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

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


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

Cover photo:
A U.S. soldier with the Nagarhar Agribusiness Development Team walks to his truck to prepare for a mission in support of Afghan agricultural productivity. (U.S. Army photo)

An Afghan girl in the Nawa-i-Barakzai District of Afghanistan’s Helmand River Valley watches U.S. Marines conducting a route assessment. (U.S. Marine Corps photo)
I am pleased to submit SIGAR’s quarterly report to Congress on the status of the U.S. reconstruction effort in Afghanistan. When I took on the duties of Special Inspector General for Afghanistan Reconstruction in July, I promised faster, smarter, and more aggressive oversight of the nearly $90 billion that Congress has provided since 2002 to rebuild Afghanistan.

This quarterly report to Congress demonstrates how SIGAR is delivering on that promise. SIGAR took steps this quarter to boost our work tempo and sharpen our focus on the most important programs and problems. We issued 11 written products—the most ever in a quarter since SIGAR’s formation. These products include audits, inspections, Congressional testimony, alert letters, and an investigative report to implementing agencies. Our goal: to inform U.S. government agencies and Congress in real time about problems that either threaten reconstruction progress or that endanger American lives and expose taxpayer dollars to waste, fraud, and abuse.

Our audit, inspection, and investigative work this quarter was concentrated in three critical areas: the logistics capability of the Afghan National Army (ANA); the construction quality and sustainability of Afghan security force facilities; and the use of suspensions and debarments to prevent poorly performing and corrupt contractors, including those tied to insurgent and terrorist networks, from winning U.S.-funded reconstruction contracts.

SIGAR Highlighted Problems with DoD’s System for Accounting for Fuel Provided to the ANA

In September, SIGAR alerted the Department of Defense (DoD) and Congress that it had identified a serious lack of accountability in the U.S. program to provide fuel to the ANA. We also issued an audit report that found DoD:

- could not accurately account for $1.1 billion in fuel provided for the ANA;
- lacked complete records for fuel ordered, purchased, delivered, and consumed; and
- had no reasonable basis for estimating ANA fuel needs.

During two appearances before the House Committee on Oversight and Government Reform’s Subcommittee on National Security, Homeland Defense, and Foreign Operations, I testified that these findings were particularly disturbing because in January 2013, the United States and NATO plan to increase spending on fuel for the Afghan army and to transfer U.S. funds directly to the Afghans to purchase fuel themselves—a program that would cost more than $2.8 billion over the next six years. As a result of SIGAR’s audit work, the chairman and ranking member of the subcommittee have cosponsored legislation that would prohibit DoD from providing funds directly or indirectly to the Afghan government to purchase petroleum products unless SIGAR and the Secretary of Defense certify to Congress that the government of Afghanistan has strict accounting and oversight measures in place.

SIGAR Investigated IED Threat to U.S. Forces on a Major Afghanistan Highway

In October, SIGAR issued an alert letter to the Commander, U.S. Central Command and the Commander, International Security Assistance Force/U.S. Forces-Afghanistan regarding potentially significant contract fraud in the installation and inspection of culvert denial
systems designed to prevent access to roadway culverts by insurgents. Based on concerns shared with SIGAR by military personnel, we estimated that a large number of culvert denial systems might have been falsely reported by Afghan contractors as complete when, in fact, the denial systems were not installed or were installed in a defective manner, rendering them ineffective and susceptible to compromise by insurgents seeking to emplace improvised explosive devices (IED). We issued the letter to ensure that all relevant personnel would be notified and so that immediate action could be taken to protect U.S. forces in Afghanistan. This case exemplifies the benefits of cooperation between the military and SIGAR.

SIGAR's Audits and Inspections Identified Infrastructure Problems
SIGAR's audit of an $800 million contract for operations-and-maintenance support for Afghan security force facilities raised grave questions about Afghanistan's ability to sustain these facilities after 2014. Our inspections of ANA garrisons and a police training center identified numerous deficiencies, including structural failures, improper grading, sinkholes, inadequate drainage, improper electrical grounding, and lack of maintenance.

We recommended that the U.S. Army Corps of Engineers (USACE), which managed these contracts, hold the contractors responsible for correcting these serious problems.

SIGAR Continued Efforts to Prevent Bad Contractors from Winning Government Contracts
SIGAR's work this quarter has had impact in other areas. We referred 60 individuals and companies to implementing agencies for suspension or debarment, bringing the total number of referrals since we began this program two years ago to 206. These referrals included 43 individuals and companies identified as having actively supported insurgent groups, such as the Haqqani Network opposing U.S. and Coalition forces in Afghanistan. SIGAR's referrals have resulted in 41 suspensions, 85 proposals for debarment, and 46 finalized debarments of individuals and companies involved in waste, fraud, and abuse related to U.S.-funded reconstruction projects.

SIGAR is currently seeking the independent authority to suspend and debar contractors for misconduct. Nearly a year ago, SIGAR submitted a draft regulation to the Office of Management and Budget (OMB) that would permit SIGAR to implement its own suspension and debarment program. Obtaining this authority is imperative. As I have testified, referring cases to other federal agencies often delays action. It has taken an average of 323 days for implementing agencies to act on our referrals. These delays are unacceptable, especially in a conflict zone. Bad contractors can imperil lives, as well as waste money. For example, we discovered this quarter that Afghan contractors failed to install and inspect metal grates they had been paid to install to keep insurgents from planting IEDs inside culverts along a major highway in Afghanistan. I have written to OMB and lawmakers to reinforce SIGAR's request for the needed authority to quickly exclude suspect contractors from participating in U.S.-funded reconstruction work.

SIGAR Instituted New Initiatives To Provide More Timely Reports
SIGAR is not only acting, but listening. During the summer, I visited Afghanistan and met with senior civilian and military leaders in Kabul and in the provinces. There, and in my numerous meetings with government officials and members of Congress in Washington, D.C., I heard their concerns about security, corruption, and sustaining reconstruction gains after the transition. U.S. officials in Afghanistan and Washington asked us to help them identify problems and propose solutions before the money is spent. We have taken that request to heart and will continue to expand our use of alert letters, testimony, and special
reports to provide timely and actionable information even as the painstaking work of formal audits and investigations proceeds.

In addition, SIGAR is forming a rapid-response team of auditors, investigators, analysts, attorneys, and other specialists to examine issues brought to our attention and to provide prompt, actionable reports to federal agencies and Congress. This initiative will be led by an experienced auditor who oversaw SIGAR's forward operations for the last three years in Afghanistan.

Looking Forward
SIGAR auditors and investigators are working jointly to respond to critical issues quickly. For example, in early October, a military assessment team recommended that General John Allen, Commander of the International Security Assistance Force-Afghanistan, ask SIGAR to investigate what has happened to about $230 million in missing repair parts ordered for the Afghan army. We immediately launched an investigation and announced we will audit DoD’s procurement and management of equipment-repair parts for the ANA. With 474 of 500 shipping containers unaccounted for, the military assessment team said that management failure also led to reorders of another $136 million of repair parts.

The equipment-parts audit is one of seven new audits and three new inspections begun this quarter. They will examine a broad mix of contracts and programs intended to build a sustainable Afghan government capable of providing for its own security. In addition, SIGAR formally launched its financial audit program. The program will begin with 11 incurred-cost audits of contracts and grants totaling $913 million in auditable costs. Financial audits are an important tool we can use to ensure taxpayer dollars are spent wisely and recoup those dollars that are not.

During this reporting period, SIGAR grew its staff to 175 full-time employees and expanded its presence in Afghanistan. We opened an office in Mazar-e-Sharif, extending SIGAR's reach in Afghanistan to seven locations—an important advantage for oversight, given the shrinking availability of military transportation in country.

As I have said before, the stakes are high, and time is of the essence. A successful transition to Afghan control in two years depends heavily on successfully executing reconstruction programs to strengthen Afghan security forces, build governing capacity, and spur economic development. Failure would be not only another calamity for the war-weary people of Afghanistan, but an opportunity for terrorist groups to rebuild strongholds and once again use Afghanistan to plot attacks against the United States.

We are leveraging our analytical and investigative resources to provide the timely oversight needed to protect the U.S. investment in the largest reconstruction program the United States has ever undertaken in a single country. I and all of the SIGAR staff look forward to continuing to work with Congress and the various agencies operating in Afghanistan to safeguard public funds and help the United States achieve its reconstruction objectives in Afghanistan.

Respectfully,

John F. Sopko
Special Inspector General for Afghanistan Reconstruction

2530 CRYSTAL DRIVE ARLINGTON, VIRGINIA 22202
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“We’ve come too far, we’ve fought too many battles, we’ve spilled too much blood, not to finish the job.”

—Secretary of Defense Leon Panetta
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Soldiers from the U.S. 82nd Airborne Division, the Afghan National Police, and the Afghan National Army assemble for a recognition ceremony for their security, military, and humanitarian operations in Ghazni Province, Afghanistan. (U.S. Navy photo)
AFGHANISTAN OVERVIEW

Military and political developments have dominated news from Afghanistan since SIGAR’s last report to Congress, with broad implications for the future of the U.S.-led reconstruction effort. The reporting quarter saw the end of the 30,000-strong American troop surge ordered in 2009, a rise in “insider” or “green-on-blue” attacks resulting in a temporary suspension of coalition training of Afghan security units, and the resumption of overland supply routes from Pakistan. The U.S. senior civilian and military leadership continued to develop plans to transfer reconstruction projects to the Afghan government. Meanwhile, the United States and North Atlantic Treaty Organization (NATO) posted new senior personnel to Afghanistan to represent their interests as the international community transitions responsibility to the Afghan government to secure the country and sustain economic development.

