability to generate revenue by modernizing Afghanistan's customs institutions and practices.¹²² In December 2015, Afghanistan's Customs Department and the central bank, with ATAR assistance, expanded a program to allow customs duties in Balkh Province to be paid electronically from any commercial bank, rather than at central-bank offices within customs houses. This follows a successful pilot program at Kabul International Airport and at Kabul's inland customs office completed last quarter. The State Department said electronic payments expedite the release of goods at the border, reduce the need to carry cash, and reduce opportunities for graft.¹²³ These are necessary, positive, and encouraging signs, yet are unlikely to have a meaningful impact on the fiscal gap in the near term.

President Ghani listed mining as one of the country's most important economic assets in his September 2015 interview with SIGAR. However, the need for infrastructure financing, progress on regulatory and legislative frameworks, and an improved security environment make the timing of significant revenues from this sector uncertain.¹²⁴

So far, mining has contributed only slightly to the country's GDP.¹²⁵ Actual government receipts from minerals activity in FY 1394 (2015) were only about 38% of the budget projection.¹²⁶ In the 11 months of FY 1395, actual receipts were AFN 1.2 billion (approximately \$18.3 million). The Afghan government set a \$400 million revenue target for the MOMP in 2016;¹²⁷ this is likely unrealistic.

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An April 2015 SIGAR audit found that U.S. agencies did not have a unified strategy and lacked interagency coordination for the development of Afghanistan's extractives industries. The audit concluded that unless U.S. agencies acted soon to sustain investments in the sector, \$488 million was at risk of being wasted.¹²⁸

Other efforts to increase or create new revenue streams, such as a value-added tax, will help but are also not likely to generate sufficient revenue to fill the fiscal gap.¹²⁹

What has Changed since the last High-Risk List

As noted earlier, sustaining the United States' investment in Afghanistan requires financial, technical, managerial capacities. Afghanistan's National Unity Government is committed, but struggling to achieve these goals.

Afghanistan's total collected domestic revenues—a figure that excludes donor grants—has improved.¹³⁰ Consequently, Afghanistan's fiscal gap—the difference between domestic revenues and expenditures—has narrowed, but remains unsustainably large.¹³¹ Without continuing donor contributions, the Afghan government will not be able to meet most of its operating or development expenditure requirements.

For example, in the first 11 months of FY 1395 (2016) revenues stood at AFN 140.9 billion (\$2.1 billion in current dollars), about 32.0% above the same period last year. Despite this increase, domestic revenues paid for only 46.4% of Afghanistan's total non-security budget expenditures, representing a net deficit of AFN 162.5 billion (\$2.4 billion). The addition of donor contributions provided a budget surplus of AFN 15.5 billion (\$231.9 million).¹³²

Part of the domestic-revenue improvement was a result of stronger collection efforts and the impact of new taxes at higher rates implemented in the latter part of 2015.¹³³ The World Bank expects that most of these increases can be sustained.¹³⁴ Others take a dimmer view. A September 2016 Afghanistan Analysts Network report said some of the revenue increase is the result of currency depreciation that caused the afghani value of customs duties on imports and other taxes levied on foreign-exchange flows to increase artificially, as well as one-time revenue injections from public enterprises such as government land and property sales. The report said these sources are likely unsustainable and not a reflection of an improved economy.¹³⁵

The World Bank said on-budget expenditures will grow substantially in the coming years, especially as the Afghan government takes on a greater share of security responsibility. Recurrent civilian expenditures will also grow, even assuming no improvements to quality or coverage of government services, due to population growth and increased operations and maintenance needs from the transfer of donor-built assets to the government.¹³⁶

Despite gains made from Afghan government investments in areas like education and health, the World Bank reported low levels of human capital in the country and weak institutions with limited opportunities for improvement in the short term.¹³⁷

Progress has been evident in certain areas. For example, after a years-long effort, a third turbine, known as Unit 2, was installed in the powerhouse at Kajaki Dam and commissioned on October 1, 2016.¹³⁸ USAID transferred responsibility for installing, testing, and

commissioning the third turbine to DABS, along with a \$75 million financial commitment, in April 2013.¹³⁹ The installation represented a major advance in DABS's efforts to increase long-term, sustainable hydropower from Kajaki Dam to Kandahar and Helmand Provinces, although it may be some time before the turbine's full capacity comes online.¹⁴⁰ DABS is to assume full responsibility for the Kajaki power plant, including O&M, in April 2017, whether independently or with contractor assistance.¹⁴¹

USAID is also working with Afghan authorities in establishing a road authority, road fund, and transportation institute. The first drafts of laws to govern these new institutions were submitted, and USAID's technical assistance program with the Ministry of Public Works reached its year-two milestones for identifying the roads it intends to fund, short- and long-term plans for road-maintenance funding, and designs for the road fund. Program targets to finish designs for the road authority and the transportation-institute study were nearly complete as of July 31, 2016.¹⁴²

But many capacity-building deficiencies remain. For example, an October 2016 SIGAR audit reviewed U.S. efforts to sustain roads and strengthen the Afghan government's ability to perform road maintenance. It found that most U.S.-funded roads needed repair and that corruption, inadequate funding, insecurity, and weak capacity limit the Ministry of Public Works' ability to maintain Afghanistan's road infrastructure.¹⁴³

Additionally, an April 2015 SIGAR found no developed plans detailing how the planned capacity-building efforts at the Ministry of Mines and Petroleum will be sustained at the end of their projects.¹⁴⁴

Questions for Policymakers

Some key questions facing policy makers in the near future are:

- Has the international community done enough to help the Afghan government achieve the financial and technical capacity (or the resources to contract out that capacity) to sustain these programs and investments?
- How much progress has the Afghan government made in generating revenues and lowering expenditures to fund government operations, and does the United States believe the pace of reforms justifies providing billions of dollars of support annually?
- Should the U.S. government conduct a complete sustainability review of all current and planned U.S.-funded reconstruction projects in Afghanistan?
- Has the United States decided how much financial support it will provide to Afghanistan on-budget over the medium and long term, and has it communicated that information to the Afghan government to allow for appropriate planning?
- Does the Afghan government have information about all on- and off-budget donor programs and investments, and has it performed hypothetical triage to determine which would be maintained and which would be reduced or abandoned if choices were forced?

HIGH-RISK AREA 4: ON-BUDGET SUPPORT

Why it is a Risk

SIGAR has long raised concerns about the risk to U.S. funds provided to Afghanistan in the form of on-budget assistance, which includes direct assistance (also referred to as bilateral, government-to-government assistance) and assistance that travels through multi-donor trust funds before reaching the Afghan government.

On-budget assistance is intended to reduce costs, increase Afghan government ownership, and build Afghan institutional capacity for managing their own budget. However, on-budget assistance, whether directly or through multilateral trust funds, also entails reduced U.S. control and visibility over these funds, thereby increasing the risk of waste, fraud, and abuse.¹⁴⁵

What SIGAR Found

Special Inspector General John F. Sopko twice testified before Congress in 2013 to outline three serious concerns about on-budget assistance:

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

Before 2010, the United States provided most of its assistance to Afghanistan through contracts, grants, and cooperative agreements executed “off-budget”—outside the Afghan budget process and ministry control. Since 2010, the United States has been gradually increasing the amount of non-security, on-budget development assistance it provides to the Afghan government in line with donor commitments made at a series of international conferences to channel at least 50% of civilian development assistance through the Afghan government.¹⁴⁶ The most recent of these conferences was the October 2016 Brussels Conference, at which donor participants agreed to consider channeling a “higher share” of their development assistance through the Afghan national budget.¹⁴⁷

According to the World Bank, donors collectively have met the 50% on-budget commitment, disbursed more than half of the Tokyo Conference pledges, and provided donor grants that are increasingly discretionary for the Afghan government to use as it sees fit.¹⁴⁸ As of December 2016, USAID has not yet achieved the 50% on-budget target.¹⁴⁹

The major multidonor trust funds for Afghanistan are the Afghanistan Reconstruction Trust Fund (ARTF) managed by the World Bank (\$2.84 billion in cumulative U.S. contributions); the Afghanistan Infrastructure Trust Fund managed by the Asian Development Bank (\$113 million in cumulative U.S. contributions); and the Law and Order Trust Fund for Afghanistan (LOTFA) managed by the United Nations Development Programme (\$1.64 billion in U.S. contributions). Since 2002, the United States has provided nearly \$10.22

billion in on-budget assistance to Afghanistan, of which \$5.6 billion was in the form of direct, government-to-government assistance, and \$4.6 billion was provided via multidonor trust funds.¹⁵⁰

Security-sector on-budget assistance also faces significant oversight challenges. Since 2010, the United States has been gradually increasing the amount of on-budget assistance to the Afghan Ministries of Defense and Interior. In 2016, DOD planned to provide approximately \$1.7 billion in on-budget assistance to the Afghan National Defense and Security Forces (ANDSF).¹⁵¹ One area of particular concern is U.S. on-budget assistance for fuel purchases. SIGAR has limited visibility over the millions of U.S. taxpayer dollars being spent through on-budget assistance to purchase fuel for the ANDSF. In 2015, the DOD Inspector General found that the Afghan government is not prepared “to ensure that direct financial contributions from the United States were used for the purchase of fuel in support of legitimate activities and operations.”¹⁵²

On-budget assistance will continue to grow in importance as overall foreign-assistance levels decrease. Yet SIGAR’s work has shown that many Afghan government ministries lack the capacity or necessary internal controls to effectively manage and account for on-budget assistance funds, and that they are unable to do so in a transparent manner that enables U.S. agencies to oversee the use of those funds. SIGAR’s 2014 audit of USAID’s assessments of seven Afghan ministries receiving on-budget assistance from the U.S. government found that all of these assessments and reviews required risk-mitigation measures to ensure that ministries were capable of effectively managing and accounting for funds. Nevertheless, USAID waived its Automated Directives System 220 requirements in Afghanistan for all direct-assistance funds through FY 2013 and signed agreements with each of the reviewed ministries for on-budget assistance. USAID did not conduct quality-control reviews of the public financial-management assessments, USAID/Afghanistan’s risk reviews, or any risk-mitigation strategies. Without strong internal controls and aggressive U.S. oversight, however, funds increasingly delivered on-budget may be at risk.¹⁵³

In a 2013 audit, SIGAR raised serious concerns regarding the on-budget Partnership Contracts for Health (PCH) program that supported the Afghan Ministry of Public Health’s (MOPH) delivery of health-care services to local clinics and hospitals. The audit found that, despite MOPH financial-management deficiencies, USAID continued to provide millions of U.S. taxpayer dollars in direct assistance with little assurance that MOPH is using these funds as intended. Specifically, USAID’s April 2012 assessment of the MOPH’s financial-management capability identified significant internal-control deficiencies that put U.S. funds provided under the PCH program at risk of waste, fraud, and abuse.¹⁵⁴ SIGAR has an ongoing criminal investigation into the protection of U.S. funds for the PCH program.

USAID may lose insight into the operations of on-budget programming administered by an intermediary like the World Bank. USAID does not independently oversee the use of U.S. contributions to the ARTF, and has only limited rights to audit U.S. contributions to ensure the funds are used for their intended purposes.¹⁵⁵ In a 2011 audit of the ARTF, SIGAR found some limitations in ARTF oversight mechanisms: (1) reviews and audits of the operating

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budget were financial, rather than performance audits that would report on the efficiency and effectiveness of ARTF funding; (2) ARTF monitoring outside of Kabul was limited; and (3) the World Bank could improve its dissemination and reporting on the results and outcomes of ARTF-funded development projects.¹⁵⁶

In a 2013 review of DOD's safeguards for funds provided to Afghanistan's Ministries of Defense (MOD) and Interior (MOI), SIGAR identified weaknesses that increased the risk that on-budget funds provided to the ANDSF through a Ministry of Finance account at Afghanistan's central bank were particularly vulnerable to waste, fraud, and abuse. At the time of SIGAR's review, the Combined Security Transition Command-Afghanistan (CSTC-A)'s process did not provide its trainers and decision makers with an overall understanding of each ministry's financial-management capacity, or help them identify risks associated with capacity weaknesses.¹⁵⁷

According to CSTC-A, once funds enter the Afghan government's bank account, oversight becomes significantly more challenging. CSTC-A currently makes a weekly comparison of data reported on Afghanistan Financial Management Information System (AFMIS) against approved amounts in its commitment letters with the ministries. CSTC-A also uses audits designed to detect and correct improper spending to monitor high-risk areas such as fuel and pay. Based on results of those efforts, CSTC-A employs a process by which its financial contributions are withheld until Afghan ministries can demonstrate that they have corrected oversight mechanisms and weaknesses.¹⁵⁸

What has Changed since the last High-Risk List

Since these SIGAR audits, USAID has shown an increasing preference for multi-donor trust funds over bilaterally managed programs. Bilateral on-budget programs entail a significant management burden and are labor intensive for USAID staff. Multi-donor trust funds transfer management burden, financial risk, and programmatic risk to the trust-fund administrator, but mean that USAID has less control over implementation, monitoring, and verification of meaningful results.¹⁵⁹ USAID previously supported Afghan government health services through the PCH, but now does so through an ARTF-supported program managed by the World Bank.¹⁶⁰ USAID also uses the ARTF to deliver assistance for the \$800 million, bilaterally negotiated New Development Partnership (NDP) program. The NDP contains 40 development results, each worth \$20 million to the Afghan government if successfully completed. USAID must verify achievements, but thereafter relies on the World Bank to administer the funds.¹⁶¹

USAID has since reported that their confidence in the World Bank's administration of the ARTF is based on the U.S. government's conclusion that the World Bank does not require any special determinations in order to receive U.S. government funds. Additionally, USAID has told SIGAR that USAID no longer considers itself responsible for oversight of health facilities supported by USAID contributions managed by the World Bank (and in turn, the Afghan Ministry of Public Health).¹⁶² When SIGAR subsequently requested USAID to provide ARTF monitoring reports, USAID responded with some examples, but said it was at



An aerial view of the Kajaki Dam in Helmand Province, a key part of the Kandahar Helmand Power Project. (USAID photo)

the World Bank’s discretion to share these reports with ARTF donors.¹⁶³ This contrasts with SIGAR’s experience in auditing government-to-government projects wherein U.S. government agencies are able and willing to provide more documentation.