As discussed below, several developments in the quarter underscore the difficulties of achieving U.S. and coalition reconstruction objectives in Afghanistan.

U.S. SURGE TROOPS WITHDRAWN AS TRANSITION PROCEEDS

In September 2012, the United States completed its withdrawal of the 30,000-troop increase ordered by President Obama in 2009. The drawdown reduced the U.S. military presence in Afghanistan to approximately 76,000 personnel. That number will continue to decline as the year-end 2014 target for full withdrawal of U.S. combat forces approaches.

As the surge came to an end, General Martin E. Dempsey, Chairman of the Joint Chiefs of Staff, said it had bought the coalition “time to push back on some Taliban initiatives” and “some space to grow the Afghan security forces.” The U.S. reconstruction effort has concentrated heavily on building the Afghan National Army (ANA) and the Afghan National Police (ANP). Since 2002, Congress has provided more than $51 billion—more than half of the approximately $89 billion appropriated for the reconstruction of Afghanistan—to build the Afghan National Security Forces (ANSF). Nearly $37 billion, or about 72% of total funding for the ANSF, was appropriated from FY 2009, when President Obama announced the surge, through
FY 2012. The President has asked for an additional $5.7 billion to support the ANSF for FY 2013.

During this reporting period, the Combined Security Transition Command-Afghanistan (CSTC-A), which is responsible for training, equipping, basing, and sustaining the ANSF, reported that the combined end strength of the ANA and the ANP is approaching the ANSF’s goal of 352,000. The United States strategy in Afghanistan depends on these forces being able to provide their country’s security after 2014.

Because of the large amounts of money that the United States has appropriated to build the ANSF, and because of the critical importance of the army and police to the future of Afghanistan, SIGAR is conducting a number of audits and inspections to assess the extent to which U.S.-funded programs have built a sustainable ANA and ANP. This quarter, SIGAR published two audits and three inspection reports that found 1) CSTC-A could not fully account for $1.1 billion used to purchase fuel for the ANA, and 2) the ANA and the ANP do not have the capacity to operate and maintain garrisons and training centers built for them. SIGAR is conducting five other audits related to the ANSF. The audits are examining construction projects, evaluating CSTC-A’s oversight of contracts for vehicle maintenance and repair parts, and examining the ANP’s capacity to purchase, deliver, and account for petroleum products. SIGAR initiated the ANP audit after identifying a number of problems with the ANA’s ability to manage, track, and account for fuel purchases (see Section 2 of this report for details of these audits and inspections and Section 3 for more details on the U.S. effort to develop the ANSF).

NATO/ISAF DEVELOPING STRATEGY TO MAINTAIN SUPPORT FOR THE ANSF

The transition of security responsibility to the ANSF continued during this reporting period. The NATO-led International Security Assistance Force (ISAF) began the process of shifting territory in tranches to ANSF control more than a year ago. By the end of September 2012, 75% of the Afghan population lived in the cities, provinces, and districts in transition. While U.S. officials say security has not declined appreciably in these areas, they also note that the transition began in the safest parts of the country. The United States and its coalition partners recognize that deteriorating security would jeopardize the entire reconstruction effort.

During this reporting period, Secretary of Defense Leon Panetta told NATO Defense Ministers that the alliance must do everything it can to ensure the long-term success of the ANSF. He urged a three-pronged strategy to:
- maintain a strong coalition partnership with Afghan forces,
- mount an effective response to insider attacks, and
- manage a careful evolution of the campaign through 2014.
Strengthening the Partnership with the ANSF

On October 10, 2012, Secretary of Defense Leon Panetta addressed a meeting of defense ministers from NATO countries, urging them to support a new Security Force Assistance Team model to continue building ANSF capabilities. NATO/ISAF is embedding trainers and mentors with the ANA and ANP for longer rotations to “assist them as they take the security lead.” Secretary Panetta said NATO should lengthen the amount of time trainers spent with ANA and ANP units to develop “longer-term relationships between ISAF members and Afghan training institutions.”

According to NATO, 465 teams of embedded mentors and trainers are working with Afghan military and police units; Panetta called on NATO partners to supply personnel to fill more than 50 additional teams.

Responding to Insider Attacks

During this reporting period, “insider” or “green-on-blue” attacks by ANSF personnel against U.S. and other coalition forces increased, raising fears about the training and mentoring of Afghan soldiers and police. Since the beginning of 2012, 37 insider attacks have claimed the lives of 51 coalition personnel, including 32 Americans. Other lethal attacks have occurred within the ranks of the ANA and ANP, sometimes reflecting ethnic animosities.

The attacks generated widespread media coverage and public comment, causing concern about the pace of progress toward the scheduled hand-off
of full security responsibilities to the Afghan government. The NATO/ISAF command initially responded to the threat of insider attacks by requiring coalition personnel to carry loaded weapons at all times and temporarily suspending U.S. Special Forces Command’s training of Afghan Local Police. For its part, the Afghan government launched investigations and began re-vetting personnel. General Zahir Amini, spokesman for the Afghan Ministry of Defense, said that the new measures led to the arrest or the expulsion of hundreds of people from the ANA.4

By October 2012, NATO/ISAF had developed a plan to diminish the threat of insider attacks. It included the following elements:5

• enhanced training that emphasizes cultural awareness, counter-intelligence techniques, vigilance, and real-time information sharing
• implementation of a “guardian angel” program, in which one or more coalition force members remain armed and ready when working with ANSF counterparts
• expansion of vetting and counter-intelligence operations
• continuous efforts to analyze attack patterns

Careful Planning Needed as the Transition Evolves

Secretary Panetta said the key challenge confronting the coalition is to plan a smooth transition that leaves the ANSF capable of providing for Afghanistan’s security. He said the post-2014 size and composition of ISAF forces in Afghanistan is not yet settled, but that 2013 will see the coalition operating from fewer bases, a net outflow of materiel from Afghanistan, reduced U.S. scale of enabler support, and continued “stepping back” of international forces as Afghans take on more responsibility.6

As discussed in the Security section of this report, transition planning also includes an evolution and eventual phase-out of the coalition’s Provincial Reconstruction Teams (PRTs) and District Support Teams (DSTs), which have been backing reconstruction efforts at the provincial and district levels. Twenty-five countries provide direct or indirect support to PRT and DST operations, including the United States, the United Kingdom, Germany, Poland, Italy, and Japan. By the end of the transition process, all PRTs will have handed over their functions to the Afghan government, development agencies and non-governmental organizations, or to the private sector.7 NATO/ISAF have already begun closing PRTs and DSTs in the more secure provinces.

The diminishing coalition presence presents two challenges for the reconstruction effort. Without the PRTs, it will become more difficult for U.S. agencies to implement and monitor projects at the provincial and local levels. The NATO/ISAF troops have provided security for both the PRTs and officials traveling outside of Kabul. With dwindling forces it is likely to become harder for SIGAR and other oversight agencies to visit and assess projects.
As they did in Iraq, the U.S. civilian and military planning teams are reviewing hundreds of military functions and tasks and reconstruction projects to determine which should be handed over to the Afghan government, transferred to the U.S. Embassy, or terminated. SIGAR will closely monitor the transfer of reconstruction projects. The agency is already conducting one audit that is assessing whether base construction requirements and transition procedures for the ANSF are following acceptable contract procedures, and whether facilities are designed to minimize future sustainment costs.

SUPPLY SHIPMENTS THROUGH PAKISTAN RESUME
Pakistan’s November 2011 suspension of transit rights for NATO supply convoys bound for Afghanistan ended in July 2012, after the United States apologized for air strikes that unintentionally killed 24 Pakistani soldiers. The resumption of convoy traffic reduced the cost and complications of moving supplies into Afghanistan by air or by roads from its northern neighbors, Kazakhstan, Kyrgyzstan, and Uzbekistan. At $1,250 per vehicle, those countries were reportedly charging at least five times the Pakistanis’ fee before the suspension.8

While the re-opening of the border between Afghanistan and Pakistan was a welcome development, insurgents have been known to charge protection money to guarantee safe passage of goods traveling from Pakistan through insecure areas. A Taliban commander told the media that with the supply routes re-opened, the insurgents will be able “to make money in bundles” by extorting protection payments from trucking companies carrying the supplies. The Congress has long been concerned that insurgents have been collecting fees for protecting supply convoys. In the FY 2012 National Defense Authorization Act, the Congress prohibits contracting with the enemy. This quarter, SIGAR began an audit to determine whether the United States Central Command and its contractors are fully complying with established contracting policies and procedures. This audit will also assess the extent to which the Department of State and USAID have established policies and procedures to prevent contract awards from funding persons or entities identified as actively supporting the insurgency or opposing U.S. or coalition forces.

PEACE TALKS STALLED
The Afghan government has made reaching a peace agreement with the Taliban a top national priority because it does not believe that it can defeat the insurgents through military action alone. In his speech to the UN General Assembly on September 25, President Karzai asked the UN Security Council to remove more members of the Taliban from its sanctions list to
facilitate direct negotiations. He reiterated his offer to extend a hand of peace, not only to the Taliban but also to all other armed opposition groups “who wish to return to dignified, peaceful, and independent lives in their own homeland” as long as the militants ended violence, cut ties with terrorist networks, preserved the gains of the last decade, and respected the Afghan constitution.9

President Karzai’s request to delist additional members of the Taliban comes at a time when the peace negotiations have stalled. Talks in Qatar between the U.S. and Afghan governments and Taliban broke off in March 2012 when the United States would not agree to free five Taliban prisoners held at the U.S. naval base in Guantanamo Bay, Cuba, in exchange for release of an American sergeant held by the Taliban. The U.S. government has issued no official public statement on the status of the negotiations effort, but a State Department spokesman said on October 3, “The Taliban have not been interested in coming to the table for some time.”10

KARZAI ISSUES ANTI-CORRUPTION DECREE

Pervasive corruption in Afghan public life is widely seen as a major obstacle to reform, development, stability, and growth for the country. The 70-nation international donors’ conference held in Tokyo in July 2012 explicitly linked Afghan progress against corruption to the continuation of foreign aid. Saying “governance has a direct bearing on development performance,” the Mutual Accountability Framework adopted at the conference called on the Afghan government to improve governance, rule of law, and human rights. It urged the Afghan government to “enact and enforce the legal framework for fighting corruption.” Such a framework would include “annual asset declarations of senior public officials including the executive, legislative and judiciary,” and “strengthening counter-narcotics efforts.”11 Commitments to the Framework require that both the Afghan government and the international donor community monitor Afghanistan’s performance.