SIGAR has launched a new ARTF performance audit to 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.¹⁶⁴

SIGAR has raised concerns about the administration of another on-budget trust fund, the Law and Order Trust Fund for Afghanistan (LOTFA), which is administered by a similarly designated international organization, the United Nations Development Programme (UNDP).¹⁶⁵

International donors continue to define conditions for their overall assistance to Afghanistan through mutual accountability frameworks. The most recent of these—the September 2015 Self-Reliance through Mutual Accountability Framework (SMAF)—defined targeted reforms expected of the Afghan government. At the October 2016 Brussels Conference, participants agreed to 24 new “SMART” (Specific, Measurable, Achievable, Realistic, and Time-bound) deliverables for 2017 and 2018.¹⁶⁶

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At the October 2016 Brussels Conference, donors extended their civilian development commitments to \$15.2 billion between 2017 and 2020. In principle, these funds are conditioned on Afghan government achievement of internationally defined conditions such as those contained in the SMAF. The value of these conditions, however, is unclear as USAID said it cannot identify funds directly related to compliance or noncompliance with SMAF targets and indicators. According to USAID, noncompliance with SMAF indicators could erode donor confidence and reduce aid contributions.¹⁶⁷

Security-related on-budget funds remain at risk. CSTC-A has defined a number of conditions in their annual commitment letters with the MOI and MOD. According to a recent DOD IG audit, however, CSTC-A has not established a process for determining which commitment-letter violations require financial penalties or how to implement the penalties.¹⁶⁸

Previously, a major MOD fuel investigation by SIGAR prompted CSTC-A to reexamine and, in some cases, delay the transition of off-budget procurements to on-budget contracting for fuel and other items. CSTC-A reexamined the Afghan government's procurement process to address execution problems, lack of capacity, failure to adhere to Afghan procurement laws, and other systemic issues.¹⁶⁹ SIGAR has learned that CSTC-A plans to take over fuel contracts from the MOD in 2017. CSTC-A is also reducing salary payments to the ANDSF to bring them in line with the personnel numbers indicated by biometric data.

The 2015 MOD fuel-contract case—described in more detail earlier in the Corruption section—shows the progress that can be achieved when SIGAR, the U.S. military, and Afghan officials cooperate and coordinate their efforts to promote the honest and effective use of aid dollars.

Questions for Policymakers

- How credible are conditions on assistance given Afghanistan's strategic importance to the United States?
- Should the U.S. government revisit its commitment to provide 50% of development assistance on-budget?
- Is the U.S. government taking effective steps to improve trust-fund reporting and monitoring?
- Is Afghanistan demonstrating adequate performance against the on-budget support benchmarks? Are these benchmarks relevant if not credibly enforced?
- How committed is the United States to gaining access to and using all available Afghan data to determine and verify Afghan budget needs as the basis to inform the U.S. response?
- What is a sufficient level of oversight access necessary for U.S. officials to ensure oversight of on-budget assistance?

HIGH-RISK AREA 5: COUNTERNARCOTICS

Why it is a Risk

The cultivation and trafficking of illicit drugs put the entire U.S. and international investment in the reconstruction of Afghanistan at risk. As Special Inspector General John F. Sopko testified before the Senate Caucus on International Narcotics Control in January 2014, “All of the fragile gains we have made over the last 12 years on women’s issues, health, education, rule of law, and governance are now, more than ever, in jeopardy of being wiped out by the narcotics trade, which not only supports the insurgency, but also feeds organized crime and corruption.”¹⁷⁰

Although the United States has invested approximately \$8.5 billion as of September 30, 2016, in counternarcotics efforts in Afghanistan, that country still leads the world in opium production, and Afghan farmers are growing more opium than ever.¹⁷¹ The United Nations Office of Drugs and Crime (UNODC) conducts an annual survey with financial contributions from the United States and other donors.¹⁷² UNODC estimated that the potential gross value of opiates was \$1.56 billion—or the equivalent of about 7.4% of Afghanistan’s Gross Domestic Product (GDP)—in 2015. This is a 45% decrease since 2014 when the potential gross value was 13.4% of GDP. UNODC attributed the decrease, in part, to lower levels of poppy cultivation and opium production.¹⁷³ The latest 2016 UNODC country survey estimates opium cultivation increased 10%, to 201,000 hectares, from the previous year. The southern region, which includes Helmand, Kandahar, Uruzgan, Zabul, and Daykundi Provinces, accounted for 59% of total cultivation. Helmand remained the country’s largest poppy-cultivating province, followed by Badghis and Kandahar.¹⁷⁴

UNODC also conducted yield surveys. They showed the largest yield-per-hectare increase took place in the western region that covers Badghis, Farah, Ghor, Herat, and Nimroz Provinces. According to the UNODC, opium yield is the most important driver in opium production in 2016. However, the yield survey was not implemented in all provinces due to security concerns. For example, no field measurement took place in Badghis, the second largest opium-cultivating province.¹⁷⁵ Potential opium production increased 43% from 2015 levels to 4,800 tons due to the larger area under cultivation and the increase in yield per hectare.¹⁷⁶ For this reason, UNODC suggests the national opium production in 2016 might be underestimated.¹⁷⁷ (UNODC determines potential production as if the entire opium production was transformed into heroin and other end products in the same year.¹⁷⁸)

Since the collapse of the Taliban government, the opium trade has grown significantly and enabled the funding of insurgency operations. Taliban commanders collect extortion fees for running heroin refineries, growing poppy, and other smuggling schemes.¹⁷⁹ Powerful drug networks, mainly run by close-knit families and tribes, bankroll the insurgency and launder money.¹⁸⁰ There have been media reports and allegations of corrupt government officials participating in the drug trade.¹⁸¹ General Nicholson reported during a December 2016 Pentagon

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press briefing that the majority of narcotics funding originates in Helmand and estimated that Helmand provides 60% of Taliban funding.¹⁸² The general also remarked on the difficulty of fighting the drug trade in Helmand due to the interconnection between insurgent groups and criminal networks. He attributed the cause of major fighting in Helmand to the insurgents' desire to preserve the income from the opium industry.¹⁸³

What SIGAR Found

SIGAR reports on opium cultivation have highlighted the ineffectiveness of U.S.-supported law-enforcement and alternative livelihood programs in combating opium cultivation.¹⁸⁴ Eradication efforts have had minimal impact on production and sometimes fostered resentment among farmers, who perceived it as a corrupt practice for local officials to extract bribes in order for their crop to be spared.¹⁸⁵ Some farmers are still responsible for expenses and loans incurred after the destruction of their opium crop.¹⁸⁶ According to UNODC, only 355 hectares were eradicated this year—the lowest amount since the start of the reconstruction effort—while cultivation levels reached 201,000 hectares.¹⁸⁷

While the Counternarcotics Police of Afghanistan (CNPA) and its specialized units have led successful seizures of drugs and precursor chemicals, the seizures are negligible compared to current production estimates.¹⁸⁸ During the 2016 fiscal year, the CNPA conducted approximately 180 operations resulting in nearly 300 detentions. Over 123,000 kilograms of hashish, 3,100 kilograms of heroin, 9,000 kilograms of heroin, 6,450 kilograms of morphine, and 4,900 kilograms of precursor chemicals were seized.¹⁸⁹