President Karzai responded at the end of July with a presidential decree intended to improve governance and reduce corruption. The 23-page decree, subject to parliamentary review, calls for, among other things:

- government officials to refrain from naming relatives or friends to government positions or trying to influence appointing officials,
- the Afghan Supreme Court to finalize its corruption cases,
- all inactive courts to be fully operational within nine months, and
- the army and police to report appointments and promotions to the president’s office.

State Department officials told SIGAR the decree’s linkage to the Tokyo framework gave focus and sense of urgency to a reform agenda. Recognizing that the reconstruction effort cannot succeed unless the
Afghan government takes serious steps to deter corruption, SIGAR will be paying close attention to the implementation of President Karzai’s decree. The United States and other international donors have pledged to provide 50% of their future assistance directly through the Afghan budget, but providing this aid will depend on the Afghan government’s ability to assure donors that it can fully account for the funds. Failure to tackle corruption puts at risk foreign aid upon which Afghanistan depends.

SIGAR began two audits this quarter that will assess two issues related to corruption: currency flows at the Kabul International Airport, and direct assistance that the United States is giving Afghanistan’s Ministry of Public Health.

**U.S.-AFGHAN BILATERAL COMMISSION BEGINS WORK**

The U.S.-Afghanistan Bilateral Commission held its first meeting in Washington, D.C., on October 3, 2012. The Commission was established after Presidents Barack Obama and Hamid Karzai signed the Enduring Strategic Partnership Agreement in May 2012. This agreement laid the foundation for a relationship between the United States and Afghanistan following the withdrawal of most of the U.S. troops, but did not specifically address the post-2014 U.S. military presence in Afghanistan.

Secretary of State Hillary Rodham Clinton told the Commission its work would produce “specific steps that we can take together” to achieve the aims of the Agreement. These include sustaining the Afghan security forces, funding economic development programs, promoting good governance, supporting regional security and cooperation, and helping Afghanistan deal with its budget shortfall. The discussions are also expected to produce a new bilateral agreement to define security arrangements after the U.S. combat presence ends in 2014. It would replace the current Status of Forces Agreement.

Delegations to the Commission meetings will be led by Ambassador James Warlick, the U.S. Deputy Special Representative for Afghanistan and Pakistan, and Ambassador Eklil Ahmad Hakimi, Afghanistan’s envoy to the United States.

**ASIAN DEVELOPMENT BANK UPDATES AFGHAN ECONOMIC OUTLOOK**

In an October 2012 update on Afghanistan, the Asian Development Bank (ADB) underscored the economic challenges facing Afghanistan. The ADB said economic growth slowed to 5.7% in the Afghan fiscal year ending in March 2012. It attributed the slowdown to the impact of drought on agricultural exports. Although the ADB projects higher growth in the current fiscal year and in FY 2013, it predicted future growth will still occur at a
lower rate than in recent years because of weaker exports and the drawdown in foreign military forces. In a separate commentary, ADB President Haruhiko Kuroda said that because of its strategic location “a stable Afghanistan could potentially attract billions of dollars worth of trade.” However, he noted that continued foreign-donor support “will be pivotal in Afghanistan’s efforts to build sustainable commercial infrastructure and grapple with weak governance, rampant gender inequality, few jobs, and endemic poverty.” The ADB report reflects broad international concern that Afghanistan cannot generate the economic growth required to sustain the reconstruction effort in the near term.

UNITED STATES, NATO ANNOUNCE NEW OFFICIALS IN AFGHANISTAN

Veteran diplomat James B. Cunningham was sworn in as U.S. Ambassador to Afghanistan on August 12, 2012, after nomination by President Obama and confirmation by the Senate. Formerly Deputy Ambassador in Kabul, he succeeds Ambassador Ryan Crocker. Cunningham’s previous posts have included Israel, Hong Kong, Italy, the United Nations (UN), and NATO. The new Ambassador met with Special Inspector General John F. Sopko and SIGAR staff at the Kabul Embassy in late August to discuss issues and challenges in Afghanistan.

At an embassy event commemorating the terror attacks of September 11, 2001, Cunningham said, “We have made significant progress toward
defeating al-Qaida, transitioning security responsibility to Afghan forces, and denying extremists a safe-haven from which to threaten the United States… And we are building a partnership with Afghanistan that will endure far into the future.”

Also in August, NATO Secretary General Anders Rasmussen appointed Dutch diplomat Ambassador Maurits R. Jochems as NATO’s Senior Civilian Representative in Afghanistan. He succeeds the United Kingdom’s Ambassador Simon Gass. A NATO statement said Jochems’s duties will include working with Afghans on transition issues and a post-2014 partnership to support its goal of “a sovereign, secure, and democratic Afghanistan.”

On October 10, President Obama announced his nomination of U.S. Marine Corps General Joseph F. Dunford as new commander of the ISAF in Afghanistan. The general is currently Assistant Commandant of the Marine Corps. He will replace the current NATO/ISAF commander, Marine Corps General John Allen. The President has nominated General Allen to serve as Supreme Allied Commander-Europe and Commander, U.S. European Command, effective in spring 2013. The President said, “Under General Allen’s command, we have made important progress towards our core goal of defeating Al-Qaeda and ensuring they can never return to a sovereign Afghanistan.” He said that if the Senate confirms the nomination, General Dunford will lead U.S. forces through key transition milestones on the path to bringing the war in Afghanistan to a close “as Afghanistan takes full responsibility for its security.” The President also cautioned, “Very difficult work remains ahead in Afghanistan.”
“These reconstruction dollars are a good investment in our national security and will allow us to end our involvement in Afghanistan responsibly. But they are also being spent at a rapid pace and far from public scrutiny, so we must be especially vigilant in ensuring that they are spent wisely.”

—U.S. Senator Jeanne Shaheen (D-NH)
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A SIGAR oversight team visits the Central Maintenance Supply Facility for Afghan National Police vehicles in Kabul.

(SIGAR photo)
This quarter, SIGAR issued 11 written products, including two audit reports, three inspections, two statements for Congress, three alert letters, and one investigative report. SIGAR also recovered funds, saved contract monies, and supported legal actions that resulted in the conviction, indictment, and debarment of individuals and companies found to have engaged in criminal activity. SIGAR announced seven new audits and three new inspections, and advocated for the authority to suspend and debar corrupt contractors. And it initiated plans to create a rapid-response team and launched a new financial audit program. With only two years to go before the scheduled end of the U.S. combat presence in 2014, all of these initiatives reflected SIGAR’s determination to leverage the agency’s resources and provide quicker, smarter, and more aggressive oversight in Afghanistan.

SIGAR activities this quarter include:

- The Special Inspector General’s testimonies before two Congressional hearings on an audit report highlighting DoD’s inability to account for $1.1 billion in fuel assets given to the Afghan National Army (ANA) and a recommendation that would reduce future ANA fuel budgets by $1.2 billion
- An audit report on facility operations-and-maintenance contracts that identified inconsistent contract oversight and questioned the Afghan government’s capacity to sustain facilities after the contracts expire
- Three inspection reports, including one that found the U.S. Army had released a contractor from all obligations despite unsatisfactory performance and continuing structural problems at the garrison it built
- One conviction, one grand jury indictment, four federal charging documents, and four arrests
- 215 open investigations, including 24 involving the theft and diversion of fuel
- 46 finalized debarments and 41 finalized suspensions of corrupt contractors
- 60 referrals of contractors for suspensions and debarments
SIGAR TESTIFIES ON THE LACK OF ACCOUNTABILITY FOR FUEL PURCHASES

This quarter, Special Inspector General John F. Sopko testified twice before Congress on findings from an ongoing SIGAR audit that found DoD could not accurately account for over $1.1 billion in fuel it provided to the ANA. The discovery is particularly disturbing, coming at a time when the United States and NATO are planning to increase spending on fuel for the ANA and transfer authority for the fuel to the Afghan government. Both testimonies were before the House Committee on Oversight and Government Reform’s Subcommittee on National Security, Homeland Defense, and Foreign Operations. Sopko was the sole witness at the first hearing on September 13, 2012; the second hearing on September 20, 2012 also included Department of Defense and USAID witnesses.

At the September 13 hearing, Sopko noted that the Combined Security Transition Command-Afghanistan (CSTC-A), which is responsible for equipping and training the ANA, had spent almost $1.1 billion over the last five years to provide petroleum, oil, and lubricants (POL) to the ANA. “Fuel for the ANA is a valuable commodity that is vulnerable to theft,” he said, and “helping the ANA develop a supportable and sustainable logistics capability—including the ability to purchase, track, and account for POL—is an essential part of transferring security responsibilities to the ANA.”

Sopko said SIGAR’s audit, initiated in February 2012, indicated that CSTC-A had incomplete records on the amount of ANA fuel purchased, delivered, and consumed, and had no valid method for estimating fuel needs on which to base funding requests. At the time, CSTC-A could not provide SIGAR with records on nearly $475 million in fuel payments because, according to CSTC-A officials, these records had been shredded.