Certain reconstruction projects such as improved irrigation, roads, and agricultural assistance can actually lead to increased opium cultivation. SIGAR found that affordable deep-well technology turned 200,000 hectares of desert in southwestern Afghanistan into arable land over the past decade. Due to relatively high opium prices and the rise of an inexpensive, skilled, and mobile labor force, much of this newly arable land is dedicated to opium cultivation. Poppy-growing provinces that were once declared “poppy free” have seen a resurgence in cultivation.¹⁹⁰

USAID has implemented several alternative-livelihood programs over the past decade with mixed results. The Kandahar Food Zone, which ended in 2016 and spent over \$24 million, has rehabilitated 17 irrigation canals, benefitting over 22,000 households according to USAID. The \$45.3 million Commercial Horticulture and Agricultural Marketing (CHAMP) program was extended for an additional three years, but USAID's own assessment revealed that the majority of exports went to one country rather than numerous international markets as the program intended. The portfolio of Regional Agricultural Development Program (RADP) projects, costing over \$300 million, has also yielded inconsistent results. For instance, RADP-South has spent nearly \$70 million as of September 2016, but only 10,260 hectares of high-value crops had been cultivated by farmers. Security challenges have also impacted RADP-West activities.¹⁹¹

In its October 2014 *Quarterly Report*, SIGAR called for a whole-of-government review of counternarcotics efforts in reconstruction programs. It also called on international donors and the new Afghan government to seize the opportunity to include measures to counter the illicit opium economy in the Tokyo Mutual Accountability Framework's ministerial review in

November 2014.¹⁹² However, little progress has been made. Neither the refreshed framework nor the first progress report in 2015 of the Senior Officials Meeting addressed issues regarding counternarcotics.¹⁹³ At this year's Brussels Conference, counternarcotics was barely addressed, though it was mentioned near the end of the joint communiqué.¹⁹⁴

In 2015, SIGAR released two inspection reports: one on the Counter Narcotics Strip Mall, a law-enforcement compound in Kabul, and the other on the new detention center in Kabul. The \$1.3 million power-grid connection project at the strip mall met contract and budget requirements, but the facility was not deemed operable until 18 months after completion.¹⁹⁵ SIGAR found that the \$2 million detention center mostly met contract requirements and was used as intended, but noted two construction deficiencies that present possible life and safety issues.

This year, SIGAR conducted an inspection of the \$23.8 million Special Mission Wing (SMW) facilities at Kandahar Airfield. SIGAR found that the facilities and infrastructure were generally constructed in accordance with contract requirements except in five instances. In those instances, the contractor did not comply with contract and technical specifications, some of which have health and safety implications. SIGAR also found that not all facilities were being used at full capacity. The Air Squadron is using them to support SMW training and operations. However, as the squadron grows from its current size of 100 personnel, usage is likely to increase.¹⁹⁶

SIGAR has found that U.S. programs critical to the counternarcotics effort, such as building the capacity of the Afghan SMW to execute counternarcotics and counterterrorism missions, or establishing special counternarcotics-justice centers, have made limited progress and may not be sustainable. SIGAR has also reported that the United States lacks a comprehensive anticorruption strategy, even though Afghanistan is recognized as one of the most corrupt countries in the world, with the narcotics trade fueling corruption.

Afghanistan also has one of the highest substance-abuse rates in the world. The U.S. estimates that 11% of the population use drugs (or 3.6 million based on the latest CIA *World Factbook* population estimate).¹⁹⁷ The State Department reports that the demand for services exceeds the capacity of the centers, so most have waiting lists for new patients. The current annual capacity of drug-treatment programs funded by the U.S. is less than 30,000 persons.¹⁹⁸ Given the strong relationship between drug dependency and crime, the growing domestic addiction problem will affect multiple areas such as health, unemployment, and crime-prevention efforts.

The agency's work, coupled with the sobering assessments of poppy cultivation and opium production, raise serious questions about the efficacy of U.S.-funded counternarcotics programs. To address these questions, SIGAR has undertaken a comprehensive review of the U.S. counternarcotics effort to determine how U.S. funds have been spent, assess the degree to which U.S.-funded counternarcotics programs have achieved their intended purposes, and examine the extent to which the counternarcotics effort has been integrated into a cohesive strategy to achieve U.S. reconstruction objectives. SIGAR's Lessons Learned Program will issue a report examining the effectiveness of the U.S. counternarcotics effort, whether the various components of its strategy were suited to the local environment, and whether they constituted a coherent strategy as well as their context within the overall reconstruction

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effort. The report will provide recommendations to improve ongoing counternarcotics programs and better address illicit economies to achieve greater success in future complex contingency operations.

What has Changed since the last High-Risk List

Last year, Afghanistan unveiled a National Drug Action Plan revising its counternarcotics strategy. Though the United States Government had informed SIGAR in 2015 it would revise its own strategy, the new strategy has not yet been released.¹⁹⁹

The continued deterioration of security has undermined progress towards curbing opium cultivation and production. Eradication efforts in 2016 were negligible when compared to cultivation results and USAID had to temporarily suspend activities on certain alternative development projects. The United States has ceased the Good Performers Initiative, a program that rewarded provinces for achieving “poppy-free” status, due to financial management and capacity issues at the Ministry of Counter Narcotics.²⁰⁰ The United States recently launched two alternative-livelihood programs in partnership with the United Nations Office on Drugs and Crime and the United Nations Development Programme rather than implementing them through USAID.²⁰¹ Though interdiction results have declined since the drawdown of Coalition forces, the arrival of a Resolute Support Advisory Team has improved coordination of resources between the SMW and the Counternarcotics Police specialized units. Since the team’s arrival in February 2016, two of the country’s top drug traffickers have been captured.²⁰²

Questions for Policymakers

From 2008 to 2011, while Coalition forces were active in the province, poppy cultivation in Helmand Province steadily decreased from 103,590 hectares to 63,307 hectares. The Helmand program included distributing heavily subsidized wheat seeds, some eradication, and a public-awareness campaign in the province’s agricultural heartland. Between 2012 and 2014, the trend reversed dramatically: land under poppy cultivation increased 34% from 2012 to 2013.²⁰³ More alarming, the area under poppy cultivation within the Helmand Food Zone increased by 50%.²⁰⁴

The Helmand experience raises an important question as U.S. policymakers look beyond 2016. The Afghan National Defense and Security Forces (ANDSF) fought hard in 2016 to hold Helmand in the face of a determined insurgent offensive, but given the potential for the province to collapse, does the United States have a strategy to combat the “narcotics/insurgency/corruption nexus”?²⁰⁵

Other important questions are:

- Has U.S. assistance for counternarcotics efforts in Afghanistan succeeded in achieving its overarching goals and objectives?
- Is the Afghan government capable of assuming a lead role and sustaining the fragile progress made by U.S.-supported counternarcotics operations?
- How can the U.S. implement a more effective strategy? Since the opium trade provides an important revenue source for the insurgency, can victory be assured so long as the U.S. fails to address counternarcotics?