SIGAR’s auditors found that CSTC-A’s current method for estimating ANA fuel needs did not include basic information such as the number and holding capacity of ANA storage locations; inventories of vehicles and generators in use; and fuel consumption at each ANA location. In June 2012, CSTC-A changed its method for determining annual fuel funding levels by using historical data from only one month, March 2012, to estimate ANA fuel requirements for fiscal years 2014-2018. Sopko said SIGAR’s confidence in CSTC-A’s ability to make reasonable estimates of future Afghan fuel needs was further eroded by the discovery that CSTC-A planners had allocated fuel for trailers and other equipment without engines.

SIGAR learned that no single office within the U.S. or Afghan governments had complete records of ANA fuel ordered, purchased, delivered, and consumed. CSTC-A lacked records of fuel purchases and payments prior to March 2011, and could not provide more than half of the documents SIGAR requested for its audit period of March 2011 to March 2012. CSTC-A paid vendors without independent verification of the quantity and quality of fuel.
delivered. It did not track or reconcile the amount of fuel delivered with the amount of fuel the ANA issued, stored, and consumed. (See Figure 2.1 on the following page) “As a result,” Sopko said, “CSTC-A cannot identify variances to determine potential theft.”

Sopko said the problems SIGAR identified need to be resolved quickly. CSTC-A planned to begin transferring responsibility for procuring, tracking, delivering, and accounting for fuel and other petroleum products to the Afghan government in January 2013—less than four months from the date of the hearing. CSTC-A intended to begin making direct contributions to the Afghan government from the Afghan Security Forces Fund (ASFF) of an estimated $343 million in FY 2013 to pay for the ANA’s fuel. In addition, CSTC-A proposed to increase annual funding for ANA fuel to $555 million per year for fiscal years 2014–2018—a total of nearly $2.8 billion. Sopko observed that if funding levels are not based on accurately estimated needs, and if the ANA does not have effective accounting controls in place, this fuel would be at an increased risk of theft and waste.

Sopko told the committee SIGAR had alerted CSTC-A officials to its concerns through a formal briefing in May 2012. CSTC-A took some steps to respond to the agency’s findings, but not enough to ensure that accurate ANA fuel requirements were developed and that effective controls were instituted to maintain proper accountability. As a result, SIGAR issued a report to the Secretary of Defense and other officials informing them of its concerns. SIGAR also issued a letter alerting these officials to CSTC-A’s destruction of the fuel records. Additionally, SIGAR ordered its Investigations Directorate to look into the matter.

The SIGAR report made two recommendations. The first was that NATO Training Mission-Afghanistan (NTM-A)/CSTC-A reduce FY 2013 and planned 2014-2018 budget requests for fuel for the ANA to the FY 2012 amount of $306 million and maintain this level until CSTC-A and the ANA developed a more systematic process for determining requirements. The second was that the command develop, approve, and implement a comprehensive action plan, focusing on internal control processes to verify fuel purchases and deliveries.

CSTC-A concurred with SIGAR’s proposed recommendation for a comprehensive action plan, but disagreed with the recommendation to limit budget requests for fuel pending development of a more systematic process for determining requirements. CSTC-A said the proposed funding levels were needed to sustain current military operations. Sopko reiterated that SIGAR strongly urged CSTC-A not to increase its funding for POL to the ANA. The Special Inspector General cautioned against writing a “blank check” to the Afghan government for fuel. “To do so would mean doubling down on a very risky bet,” he said.

Sopko advised lawmakers that in addition to its ongoing audit work, SIGAR was conducting more than 20 criminal investigations involving the
theft and diversion of fuel intended for military and civilian use. The investigations addressed bribery, corruption, and bid-rigging related to contracts to transport more than $100 million worth of fuel. Investigators were checking on Afghan citizens and companies, Defense Department civilians, and U.S. military personnel involved in transporting, storing, and distributing fuel. “No single commodity is as important to the reconstruction effort in Afghanistan as fuel, and no commodity is at such risk of being stolen or
wasted,” he said. “As the U.S. and its coalition allies withdraw and transfer security responsibility to Afghan forces, U.S.-funded fuel will become even more vulnerable to waste through corruption and theft.”

At the September 20 hearing, the subcommittee heard testimony from Sopko as well as Alan F. Estevez, DoD’s Assistant Secretary of Defense for Logistics and Material Readiness, Air Force Lieutenant General Brooks L. Bash, Director for Logistics at the Joint Staff, and Donald Sampler, USAID Deputy Director of Afghanistan and Pakistan Affairs. Estevez said SIGAR had identified many areas for improvement in administering the POL program, but added that he knew of no shredding of POL financial records. He said NTM-A/CSTC-A would continue to provide SIGAR with all documents relevant to its audit. Estevez also announced that NTM-A had decided to transfer only one-third of the 2013 fuel budget to the ANA. The rest would remain under NTM-A control for transfer in 2014 if the 2013 budget was properly handled.

Sopko welcomed NTM-A/CSTC-A’s decision to reduce the amount of fuel funding it planned to transfer to Afghan government authority in 2013. However, he said there was no doubt financial records had been shredded: two U.S. Air Force captains told SIGAR investigators they had destroyed documents because they lacked adequate storage space. Sopko said SIGAR was working to locate electronic copies the captains said they had made to see if they included the records SIGAR sought. He called CSTC-A’s handling of the records “deeply troubling” and repeated the recommendation to reduce both its FY 2013 and its planned 2014–2018 budget requests until program problems are corrected. As the quarter came to an end, CSTC-A still had not provided SIGAR with all the requested records.

SIGAR’S WORK PROMPTS PROPOSED LEGISLATION
In response to Special Inspector General Sopko’s testimony, Rep. Jason Chaffetz (R-UT), Chairman of the House Subcommittee on National Security, Homeland Defense, and Foreign Operations and Subcommittee Ranking Member John Tierney (D-MA) introduced legislation to provide strict oversight to DoD’s POL delivery program for the ANA. “Until we know how much we actually need to spend on POL and firewood, where and how fuel is actually used and whether or not fuel has been lost or stolen, I will not stand by and watch as we throw U.S. taxpayer dollars down the drain,” said Chaffetz. House Resolution 6485, introduced on September 21, 2012, prohibits DoD from providing funds directly or indirectly to the government of Afghanistan to purchase POL and firewood unless SIGAR and the Secretary of Defense certify to Congress that the government of Afghanistan has strict accounting and oversight measures in place. It also requires the Secretary of Defense to certify that POL and firewood provided to the Afghan government are
fully justified and accounted for. The bill was referred to the House Armed Services and Foreign Affairs Committees.

In this reporting period, U.S. Senators Jeanne Shaheen (D-NH) and Jim Risch (R-ID) also introduced legislation that would require federal agencies to notify Congress and publicly justify their actions when they ignore or defy recommendations from SIGAR. “We have an important watchdog in place in Afghanistan, and we must ensure that agencies and contractors are paying appropriate attention,” Shaheen said. Senate Bill 3505, introduced on August 2, 2012, requires agencies to explain to Congress any instance in which they do not reply to or disagree with a finding from SIGAR worth at least $500,000 in potential damages from a contractor. The legislation follows the U.S. Air Force’s reversal of such a decision following an inquiry by Shaheen. The Air Force Center for Engineering and the Environment (AFCEE) had initially rejected the recommendation SIGAR made in an October 2011 audit that it seek reimbursement for $4.3 million in taxpayer funds used to repair a poorly constructed military training facility in Kabul. But after Shaheen wrote a letter to the Air Force, AFCEE submitted demand letters to the contractor.

SOPKO MEETS WITH TOP OFFICIALS, STAFF IN AFGHANISTAN

During this reporting period, Special Inspector General Sopko made his first trip to Afghanistan, where he consulted with the senior U.S. civilian and military leadership as well as SIGAR’s audit and investigative staff about the numerous challenges—including security, corruption, lack of Afghan capacity, and sustainability—confronting the U.S. reconstruction effort. He also met with DoD, DoS, and USAID officials in Washington, D.C. to discuss their reconstruction programs. He listened to officials’ concerns in Afghanistan and Washington, and has incorporated this information into SIGAR’s audit and investigations planning processes. Implementing agencies repeatedly asked SIGAR to conduct more real-time audits of ongoing programs so that they have time to address problems before contracts, grants, or cooperative agreements have expired. Sopko emphasized SIGAR’s determination to provide broad and aggressive oversight of U.S.-funded programs during this critical transition period.

SIGAR RECEIVES TWO AWARDS FOR EXCELLENCE

The Council of Inspectors General on Integrity and Efficiency (CIGIE) honored SIGAR and other oversight agencies at its annual awards ceremony on October 16, 2012. SIGAR won an audit award for excellence for an audit published earlier this year identifying actions to improve DoD’s accountability for more than 52,000 vehicles valued at $4 billion and
provided to the Afghanistan National Security Forces (ANSF). The team members who conducted the audit included Dan Chen, Tara Chapman, Angela Yarian, and Albert Huntington III. Special Agents Philip Cousin and Wai Man Leung won an investigations award for excellence for their leading role in the successful investigation of one of the largest bribery cases to come out of Afghanistan since the U.S. reconstruction effort began in 2002. The CIGIE awards recognize those in the IG community who have distinguished themselves and contributed to the well-being of the nation at home and abroad.

SPECIAL INITIATIVES

SIGAR Pushes for Authority to Suspend and Debar

Special Inspector General Sopko testified at the House Subcommittee on National Security, Homeland Defense, and Foreign Operations hearing on September 13, 2012, that SIGAR needs the independent authority to suspend and debar contractors, rather than having to wait for other agencies to act on its recommendations. “They don’t appreciate that time is of the essence,” Sopko told the committee members. “If we’re going to make a difference and stop bad people from contracting with the government, in stopping terrorists from contracting with the government, now is the time, not two or three years from now.”