HIGH-RISK AREA 6: CONTRACT MANAGEMENT

Why it is a Risk

In Afghanistan, as in other American conflicts extending back to the Revolutionary War, contractors have provided critical support in areas including weaponry, equipment, food and water, clothing, and fuel. In Afghanistan, contractors, grantees, and “implementing partners” for the U.S. Agency for International Development (USAID) and other agencies also play a key role in the reconstruction effort.

The scope of contracting in support of U.S. objectives in Afghanistan is huge. As of the third quarter of FY 2016, the Department of Defense had 26,435 contractors employed in Afghanistan—almost three times the number of U.S. troops still in the country. DOD contract obligations for military operations and reconstruction from FY 2007 through FY 2015 totaled \$90.7 billion in Afghanistan, plus about \$8 billion for Afghan-related contracts in nearby countries.²⁰⁶ The multiyear Afghanistan contracting total for the State Department (including USAID) is smaller, but still significant: From the start of 2002 through March 2013, State reported obligating some \$4 billion in 1,874 contracts, grants, and cooperative agreements for reconstruction. State’s contracts generally supported large-scale rule-of-law projects such as police training and equipping; grants and cooperative agreements supported smaller-scale governance and rule-of-law, civil society, and humanitarian programs.²⁰⁷

Contracting represents a high risk to the success of Afghanistan reconstruction because the usual difficulties of contract management—effectively defining requirements, conducting careful solicitations and awards, monitoring compliance, documenting costs and results, and holding poor performers accountable—are magnified and aggravated by Afghanistan’s remoteness, active insurgency, widespread corruption, limited ministry capability, difficulties in collecting and verifying data, and other issues.

Contracting in Afghanistan entails elevated risks of waste, fraud, and abuse. The risks extend to more than proper stewardship of U.S. taxpayers’ dollars. Wasteful, incomplete, or bungled contracts can also impede progress toward U.S. policy objectives, retard Afghan economic and social progress, undermine security and Afghan government credibility, and furnish insurgents with propaganda talking points. Despite 15 years’ experience in Afghanistan, contracting there continues to be risky business.

What SIGAR Found

SIGAR’s oversight work in Afghanistan has repeatedly encountered and documented contract-management problems including:

- poor requirements definition and inadequate statements of work
- inadequate or neglected site visits and project monitoring by contract-oversight personnel

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- acceptance of incomplete or defective work and unjustified releases of contractor liability
- failure to hold contractors and contracting officers accountable for violating contracts or procedures
- poor or no documentation of project progress and contractor performance
- widespread lack of compliance with published rules, policies, and standards

A striking, but not at all unique, example of SIGAR findings on contracting is its July 2016 inspection report on the Bagrami Industrial Park about five miles east of Kabul. USAID engaged a U.S. firm, Technologists Inc., to perform construction work including a water-supply and sewage collection and treatment system. USAID accepted the contractor's work. But two on-site visits by SIGAR engineers found that the water-supply system was not completed in accordance with contract requirements and that the sewer collection and treatment system had not been built at all.

Worse yet, USAID told SIGAR that it had accepted the contractor's work "as is." Because of that acceptance, and because USAID made no claim under federal regulatory provisions regarding latent defects or fraud, SIGAR concluded, "It appears that no further action can be taken against the contractor to recover the funds spent on the deficient and, in some cases, nonexistent systems discussed in this report."²⁰⁸

Other examples of SIGAR's work illustrate a variety of weaknesses in contract management:

- A 2016 SIGAR Inspections report found that construction of the new \$155 million, U.S.-funded headquarters building for the Afghan Ministry of Defense failed to satisfy several contract requirements, including separation joints and lateral bracing to protect against seismic activity and proper roof drainage.²⁰⁹
- In October 2016, SIGAR alerted Secretary of Defense Ashton Carter and several senior military officers that more than 900 fire doors installed at the Afghan Ministry of Interior complex in Kabul did not meet contract requirements that included certification by recognized testing laboratories. The Combined Security Transition Command–Afghanistan funded the \$90 million construction, and the U.S. Army Corps of Engineers administered the contracts. The failure to monitor contract compliance raises concerns about safety, possible overpayment for inferior products, and fraud.²¹⁰
- In November 2016, SIGAR alerted the Overseas Private Investment Corporation about serious deficiencies in the management and oversight of \$85 million in loans made for the construction of a hotel and an adjacent office building directly across the street from and overlooking the U.S. Embassy in Kabul. OPIC did not regularly visit the sites or have an on-site monitoring presence at either construction project, but instead relied almost exclusively on the representations made by the loan recipients regarding the status of the projects. As a result, the \$85 million in loans is gone, the buildings were never completed and are uninhabitable, and the U.S. Embassy is now forced to

provide security for the site at additional cost to U.S. taxpayers so the building does not become a firing platform for attacks on the embassy compound.²¹¹

- Of 45 DOD construction projects that SIGAR has inspected since 2009, only 17 met contract requirements and technical specifications. The other 28 projects had deficiencies including poor grading, improper installation and testing of wiring and systems, and structural problems.²¹²
- In October 2015, SIGAR reported the results of its inspection of an electricity-connection project at an Afghan counternarcotics law-enforcement facility north of Kabul. The U.S. State Department contracted with an Afghan firm to construct components to connect the facility to the local power grid for \$1.3 million. A U.S. contracting officer's representative accepted the work in June 2013. The system was not tested and deemed operable, however, until January 2015, well after the contractor's warranty had expired.²¹³
- In January 2015, SIGAR reported that it was unable to complete a full inspection of Gorimar Industrial Park, built under a \$7.7 million USAID contract, because USAID could not locate project-design, planning, construction, quality-assurance, and related documents that the agency should have maintained to comply with the Federal Acquisition Regulation.²¹⁴
- Also in January 2015, SIGAR reported on DOD contract-management issues involving a nearly \$500,000 dry-fire range built in Logar Province by an Afghan firm for Afghan police training. A dry-fire range is a facility where no live ammunition is used, but where trainees concentrate on posture, aim, and weapons familiarity. The U.S. government accepted the completed work and paid the contractor in full. Within four months, however, the range's buildings began to disintegrate because the contractor used substandard bricks and other materials, violating contract requirements. U.S. officials failed to hold the contractor accountable before the contractor's warranty expired, so the buildings had to be demolished at additional cost to taxpayers.²¹⁵

In July 2013, a special section of SIGAR's quarterly report to Congress focused on contracting in Afghanistan. The section featured examples of poor planning, bad contractor performance, ineffective management and oversight (including noncompliance with federal oversight rules), lack of documentation, improper release of contractor liability, and weak accountability—all contributing to waste, fraud, abuse, costly rework, and sustainability problems for the Afghan government.²¹⁶

SIGAR's findings—many more of which are detailed in audits, inspections, special projects, and the quarterly report to Congress—are consistent with other oversight conclusions on contracting.

DOD has acknowledged that U.S. forces in Afghanistan lacked the capacity to administer, oversee, and close contracts to ensure proper performance,²¹⁷ and other federal agencies have problems stretching back to the early days of Afghanistan reconstruction.