A suspension temporarily excludes a contractor from being able to bid on government contracts pending completion of a legal proceeding or investigation. A debarment makes a contractor ineligible for government awards for a fixed time, usually three years or less.

In a follow-up letter to the chairman and the ranking member of the subcommittee, Sopko said SIGAR has referred more than 200 cases to the Department of the Army, the State Department, or USAID for suspension or debarment. Of these, 106 still await action, including 43 cases in which contractors were linked to insurgents in Afghanistan. (See pages 49–51 for a full discussion of SIGAR’s suspension and debarment program)

Sopko noted that almost a year ago, on November 3, 2011, SIGAR had submitted a draft regulation to the Office of Management and Budget’s (OMB’s) Office of Information and Regulatory Affairs that would permit SIGAR to implement its own suspension and debarment program. OMB has yet to take action on the request, despite the fact that as the organization with the largest investigations and audit contingent currently in Afghanistan, SIGAR has the most extensive, cross-agency subject matter expertise available to investigate and address poor performance by contractors. “Frankly, we do not understand why OMB has not permitted SIGAR to implement its own suspension and debarment program, even though SIGAR’s main mission includes rooting out contracting fraud, waste, and
Rapid-Response Team
As part of his strategy to revamp SIGAR to respond better to the needs of Congress and the U.S. implementing agencies involved in Afghanistan reconstruction, Special Inspector General Sopko announced the creation of SIGAR’s Office of Special Projects. The Office will deploy a rapid-response team of highly skilled investigators, auditors, analysts, and attorneys led by an experienced auditor who has spent three years overseeing SIGAR’s Forward Operations in Afghanistan. The rapid-response team will focus on critical issues and provide reports to alert Congress and implementing agencies to potential problems with reconstruction programs more swiftly than a full-scale audit or inspection report, which can take as long as nine months to complete. With the transition clock ticking, SIGAR intends to provide vigorous oversight to ensure that U.S. taxpayer dollars are spent appropriately and effectively to achieve U.S. reconstruction objectives. The rapid-response team will provide timely, actionable information for Congress and all agency officials.

Financial Audits
SIGAR’s financial audit program uses a risk-based approach to identify and carry out audits of costs incurred under U.S.-funded contracts, grants, and cooperative agreements for Afghanistan reconstruction. The program was established after Congress and the oversight community expressed concerns about the growing backlog of incurred cost audits for Overseas Contingency Operations contracts and grants. Through this initiative, SIGAR will:

• confirm that costs incurred by the recipients of U.S. contracts and grants for Afghanistan reconstruction are reasonable, allocable, and supportable;
• evaluate the internal control environment related to the contract or grant; and
• in instances of noncompliance or weak internal controls, identify potential fraud or abuse.

During this reporting period, SIGAR met with financial audit stakeholders including the Defense Contract Audit Agency (DCAA), DoD, DoS, USAID, and U.S. Department of Agriculture (USDA) to articulate the program’s goals and establish a collaborative relationship. On July 31, 2012, SIGAR announced 11 audits of contracts and grants, with a combined estimated total of $913 million in auditable costs. The audits will be conducted by competitively selected audit firms contracted and overseen by
SIGAR. SIGAR plans to award the specific audit contracts over the next reporting period.

**Capstone Reports—Sustainability**

SIGAR is nearing completion of its first capstone report, which assesses the challenge of sustaining the U.S. investment in Afghanistan after reconstruction becomes an Afghan-led effort in 2014. If the Afghan government cannot provide the people, funds, and material to maintain programs and facilities, billions of dollars in U.S. taxpayer funds will be at risk of going to waste. Yet for years to come, the government of Afghanistan has no means of generating sufficient revenue to cover operating expenditures, including increased spending on security and development. SIGAR is examining the issues and difficult choices facing the U.S. and Afghan governments as they seek to sustain reconstruction while aid to Afghanistan decreases.

**ALERT LETTERS**

**Destruction of Financial Documents**

On September 10, 2012, SIGAR sent an alert letter informing Secretary of Defense Leon Panetta and others that during the conduct of its audit of the ANA’s logistics capability for POL, NTM-A/CSTC-A officials said they had shredded all ANA financial records relating to payments for fuel totaling nearly $475 million from October 2006 to February 2011. In addition, CSTC-A could not provide more than half of the documents SIGAR requested for its audit period from March 2011 to March 2012. As a result, SIGAR could not audit the documentation for more than $4.5 million of selected ANA fuel orders paid during its audit period.

The destruction of records and the unexplained failure to provide other records violated DoD and Department of Army policies. Specifically, on February 28, 2010, U.S. Army Central Command issued a memorandum instructing its financial managers not to destroy or dispose of financial documents related to Operation Enduring Freedom. The memorandum, which referenced defense finance-system accounting regulations, noted that “proper visibility, accountability, transparency, oversight, and controls of these financial documents is essential to maintaining our credibility and the trust and confidence of the Congress and taxpayers.”

SIGAR strongly recommended that the Secretary of Defense and others look into the causes and circumstances of the reported shredding, as well as any actions taken based on DoD’s own standards. The agency informed the Secretary that the matter had been referred to SIGAR Investigations.
Lack of Culvert Denial Systems on a Major Highway in Afghanistan

On October 10, 2012, SIGAR issued a letter to General James Mattis, Commander of CENTCOM, and General John Allen, Commander of the International Security Assistance Force (ISAF) warning that Afghan contractors had failed to install and inspect metal grates designed to prevent insurgents from planting improvised explosive devices (IEDs) inside culverts along a major highway in Afghanistan. SIGAR said preliminary work on a criminal investigation had identified potentially significant contract fraud in the installation and inspection of culvert denial systems. These systems consist of iron bars placed over the entrance to roadway culverts or storm drains to prevent insurgents from gaining access and planting IEDs. “Afghan contractors may have falsely reported a large number of culvert denial systems as complete, when, in fact, the denial systems were not installed or were installed in a defective manner, rendering them ineffective and susceptible to insurgents,” Special Inspector General John F. Sopko wrote. The letter identified one area that might be particularly threatened, but added that the problem also could be widespread throughout Afghanistan. SIGAR said it had been working jointly with staff at Task Force 2010 and CENTCOM Joint Theater Support Contracting Command (C-JTSCC) to address this issue. SIGAR provided the information for immediate action and dissemination to all relevant personnel so as to protect U.S. forces in Afghanistan.

Fraud Investigation of Road Contractor

Special Inspector General Sopko advised Rajiv Shah, Administrator of USAID, and S. Ken Yamashita, Mission Director of USAID-Afghanistan, in a letter dated October 17, 2012, to hold off payment of a contractor who has a $498 million cooperative agreement with USAID to build strategic provincial roads in southern and eastern Afghanistan. Sopko wrote that SIGAR was conducting an investigation into allegations of significant waste and mismanagement by International Relief and Development (IRD) in the road projects covered by this agreement. He said SIGAR also was looking into related allegations concerning kickbacks and bribery by IRD senior employees.

AUDITS

Since its last report to Congress, SIGAR has completed two audit reports. This quarter SIGAR also began seven new audits. The published reports identified several concerns related to funding, oversight, and sustainability for operations and maintenance of the Afghan National Security Forces (ANSF) facilities. These audits made five recommendations to improve accountability in the U.S. provision of fuel for the ANA, and to ensure that ANSF facilities are properly maintained.
Status of SIGAR Recommendations

This quarter, SIGAR closed 28 audit recommendations contained in nine audit reports. Since 2009, SIGAR has published 62 audits and inspections and made 209 recommendations to recover funds, improve agency oversight, and increase program effectiveness. To date, SIGAR has closed over half of these recommendations. Closing a recommendation indicates SIGAR’s assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue.

Among the corrective actions taken this reporting period, the Air Force Center for Engineering and the Environment (AFCEE) submitted demand letters to a contractor seeking reimbursement for about $4.3 million paid to correct shoddy work at the Kabul Military Training Center, including costs associated with electrical fires (SIGAR Audit 12-2). The Department of Transportation also returned $3.5 million in unused State Department transfers to the U.S. Treasury, as SIGAR recommended in its audit of the U.S. civilian uplift in Afghanistan (SIGAR Audit 11-17).

In accordance with the Inspector General Act of 1978, as amended, SIGAR is required to report on any significant recommendation from prior reports on which corrective action has not been completed. In this quarter, SIGAR monitored agency actions on recommendations contained in 20 audit reports and one inspection report. Two of the reports, which are over 12 months old, contain 13 recommendations that are pending resolution. These two reports addressed challenges over U.S. salary support to the Afghan government and technical advisors, and U.S. financial support to develop aspects of the Afghan financial sector.

- **Audit report 11-5, Actions Needed to Mitigate Inconsistencies in and Lack of Safeguards over U.S. Salary Support to Afghan Government Employees and Technical Advisors**, was published on October 20, 2010. The nine recommendations pending resolution call for the U.S. Ambassador to Afghanistan to coordinate with other international donors and the Afghan government to: collectively establish/define principles and key terms; develop and use standardized salary scales for U.S. salary support; and enhance safeguards and improve accountability over U.S. funding for salary support.

- **Audit report 11-13, Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts to Develop the Afghan Financial Sector and Safeguard U.S. Cash**, was published on July 20, 2011. The four recommendations pending resolution are directed at the Department of Defense and the State Department. The recommendations cover the need for Afghan banks to increase their use of electronic funds transfer, along with associated accountability capabilities. Additionally, they call for increased oversight of the flow of U.S. funds through the Afghan economy. This quarter
SIGAR announced a follow-up review of this audit. (See page 33 about this newly announced audit.)

Audit Reports Published
This quarter, SIGAR’s audit reports assessed the ability of the ANA to manage and account for fuel and other petroleum products and reviewed the funding, oversight and sustainability for operations and maintenance (O&M) of Afghan National Security Forces (ANSF) facilities as the NTM-A prepares to transition these facilities to the Afghan government by 2014.

The first report found that neither CSTC-A nor the ANA could fully manage and account for ANA fuel. The second report raised concerns about the Afghan government’s ability to operate and maintain ANSF facilities after the 2014 transition.

Audit 12-14: Afghan Security Forces
Report on Afghan National Army Petroleum, Oil, and Lubricants
On September 10, 2012, SIGAR presented Secretary of Defense Leon Panetta and other officials with a report warning that unless CSTC-A develops a method for estimating fuel needs on which to base funding requests and institutes effective controls prior to handing authority for fuel over to the ANA, both ANA fuel and Afghan Security Forces Fund (ASFF) funds would be vulnerable to theft and waste.

Over the last five years, U.S. funding for ANA petroleum products through the ASFF has totaled almost $1.1 billion. CSTC-A, which is responsible for equipping and training the ANA, has provided the petroleum, oil and lubricants (POL) to the ANA. Upon delivery, the ANA assumes full responsibility for POL management and further allocation. CSTC-A plans to begin funding ANA fuel through direct contributions from the ASFF to the Afghan government in January 2013. CSTC-A estimates that about $466 million will be required for ANA POL in FY 2013 and proposes to increase the annual fuel funding to $555 million for FY 2014 and beyond.

OBJECTIVES
SIGAR initiated this audit to:
• assess the status of CSTC-A’s efforts to develop the ANA’s capabilities to manage and distribute petroleum products
• determine whether the ANA has the internal controls needed to account for petroleum products and prevent fraud, waste, and abuse, including the unauthorized diversion or theft of fuel.

FINDINGS
1. CSTC-A officials told SIGAR they had no records of fuel purchase and payment information prior to March 2011 because ANA POL financial records totaling nearly $475 million from FY 2007 to February 2011 had
been shredded. In addition, CSTC-A did not have records or practices in place to fully account for fuel consumption once vendors delivered the fuel directly to ANA locations (See Figure 2.1 on page 20).

2. Controls over fuel ordering were not effective to ensure that the Afghan Ministry of Defense’s Logistics Command Materials Management Center-Army (MMC-A) was aware of all fuel ordered and whether any ANA unit received more than its authorized allocation.

3. CSTC-A paid vendors without independent verification of the quantity and quality of fuel delivered. Fuel-ordering officers ordered fuel, prepared receiving reports for payment, and certified the quantity and quality received by the units without the required MoD forms, which were needed to validate delivery tickets.

4. Fuel vendors did not always comply with the requirements set forth in the fuel blanket-purchase agreements used by CSTC-A. For example, vendors did not always provide required fuel quality reports. Moreover, the vendor delivery tickets that accompanied invoices for payment did not always include the information needed to verify the quantity delivered.

RECOMMENDATIONS
To improve the accountability for ANA POL and mitigate vulnerability to fraud and waste, SIGAR recommended that the Commanding General, NTM-A/CSTC-A, take the following actions:

1. Reduce current (FY 2013) and future (FYs 2014–2018) ASFF budget requests for ANA fuel requirements to the currently budgeted amount of $306 million for FY 2012. The FY 2012 ASFF amount budgeted should be maintained until a suitable method and systematic process for calculating accurate projections of ANA fuel requirements using valid and supportable fuel consumption and usage data is developed.

2. Develop, approve, and implement a comprehensive action plan focused on specific internal control processes to verify fuel purchases and deliveries and improve overall fuel accountability.

AGENCY COMMENTS
NTM-A/CSTC-A did not generally concur with the first recommendation. It said current funding levels had to be maintained to sustain current military operations. More specifically, it stated that FY 2012 fuel expenditures were expected to be approximately $480 million, which would result in a reduction of approximately 37% for all security operations if fuel expenditures were capped at $306 million as SIGAR recommended. NTM-A/CSTC-A also said it could not accurately determine fuel consumption estimates for vehicle usage due to fielding of additional vehicles, power generation, and other combustion-engine power equipment to the ANSF and fluctuations in power consumption due to seasonal changes. However, CSTC-A provided no
specific documentation of how these factors affected its annual estimates and its assertions that increased funding was necessary. Consequently, SIGAR reiterated its recommendation to maintain ANA POL funding levels for ASFF at $306 million until a valid method is established and annual fuel funding levels are calculated based on actual ANA fuel consumption and supportable fuel requirements.

NTM-A/CSTC-A concurred with the entirety of SIGAR’s second recommendation. It described steps it had taken or would take to address specific internal control processes to verify fuel purchases and deliveries and to improve overall fuel accountability.

SIGAR’s work on ANA POL continues; a final report will be issued in the coming quarter.

**Audit 13-1: Operations and Maintenance Contracts for ANSF Facilities**

Afghan National Security Forces Facilities: Concerns with Funding, Oversight and Sustainability for Operations and Maintenance

This audit found that oversight of U.S. Army Corps of Engineers (USACE) contracts with ITT Exelis Systems Corporation (Exelis) to provide operations and maintenance (O&M) for ANSF facilities in northern and southern Afghanistan varied due to inconsistent implementation of quality assurance and quality control procedures by USACE and Exelis, respectively. Further, it questioned the Afghan government’s capacity to sustain ANSF facilities after the contracts expire.

NTM-A developed its plan to transition O&M of ANSF facilities to the Afghan government by the end of 2014 in February 2011. In an effort to ensure that the facilities are maintained until the ANSF is capable of doing so, NTM-A obligated $800 million to provide O&M for Afghan army and police facilities across Afghanistan. In July 2010, USACE awarded two firm-fixed-price contracts to Exelis for these services to facilities in northern and southern Afghanistan. The facilities contracts are valued at $450 million for the northern provinces and $350 million for the southern provinces. As of early June 2012, the contracts covered 480 facilities—about 45% army and 55% police—ranging from large corps headquarters to smaller police-district headquarters.

The two contracts provide services that include O&M for the buildings and structures; utilities; and heating, ventilation, and air conditioning systems. The contracts also require Exelis to provide ANSF workers with O&M training in areas such as electrical, plumbing, and sewage treatment plant operations.

**OBJECTIVES**

This audit sought to assess the extent to which:

- Exelis has implemented the O&M contracts within the contracts’ terms
• USACE and Exelis have provided oversight of the contracts
• NTM-A and USACE are implementing efforts to develop the capacity of the ANSF to sustain its facilities after full transition in 2014

FINDINGS
1. While Exelis generally provided services in accordance with the terms of the contract, the contractor's difficulty mobilizing during the initial phase of the contracts and poor O&M services at some sites impacted contract implementation.
2. Factors outside the contractor's control, including the harassment of contractor personnel, poor construction quality, and irregular fuel deliveries, disrupted O&M services and may lead to increases in contract costs. For example, from December 2010 to January 2012, Exelis submitted 61 serious-incident reports documenting instances in which Afghan army and police personnel threatened, assaulted, or denied contractor personnel access to facilities. Almost half of these incidents had a negative impact on O&M.
3. SIGAR's analysis of all invoices Exelis submitted to USACE through May 2012 found the contractor's invoiced costs—approximately $237 million total—were within the terms of the two contracts. Despite this, NTM-A analysis projects that the northern contract will run out of funding in March 2014, 16 months before the contract is supposed to end. This could seriously disrupt O&M at facilities that will not have transitioned to the Afghan government by that time.
4. Oversight varied across and within the two O&M contracts, calling into question USACE's ability to ensure that Exelis is providing services in accordance with contract requirements.
5. USACE officials developed ad hoc oversight and reporting requirements rather than implementing standardized agency procedures. This has led to variations in the quality of reporting and frequency of site inspections across sites and by quality assurance officials. Federal regulations require contracting entities to conduct quality assurance to determine whether services conform to contract requirements. This includes documenting quality assurance inspections in accordance with agency procedures. Exelis implemented quality control programs as required by the contracts, but implementation in the south was incomplete. USACE and subcontractor officials reported that Exelis had conducted few site visits to facilities in the south, and the contractor had not staffed hub locations in two southern provinces.
6. The Afghan government’s capacity to sustain ANSF facilities remains questionable due to a lack of sufficient numbers and quality of Afghan personnel, as well as a lack of fully developed budgeting, procurement, and logistics systems. NTM-A and USACE have taken steps to develop
the Afghan government’s capacity to perform O&M on ANSF facilities after the full transition of these facilities to the Afghan government at the end of 2014. As of August 1, 2012, 17 sites had started the transition process. However, because USACE had not yet developed a plan and procedures for removing partial facilities from the contracts and reclassifying these facilities to reduce costs, the agency continued to pay O&M costs for structures no longer covered under the contracts.

RECOMMENDATIONS
SIGAR made three recommendations to USACE to ensure that funds are expended in accordance with O&M contract terms and to enhance contract oversight:
1. implement standardized agency procedures for overseeing the two O&M contracts
2. direct Excelis to fully implement its quality control program in southern Afghanistan by requiring the contractor to ensure that it has sufficient personnel in place to establish a presence at more ANSF sites in the south
3. complete its plan and procedures for removing partial facilities from the contracts and reclassifying these facilities to reduce O&M costs

AGENCY COMMENTS
USACE concurred with all three of SIGAR’s recommendations. USACE said the USACE-TAD regional contracting chief and primary contracting officer for USACE-TAN will develop implementing procedures to ensure there is a standardized approach to contract oversight and that contract quality assurance plans are consistently followed. Since the SIGAR report was issued, both Excelis and its primary subcontractor have authorized 19 quality control manager/inspector positions and have filled 15 of them. The TAM primary contacting officer also is working with Excelis to develop the proper procedure for removing partial facilities from the contracts.