The Government Accountability Office has carried DOD contract management on its own high-risk list since 1992—almost a quarter of a century. In the 2015 edition of its

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High-Risk List, GAO listed four “challenges” for DOD: the acquisition workforce, contracting techniques and approaches, service acquisitions, and operational contract support.²¹⁸

The challenges continue. A 2016 report by the DOD Inspector General faulted U.S. military management of fuel contracts to support the Afghan Ministry of Interior, which controls national police forces. The DOD IG found contract management by the Combined Security Transition Command-Afghanistan (CSTC-A) “not effective,” as efforts lacked coordination, roles and responsibilities were not clearly defined, and CSTC-A did not enforce reporting requirements or hold the ministry accountable when it failed to institute controls over the contract-management process.²¹⁹

What has Changed since the last High-Risk List

Federal agencies have implemented or promised various improvements in contract management for Afghanistan reconstruction. For example, DOD has transferred responsibility and added personnel for managing a vehicle-maintenance contract to support the Afghan National Army.²²⁰ And Afghan President Ashraf Ghani, responding to fuel-contract corruption exposed by SIGAR investigators, has created a National Procurement Council to improve vetting and awards of government contracts. In recognition of SIGAR’s role in exposing fraud, collusion, and bid-rigging in fuel contracts for Afghan forces, President Ghani invited SIGAR to attend his procurement-review meetings and instructed officials to cooperate with SIGAR personnel.

Other developments are not positive. Afghan insurgents have increased their activity. The U.S. military and civilian-oversight presence in Afghanistan is shrinking. And corruption continues to plague the country. For these and other reasons, contract management remains a high risk to the reconstruction effort.

Questions for Policymakers

- If security conditions prevent U.S. access for direct management and oversight in some areas, to what extent have agencies made reasonable plans for adequate and verifiable remote or third-party monitoring of contractor performance?
- What steps have agencies taken to improve contract management and oversight, particularly agency personnel’s adherence to existing regulations and policies and contractors’ adherence to the terms of their agreements?
- Do some activities customarily let out to contractors need to be partially or wholly returned to U.S. military or civilian-agency execution when a contingency operation is likely to entail multiyear efforts in a non-permissive environment?

HIGH RISK AREA 7: OVERSIGHT

Why it is a Risk

Putting oversight boots on the ground and eyes on the work is a critical part of effective reconstruction oversight, especially in a conflict setting where rules are not rigorously observed, where corruption is common, and where documentation is often incomplete or unverifiable.

Oversight is not only the duty and responsibility of inspectors general and other oversight agencies, but also of the departments and agencies which spend the money and implement programs and projects. Those government employees carrying out the mission and who are the stewards of taxpayer money are often the first line of defense in terms of oversight—making sure funds are spent responsibly and in a way that furthers the mission and its goals. However, the number of those U.S. personnel in Afghanistan has decreased over time—with fewer U.S. personnel per reconstruction dollar spent—putting reconstruction funds at risk of being wasted, abused, or lost to fraud. SIGAR today has more U.S. staff on the ground in Afghanistan than all other U.S. oversight agencies combined.

The drawdown of U.S. forces in Afghanistan from a peak of more than 100,000 in 2011 to fewer than 10,000 in 2016, for example, has not been without oversight consequences.



The north entrance to the Salang Tunnel on the border of Parwan and Baghlan Provinces.
(State photo by S.K. Vemmer)

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With fewer military personnel, the quality of data about America's largest investment in Afghanistan—the nearly \$69 billion to build, train, equip, and sustain Afghanistan's security forces—has decreased. U.S. forces used to work closely with Afghan forces at all levels and thus could report on their progress and capabilities. However, because of the reduction in their numbers, U.S. military personnel are not present in ANDSF units below the corps level. Instead, they are now largely restricted to Afghan army and police headquarters and must rely on Afghans to provide reports on their own progress.

The reduced numbers of U.S. military personnel have also further constricted security and transport resources for in-country movement by federal civilians whose oversight responsibilities benefit from physical access to U.S. program and project sites. Without physical access, it is difficult to determine whether training is effective, equipment is operable, clinics are stocked with medicines, schools are open, or buildings are safe and functional.

What SIGAR Found

For SIGAR and other oversight agencies, accessing reconstruction project sites in Afghanistan has grown increasingly difficult with the U.S. and Coalition military drawdown. The concern is well captured in the U.S. State Department's travel warning on Afghanistan:

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.²²¹

The security threat affects more than U.S. projects. A recent report on Afghanistan commissioned by the Norwegian Agency for Development Cooperation says, "Almost all evaluations identify security risks as the main challenge to project implementation, monitoring and evaluation. Growing Taliban influence as well as other sources of increased violence made it difficult to access projects to document outcomes and measure impact."²²²

SIGAR staff, from the Special Inspector General to employees on station in Kabul, can attest to the truth of this warning and to the difficulty of moving about in Afghanistan. In addition to the widespread and persistent security threat, the shortages of security escorts and transportation act as severe constraints on oversight access. In SIGAR's January 2016 quarterly report, Special IG Sopko wrote that "The lack of security has made it almost impossible for many U.S. and even some Afghan officials to get out to manage and inspect U.S.-funded reconstruction projects."²²³

The constriction of oversight access extends to one of the most visible and urgently needed development projects in Afghanistan, the long-delayed and costly attempt to raise the hydro-electric power capacity of the Kajaki Dam in Helmand Province by installing a

third generating turbine. An armed convoy moved the generator up through insurgent-controlled hill country in 2008; installation was still under way in the fall of 2016.²²⁴ The United States has committed more than \$350 million to the turbine project, but oversight access remains a serious obstacle: SIGAR staff and other personnel subject to the jurisdiction of the U.S. Chief of Mission in Afghanistan are currently not permitted to go to Kajaki Dam because of security concerns.²²⁵

Remote-monitoring technology, increased use of local-national observers, and engagement with nongovernmental organizations operating in Afghanistan can mitigate some of the growing access challenge. But for many purposes, there is no practical substitute for an on-scene and effective U.S. government oversight presence.

SIGAR has repeatedly observed the consequences of poor oversight access. For example, a July 2016 report on a vehicle-maintenance contract for the Afghan National Army noted that “After June 2013, [Defense Contract Management Agency] contract oversight reduced significantly due to deteriorating security conditions,” preventing the agency from performing on-site quality assurance and property audits and functions in Afghanistan, and limiting the information needed to assess contract performance.²²⁶ The constriction of oversight access is troubling because the December 2010 contract has already been extended a year and a half beyond its five-year duration, has been modified 68 times, and has grown from a projected cost of \$182 million to \$423 million—so far.

Another access problem involved an economic-development project. In January 2015, Afghanistan’s industrial-park development director announced the U.S.-funded \$7.8 million Shorandam Industrial Park in Kandahar Province had 13 business commitments, with four already operational. The park, built to hold 48 tenants, had been largely unused since its completion in 2010. Because of security concerns and travel restrictions, however, SIGAR staff could not visit the park to confirm the announcement.²²⁷ (SIGAR has adapted to the increased mobility constraints by increasing use of Afghan-national employees to reach field locations and collect information.²²⁸ In addition, remote-monitoring technology and reliability-checked reporting from third parties help SIGAR carry out its mission in the challenging setting of Afghanistan.)