NEW AUDITS
• DoS’s Financial Audit Coverage of Costs in Afghanistan
• DoD Compliance with the Prohibition on Contracting with the Enemy
• Tracking Currency Flows Through the Afghan Economy
• USAID’s Direct Assistance to the Ministry of Public Health
• Ongoing Construction Projects for the ANSF
• Afghan National Police Petroleum, Oils, and Lubricants
• $230 Million in Missing Repair Parts

New Audits Announced This Quarter
During this reporting period, SIGAR initiated seven audits, in addition to the 11 financial audits mentioned on pages 24–25. The audits will assess the extent to which:
• DoS has provided financial audit coverage of contracts, cooperative agreement and grants for reconstruction efforts
• DoD and its contractors have established procedures to avoid contracting with the enemy
• Afghan and U.S. officials are monitoring the flow of currency at Kabul International Airport
• USAID’s direct assistance to the Ministry of Public Health (MoPH) is achieving results
• NATO NTM-A/ CSTC-A base construction requirements and transition procedures for the Afghanistan National Security Forces are following acceptable contract procedures
• CSTC-A and the Afghan National Police (ANP) can manage and account for U.S.-funded petroleum products
• DoD can manage and account for U.S.-funded repair parts provided for the ANSF

DoS’s Financial Audit Coverage of Costs in Afghanistan
Since 2002, DoS has awarded $6.1 billion in Afghanistan reconstruction funds to its implementing partners through 244 contracts, cooperative agreements, and grants of over $1 million. Financial audits of funds expended under such awards provide DoS with independent assessments of how those funds were used. Earlier this year, SIGAR completed an audit of USAID’s audit coverage for reconstruction efforts (SIGAR Audit 12-9). Now it plans to conduct a similar audit of financial audit coverage of costs incurred under DoS contracts, cooperative agreements, and grants.

DoD Compliance with the Prohibition on Contracting with the Enemy
The National Defense Authorization Act passed by Congress in 2012 includes Section 841-Prohibition on Contracting with the Enemy in the CENTCOM Theater of Operations. In this audit, SIGAR plans to identify the processes established by CENTCOM and its contractors to comply with the provisions of Section 841. SIGAR will also (1) assess whether the processes established by CENTCOM and its contractors fully address the requirements stipulated in Section 841 and (2) assess whether CENTCOM and its contractors are fully complying with established contracting policies and procedures. This audit will also assess the extent to which the Department of State and USAID have established policies and procedures to prevent contract awards from funding persons or entities identified as actively supporting the insurgency or opposing U.S. or coalition forces.

Tracking Currency Flows Through the Afghan Economy
SIGAR is reviewing efforts made by the Department of Homeland Security and Afghan officials to implement controls at Kabul International Airport to monitor the flow of currency. This limited-scope review will focus on the status of SIGAR’s recommendation that agencies ensure that bulk currency counters are used as intended and that their data is provided to U.S. law enforcement officials as well as to appropriate Afghan officials. SIGAR has conducted two other audits related to currency flows and corruption: Audit 11-3, Limited Interagency Coordination and Insufficient Controls over U.S. Funds in Afghanistan Hamper U.S. Efforts to Develop

**USAID’s Direct Assistance to the Ministry of Public Health (MoPH)**
In July 2008, USAID approved $236 million in direct funding to the MoPH over five years. USAID provided this direct assistance to fund the Basic Package of Health Services in 13 provinces, the Essential Package of Hospital Services in five provinces, and capacity development at the central ministry. The Essential Package of Hospital Services includes what hospitals in the Afghan health system should provide in terms of general services, staff, equipment, diagnostic services, and medications. SIGAR’s audit will look at whether the direct assistance to MoPH is being used for intended purposes and is achieving expected outcomes. It will also determine whether USAID and MoPH implemented the financial and other internal controls required by the bilateral direct assistance agreement.

**Ongoing Construction Projects for the ANSF**
As of June 30, 2012, the United States had 311 ongoing construction projects for the ANSF valued at about $3.73 billion and an additional 244 planned projects valued at about $2.4 billion. SIGAR will examine CSTC-A’s justification and support for project requirements. The audit will also assess: (1) the extent to which U.S. and coalition basing plans for the ANSF reflect ANSF force strength projections; (2) whether CSTC-A fully considered alternatives to new construction; and (3) whether CSTC-A developed and used appropriate criteria to ensure that current and proposed construction projects for the ANSF are necessary, achievable, and sustainable by the Afghan government.

**Afghan National Police Petroleum, Oils, and Lubricants**
SIGAR is currently conducting an audit of the ANA’s logistics capacity for petroleum products. Ongoing audit work identified several issues that warranted immediate attention in light of upcoming budget decisions and the transition of ANA POL responsibilities along with direct transfer of U.S. funds to the Afghan government, leading SIGAR to issue an report and an alert letter. ANP POL is subject to the same short transition timelines and challenges as ANA POL, and SIGAR anticipates that similar issues will surface in the audit of ANP logistics capacity. The new audit will focus on the two main issues identified with regard to ANA POL: accuracy of fuel requirements and accountability for fuel purchases.
$230 Million in Missing Repair Parts
In September 2012, the COMISAF Advisory and Assistance Team (CAAT)—a military assessment team—reported that CSTC-A could not account for 474 out of 500 shipping containers with $230 million worth of repair parts for ANSF equipment. CSTC-A purchased the repair parts for the Afghan forces between 2007 and 2011. The team that discovered the parts were missing said this may have triggered a requirement that CSTC-A reorder additional repair parts at a cost of nearly $137 million. The team issued a report recommending that SIGAR investigate CSTC-A’s process for ordering and managing these repair parts. The report identified accountability issues throughout the entire logistics life cycle of the repair parts, including the shipment of parts into Afghanistan, acceptance of the parts by the U.S. government in Kabul, storage of the parts by ANSF contractors and subcontractors, and conveyance of the parts to the ANSF. The SIGAR audit will (1) assess the process CSTC-A uses to determine requirements and to acquire, manage, store, and distribute Class IX repair parts for the ANSF, and (2) evaluate the internal controls in place to determine if they are sufficient to account for Class IX repair parts and to prevent fraud, waste, and abuse.

Ongoing Audits
Seven additional ongoing SIGAR audits are reviewing programs and contracts in the three major reconstruction areas—security, governance, and development.

Oversight and Costs Associated with the Afghanistan Technical Equipment Maintenance Program (A-TEMP) for the ANP
To support the ANP under the A-TEMP, the CSTC-A is funding contracts with Automotive Management Services and PAE Government Services Inc. This audit will focus on government oversight of the prime contractors and any subcontractors, the costs associated with the contracts, accountability for vehicle parts and maintenance supplies, and the status of efforts to transition vehicle maintenance to the ANP.

Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants
The United States is working through CSTC-A to help the ANA build an independent and sustainable logistics capability. This quarter, SIGAR issued a report that found that CSTC-A had no valid method for estimating fuel needs on which to base funding requests and had incomplete records on the amount of ANA fuel purchased, delivered, and consumed. In an alert letter to the Secretary of Defense, Special Inspector General John F. Sopko said CSTC-A was unable to provide SIGAR with records on nearly $475 million in fuel payments because, according to CSTC-A officials, these records had been shredded. The full audit will be completed next quarter.

ONGOING AUDITS
• Oversight and Costs Associated with the Afghanistan-Technical Equipment Maintenance Program (A-TEMP) for the ANP
• Afghan National Army (ANA) Logistics Capability for Petroleum, Oil, and Lubricants
• USAID’s Southern Region Agricultural Development Project’s Partnership with International Relief and Development Inc.
• USAID Planning for Sustainability of its Development Programs in Afghanistan
• Tariffs, Taxes, or Other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan
• Air Mobility Support for Afghan Drug Interdiction Operations
• U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility—Da Afghanistan Breshna Sherkat (DABS)
USAID’s Southern Region Agricultural Development Project’s Partnership with International Relief and Development Inc.
USAID is funding the Southern Region Agricultural Development Project to combat regional instability, increase agricultural employment and income, and assist the region’s transition from an insecure area to one with a sustainable and prosperous agricultural economy. In February 2012, SIGAR received allegations that USAID’s implementing partner—International Relief and Development Inc. (IRD)—had failed to coordinate sufficiently with the local government and military officials and was spending funds on solar panels and farm tractors without justification. SIGAR is conducting this audit to assess the basis for the acquisition and distribution of solar panels and farm tractors, and to determine whether IRD’s expenditures complied with the terms of its strategic partnership agreement and the intended goals of the program.

USAID Planning for Sustainability of Its Development Programs in Afghanistan
The United States risks wasting billions of dollars if U.S.-funded development programs cannot be sustained, either by the Afghan government or by continued donor support. In June 2011, USAID issued guidance to better integrate sustainability planning into the design of its assistance programs for Afghanistan. Congress subsequently mandated that DoS, in consultation with USAID, certify that the funds would be used in accordance with this guidance. SIGAR is conducting this audit to assess USAID’s planning for the sustainability of its development programs in Afghanistan.

Tariffs, Taxes, or Other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan
The United States relies primarily on contractors and their subcontractors to implement U.S. reconstruction programs in Afghanistan. The Afghan government is reportedly charging tariffs, taxes, and other fees on materials imported for U.S.-funded reconstruction programs. This audit will determine what fees are being levied and whether these fees are in accordance with applicable international agreements. As part of this audit, SIGAR will also assess the impact that declining coalition activity after the 2014 transition will have on the Afghan government’s operating budget.