Similarly, the U.S. Agency for International Development has reported that reductions in the U.S. military’s and the agency’s presence, plus Taliban activity, “have restricted the ability of USAID officials to travel to project sites and made monitoring the Agency’s work in Afghanistan extremely difficult.”²²⁹

The problem did not come as a surprise. In 2013, SIGAR issued letter of inquiry to DOD, State, and USAID to point out the problem of shrinking “oversight bubbles” in Afghanistan. The letter noted that “direct oversight of reconstruction programs in much of Afghanistan will become prohibitively hazardous or impossible as U.S. military units are withdrawn, Coalition bases are closed, and civilian-reconstruction offices in the field are closed.” It asked about high-value or mission-critical projects under way or planned in areas outside the bubbles and what plans the agencies had for effective monitoring.²³⁰

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Access to geographical locations is not the only access problem; another is access to information. As the United States and other donors act to increase the proportion of aid delivered on-budget to the Afghan government—it already stands at 50%²³¹—whether through bilateral transfers or disbursement via multilateral trust funds, visibility into the use of funds shrinks. Formal provisions for data access, verification mechanisms, and performance milestones tied to disbursements can mitigate the concern but not eliminate it.

SIGAR quarterly reports to Congress have also noted that the reduction in U.S. forces in Afghanistan and Afghan forces' assumption of full responsibility for security have led to the loss of "touch points" at Afghan battalion and brigade levels. Directly observed information on Afghan unit performance now is generally confined to the corps or ministry level.

Given the billions of dollars yet to be spent in Afghanistan—and the longstanding problems of achieving compliance and accountability in the work of reconstruction—the growing challenges to oversight access require close attention and effective mitigating actions.

What has Changed since the last High-Risk List

With the exception of SIGAR, the numbers of U.S. oversight personnel in Afghanistan have decreased, while the security- and resource-driven constraints on oversight access have grown, raising the risk from this problem. SIGAR now has more staff on the ground than all other U.S. oversight agencies combined. It is also the only U.S. oversight agency in the country conducting inspections.

Questions for Policymakers

- Are agencies tracking staffing, security, and transport indicators to determine what program sites cannot be safely or practicably accessed for oversight?
- When contemplating new projects or new work sites, are agencies specifically assessing oversight access and planning mitigation measures where needed?
- Have agencies taken appropriate steps to use third-party monitors, remote sensing, increased access to Afghan documentation and officials, or other tools to maintain acceptable levels of oversight?
- If effective oversight cannot be maintained, have agencies conducted prudent inquiries whether projects at affected sites should be suspended, modified, relocated, or terminated?

HIGH-RISK AREA 8: STRATEGY AND PLANNING

Why it is a Risk

The United States currently lacks a comprehensive strategy to guide its reconstruction efforts in Afghanistan. It also lacks overarching plans with clearly defined metrics to guide its work in a number of key areas such as anticorruption, counternarcotics, health, education, gender, rule of law, and water. The lack of planning and related strategies means the U.S. military and civilian agencies are at risk of working at cross purposes, spending money on nonessential endeavors, or failing to coordinate efforts in Afghanistan.

What SIGAR Found

In the past, U.S. government agencies have sought to coordinate their efforts to achieve U.S. objectives in Afghanistan through Civil-Military Strategic Frameworks (2012 and 2013) and United States Government Integrated Civilian-Military Campaign Plans (2009 and 2011).²³² The U.S. government currently has no updated civilian-military framework to guide its operations in Afghanistan. SIGAR recognizes that with the narrowing of the U.S. military mission in Afghanistan since 2015, DOD is no longer as involved in civilian affairs as it once was. The Integrated Country Strategy adopted in 2015 for the next three years sets mission goals and objectives for all U.S. government agencies operating under Chief of Mission authority. However, SIGAR is concerned that the strategy only covers civilian agencies.²³³

Moreover SIGAR has found that the absence of clear goals and targets can lead to confusion in critical cross-cutting areas, such as anticorruption. In its 2016 report, *Corruption in Conflict*, SIGAR found that while the U. S. Embassy in Kabul drafted a coherent anti-corruption strategy in 2010 that called for a strong U.S. political commitment, it was never approved. According to State Department officials, the draft strategy and its related implementation plan are no longer in effect. In the absence of a relevant and specific anti-corruption strategy, agency officials informed us in 2013 that two documents guided their anticorruption efforts in Afghanistan: the Tokyo Mutual Accountability Framework (TMAF) and the U.S. Civil-Military Strategic Framework for Afghanistan.

SIGAR found, however, that both documents lacked specific goals and objectives with measurable outcomes for anticorruption activities against which the U.S. government can measure its progress. Since 2013, the TMAF has been superseded by the Self-Reliance through Mutual Accountability Framework (SMAF), which continues to offer few, if any, useful anticorruption goals and objectives. This suggests that the U.S. government continues to lack a comprehensive anticorruption strategy that: (1) clearly links specific program goals and objectives to the U.S. strategic goals and objectives for combating corruption in Afghanistan, (2) aligns necessary interagency resources to achieve those strategic goals and objectives, and (3) describes the performance measures that will be used to assess anticorruption activities and their outcomes against the strategic objectives.²³⁴

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Counternarcotics is another area where the United States lacks a comprehensive and updated strategy. State told SIGAR in early 2015 that it expected the U.S. government to release, within six months, a revised counternarcotics strategy to support Afghanistan's counternarcotics (CN) goals and objectives, as outlined in the country's National Drug Action Plan released in October 2015. However, as of October 2016, the United States still had not updated its CN strategy to uphold the shared CN and National Unity Government priorities. Instead, the Bureau of International Narcotics and Law Enforcement Affairs (INL) continued to operate under the 2012 strategy. As a result, INL has not been able to adapt its activities to changing conditions, and Afghanistan remains the world's leading producer of opium.²³⁵

The United States has a strategy in place to guide its efforts to support Afghan women. However, a 2014 SIGAR audit found that DOD, State, and USAID failed to compile their information about the impact of their individual efforts into a comprehensive assessment that would confirm that the gains made by Afghan women were the result of specific U.S. efforts, as distinct from other possible causes. Such an assessment would be in accordance with best practices in managing and assessing government programs, and was called for in the 2011 United States National Action Plan for Women, Peace, and Security, and in the 2012 U.S. Embassy Kabul Gender Strategy. As a result, the full impact of U.S. efforts was unclear. For example, in addition to \$64.8 million spent by DOD, State, and USAID on programs, projects, and initiatives to support Afghan women between fiscal year 2011 and 2013, State and USAID reported spending an additional \$850.5 million on 17 projects in the same period, but could not identify the specific amount of funds within these projects that directly supported Afghan women.²³⁶

U.S. efforts to boost education also have suffered for lack of planning. In an April 2016 audit, SIGAR found that while USAID had a defined strategy to support primary and secondary education in Afghanistan, DOD and State did not. Although USAID was the only agency to have an education strategy, it did not articulate other agencies' roles and responsibilities, or how their education efforts supported its strategies and objectives. SIGAR recommended that the USAID Administrator update, as appropriate, the USAID Mission for Afghanistan's strategic education plan to provide clear descriptions of other U.S. agencies' roles, responsibilities, and accountability for helping to implement the strategy.²³⁷

Since 2003, DOD, DOJ, State, and USAID have spent more than \$1 billion on at least 66 programs to develop the rule of law in Afghanistan. However, SIGAR found in a 2015 audit that U.S. agencies lack a comprehensive rule-of-law strategy to help plan and guide their efforts. State issued the first interagency strategy in September 2009 to guide efforts in the country's formal and informal justice systems. Although State, in its capacity as coordinator for developing and approving U.S. agencies' foreign-assistance strategies, is working to finalize a new strategy, it will be less robust than the U.S. Rule of Law Strategy approved in September 2009. U.S. officials told SIGAR that by 2012, the 2009 strategy no longer reflected the operating environment or available resources, was "over-ambitious," and, as a result, had become outdated.²³⁸

Without an approved strategy in place, U.S. efforts may not be properly coordinated across agencies, monitored for alignment with U.S. and Afghan development goals and objectives, or managed effectively to ensure proper expenditure of U.S. taxpayer monies. In addition, DOD, DOJ, State, and USAID did not have a clear and consistent agreed-upon description of the scope of activities that constitute rule-of-law assistance. Officials from DOJ, State, and USAID told SIGAR that they are not required to have an agreed-upon definition of the scope of activities they plan to conduct. Although the 2009 strategy defined a scope, DOD, DOJ, State, and USAID continued to have varying activities that they considered to fall under rule-of-law assistance.²³⁹

A 2014 SIGAR audit found that although the United States has developed a comprehensive water strategy for U.S. agencies working in Afghanistan, USAID did not meet three of its key objectives in four of the nine water projects it has funded since fiscal year 2010. USAID, State, the U.S. Army Corps of Engineers (USACE), U.S. Forces-Afghanistan (USFOR-A), and others developed the U.S. Government Inter-Agency Water Strategy for Afghanistan in 2010. However, USAID did not meet the strategy's objective to implement an agency work plan that would, among other things, link projects and activities to the goals cited in the strategy. The strategy stated that each U.S. agency, including USAID, should develop and implement an annual work plan detailing its activities for meeting the strategy's goals.²⁴⁰

However, rather than developing an agency work plan, USAID intended to use the work plan for a proposed water program—the \$653 million Water Resources Development Program—as the “agency work program.” However, this program was never implemented because USAID lacked the needed funds. As a result, no work plan was developed to carry out the water strategy's provisions. Without a work plan that links projects and activities to goals, it is unclear to what extent individual USAID water projects contribute to broader U.S. government efforts to develop Afghanistan's water sector, and USAID may have additional difficulty planning and implementing ongoing water-sector-development efforts.²⁴¹

USAID also did not meet the strategy's objective to use key performance indicators to measure and evaluate its performance toward meeting the strategy's goals. The strategy itself identified potential outputs and outcomes, such as increasing agricultural productivity and improving soil and water conservation, but USAID has not evaluated its projects' performance against these indicators. As a result, USAID cannot determine how its work achieves the strategy's goals.

Another objective of the strategy called for USAID to update its strategy to reflect the changing needs in Afghanistan's water sector. However, this did not occur. By failing to update the strategy to reflect current priorities, USAID risks planning and implementing water projects that are not aligned with its goals for developing Afghanistan's water sector.²⁴² SIGAR recommended that USAID develop a new water strategy for Afghanistan with updated short-, medium-, and long-term goals and objectives that reflect USAID's current water-sector priorities.²⁴³ However, this strategy has not been finalized and there is no clear timeline for its completion.²⁴⁴

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There needs to be a clear, logical connection between objectives and progress indicators. In 2012, the USAID Office of Inspector General (OIG) found that a program designed to dissuade Afghans from growing poppies dropped indicators dealing with assistance for voluntary opium-poppy eradication and to farms following poppy eradication. According to USAID OIG, USAID deprived itself of information needed to make sound programming decisions by retaining the objective, but removing the indicators most connected to that objective.²⁴⁵ Similarly, SIGAR found in a recent audit of the Justice Sector Support Program that State had not defined a performance-management plan detailing specific performance metrics until approximately 2.5 years after the contract was signed.²⁴⁶ These are but two cases of programming seemingly divorced from the metrics for ensuring programs advance higher-order objectives.

In 2012, SIGAR found that DOD, State, and USAID were expected to form a Joint Project and Delivery Team to ensure joint project management, create transparency and accountability, and enable joint decision making for the Afghanistan Infrastructure Fund (AIF). In practice, these teams do not jointly implement all AIF projects. Additionally, SIGAR found that DOD, State, and USAID faced challenges in monitoring and coordinating execution of AIF projects due to lack of a shared database. Without insight into the implementation of interdependent projects, DOD, State, and USAID officials may not have adequate information to make effective project management decisions.²⁴⁷

What has Changed since the last High-Risk List

The United States has not improved its record of failing to plan and strategize for the reconstruction in Afghanistan. The U.S. government adopted an Integrated Country Strategy in 2015 that will remain in force for three years, but it covers only civilian agencies. The United States has also gone for more than a year without a new strategy to guide its counternarcotics efforts in support of Afghanistan's national drug-action strategy. The United States still has no comprehensive anticorruption strategy. Moreover, the United States does not have sector-wide strategies and plans for areas ranging from education to water.

Questions for Policymakers

- Do DOD, State, and USAID establish metrics that allow them to measure the accomplishment of overall strategic goals?
- Do agencies monitor and evaluate the contributions of specific projects to strategic goals?
- What mechanisms exist to facilitate interagency coordination? How effective are these mechanisms?

CONCLUSION

In 2014, SIGAR issued its first High-Risk List as a tool for the incoming Congress to use to identify areas of the reconstruction effort in Afghanistan that were particularly at risk. Two years later and a new presidential Administration is about to assume office and a new Congress has convened. This has led SIGAR to reevaluate and update its original High-Risk List report for a new cadre of policymakers and policy implementers.

This second edition of the SIGAR High-Risk List highlights eight critical areas in the vast and expensive effort to rebuild Afghanistan that deserve close attention from implementing agencies, the oversight community, and Congress. The facts presented here are a richly documented matter of public record. The issues raised in this report have the potential to massively waste U.S. taxpayers' money and to frustrate national objectives.

While some aspects of reconstruction in Afghanistan have continued to improve over the past two years, most of the issues highlighted in this report have not. As SIGAR's 2016 lessons learned report on U.S. anticorruption activities in Afghanistan confirmed, the United States contributed significantly to the problems in Afghanistan by dumping too much money, too quickly, into too small an economy, with too little oversight. Poor U.S. understanding of Afghan political and social realities led to unrealistic timelines and false assumptions about what was possible. The United States and its Afghan partners are now dealing with the consequences of some of those early decisions.

With a new U.S. President and Cabinet assuming office, it is an appropriate time to consider U.S. policy toward Afghanistan. The choices are not easy, the outcomes are not guaranteed, and the stakes are high.

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An Afghan potato farmer stands proudly by his potato farm as the winter sets in and the farming season comes to an end. (USAID photo)

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