Air-Mobility Support for Afghan Drug Interdiction Operations
Despite efforts by the international community and the Afghan government to reduce poppy cultivation and illicit drug trafficking, Afghanistan still produces about 90% of the world’s opium. The illicit drug trade also
supports the insurgency. The U.S. counter-narcotics strategy strives to cut off the flow of funds to the insurgency through interdiction operations. These operations depend on U.S.-funded air-mobility support to U.S. and Afghan law-enforcement officials. U.S. efforts to enhance the capabilities of the Afghan Special Missions Wing—also known as the Air Interdiction Unit—are critical to sustaining counter-narcotics operations. This audit will determine the extent to which U.S. assistance provides responsive air-mobility support to law-enforcement officials for drug-interdiction operations, assess U.S. government agencies’ oversight of their assistance to the Air Interdiction Unit, and evaluate the extent to which U.S. assistance has resulted in developing a sustainable capability to provide air-mobility support for counter-narcotics efforts.

**U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility—Da Afghanistan Breshna Sherkat (DABS)**

The United States has been supporting efforts to commercialize DABS, the national power utility, as part of an overall effort to expand a self-sustaining power network. Several USAID-funded projects have come to a close and USAID plans to award several new contracts to continue its support of the development of the electricity utility. This audit will identify the extent to which the United States has funded programs to assist in the commercialization of DABS and assess the outcomes of those efforts. The audit will also evaluate the degree to which U.S. implementing agencies have coordinated their efforts to develop a self-sustaining DABS.

**INSPECTIONS**

This quarter, SIGAR completed three inspections and announced three new inspections. The completed inspections identified a number of construction problems at ANA garrisons in Kunduz and Gamberi and at the National Police Training Center (NPTC) in Wardak. These inspections were the last in a series of four inspections of U.S.-funded infrastructure projects being implemented by the U.S. Army Corps of Engineers-Afghanistan Engineer District-North (USACE-TAN) to support U.S. efforts to build the Afghan security forces. The three new inspections include an inspection of solidwaste incinerators at multiple forward operating bases and the inspection of selected facilities in Kabul Province and in the Northern Provinces.

SIGAR initiated its inspections program earlier this year because several audits had identified construction and sustainability issues that put the U.S. investment in infrastructure at risk. SIGAR is examining the quality of construction and assessing whether the facilities are being operated and maintained for the purposes intended.

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**COMPLETED INSPECTIONS**

- Inspection 13-1: Kunduz ANA Garrison: Army Corps of Engineers Released DynCorp from All Contractual Obligations Despite Poor Performance and Structural Failures
- Inspection 13-2: Gamberi ANA Garrison: Site Grading and Infrastructure Maintenance Problems Put Facilities at Risk
- Inspection 13-3: Wardak Province National Police Training Center: Contract Requirements Generally Met, But Deficiencies and Maintenance Issues Need to be Addressed
SPECIAL INSPECTOR GENERAL  |  AFGHANISTAN RECONSTRUCTION

SIGAR OVERSIGHT ACTIVITIES

Completed Inspections

Inspection 13-1: ANSF Facilities
Kunduz ANA Garrison: Army Corps of Engineers Released DynCorp From All Contractual Obligations Despite Poor Performance and Structural Failures

SIGAR initiated this inspection to follow up on one of the recommendations in an earlier audit that found serious deficiencies in the construction of the ANA garrison at Kunduz. CSTC-A, through the ASFF, provided $72.8 million as of June 30, 2012, to USACE-TAN to construct an ANA garrison called Camp Pamir in Kunduz province. USACE-TAN subsequently awarded two construction contracts to DynCorp International LLC. The facility was designed to host about 1,800 personnel. However, SIGAR’s audit reported in April 2010 that poor site grading and serious soil stability issues had rendered the facilities at Camp Pamir at risk of structural failure. In a January 2010 visit, SIGAR observed several damaged structures as well as severe settling and improper grading that had caused sinkholes. Although USACE-TAN and DynCorp had agreed that the soil under the site was collapsible, they had not agreed on corrective action. SIGAR recommended that USACE address the soil stability issue and determine what mitigation or corrective actions were required for DynCorp to complete construction.

FINDINGS

1. SIGAR found additional structural failures, improper grading, and new sink holes.
2. USACE-TAN had failed to adequately mitigate the collapsible soil conditions as recommended by SIGAR in April 2010. Therefore, structural failures and improper site grading continue to be serious concerns.

Despite the contractor’s unsatisfactory performance, USACE agreed in December 2011 to a settlement that released DynCorp from all contractual obligations to repair or remediate the structural problems. In agreeing to the settlement, USACE-TAN did not comply with the provisions of FAR 49.107(a), which require an independent audit and review of a settlement proposal exceeding $100,000. Subsequent to SIGAR’s 2010 report, USACE-TAN required contractors to use mitigating construction techniques to address the collapsible soil risk. These techniques require additional costs to excavate collapsible soil, haul it offsite, and bring laboratory-verified replacement soil back to the site.

RECOMMENDATIONS

SIGAR recommended that USACE-TAN take the following three actions:
1. Justify the cost of further repairs and remediation of structural failures at Camp Pamir funded with ASFF appropriations to ensure that further construction is warranted, at reasonable cost to the U.S. government.
2. Submit the DynCorp settlement to an appropriate audit agency for review, in accordance with FAR 49.107(a). Based on that review, the audit agency should submit written comments and recommendations. While the audits would normally be communicated to the termination contracting officer, due to the questionable nature of the settlement, SIGAR further recommended that the audit results and recommendations be reviewed by the Commanding General, USACE.

3. To fully document the reason USACE released DynCorp from its contract, SIGAR recommended that the Commanding General, USACE, provide an explanation of why the settlement was determined to be fair and reasonable.

AGENCY COMMENTS
USACE-TAN concurred with SIGAR’s recommendation that it justify the cost of further repairs and remediation of structural failures at Camp Pamir. USACE-TAN also agreed to request an audit of the settlement with DynCorp. Although many of the key players in the settlement are no longer in Afghanistan, USACE-TAN has initiated an in-depth review of the rationale and will provide results in writing by November 9, 2012.

Inspection 13-2: ANSF Infrastructure
Gamberi ANA Garrison: Site Grading and Infrastructure Maintenance
Problems Put Facilities at Risk
SIGAR conducted this inspection to follow up on actions USACE-TAN took in response to its recommendation in an earlier SIGAR audit of the ANA garrison at Gamberi. CSTC-A provided $129.8 million to USACE-TAN to construct an ANA garrison at Gamberi, located in Nangarhar province on Afghanistan’s eastern border. In its April 2010 audit, SIGAR had found several problems with flood control measures, site grading, and a deteriorating bridge. For example, SIGAR reported that the poor grading at the construction site could result in water accumulating around buildings and, if not addressed, could lead to flooding after a significant rainfall. This inspection sought to assess the actions taken by USACE-TAN to correct or mitigate site grading and infrastructure maintenance problems at the ANA garrison. SIGAR also inspected a new culvert under construction built to replace a deteriorating bridge near the entrance to the garrison.

FINDINGS
1. SIGAR found that failure to mitigate site grading issues and inadequate storm drainage maintenance continued to threaten facilities at the garrison. Poor site grading resulted in areas of low elevation where storm water collected, causing flooding within the garrison and allowing sediment to collect and storm water ditches to erode.
2. SIGAR observed an eroded channel and standing water by the wastewater treatment plant. The amount of erosion, debris, and signs of flooding revealed that USACE had done little to prevent or repair these problems and that its site grading efforts had been ineffective.

3. SIGAR's review of design documents for the culvert also found hydraulic design flaws that could lead to a future structural failure, making the culvert unsafe or unusable.

RECOMMENDATIONS
To ensure the structural integrity of the Gamberi garrison, SIGAR recommended that USACE take the following actions:

1. Repair damaged storm water facilities to include the repair of eroding ditches and removal of sediment and debris on roads, in ditches, and in perimeter wall outlets throughout the garrison.

2. Implement mitigating flood control measures, such as adding gravel to low-lying roads, where flooding regularly occurs, to drain these areas more quickly.

3. Establish and follow a program to maintain the storm water drainage system and ensure that timely repairs are made to correct deficiencies that SIGAR identified.

4. Conduct a detailed structural analysis and design review of the culvert design package and take appropriate actions to correct any deficiencies identified.

AGENCY COMMENTS
USACE-TAN concurred with SIGAR's first three recommendations but it did not agree that it should conduct a detailed structural analysis and design review of the culvert design package. USACE-TAN wrote that the project was completed on June 19, 2012, in accordance with the design, so no additional structural analysis and design review was necessary.
500 support staff by April 20, 2010. Phase II included construction to accommodate an additional 2,000 students by March 31, 2011.

FINDINGS
1. Although most buildings and facilities were being used for their intended purposes and construction quality generally met contract specifications, SIGAR found a number of construction deficiencies. These included improper electrical grounding of diesel fuel tanks; roof leaks around the vehicle exhaust ventilation pipes in the vehicle maintenance building; and a missing storm water outlet grating in the perimeter wall.
2. Lack of maintenance had allowed silt and construction debris to accumulate in the storm drain system, which could result in flooding and sediment buildup.
3. The building intended for use as a fire station contained no firefighting vehicles. Nor had any firefighting personnel been assigned to the NPTC. In addition, the building intended as an ammunition supply point was being used for vehicle storage and a warehouse was being partially used as a dining facility.

RECOMMENDATIONS
SIGAR recommended that USACE-TAN take the following action:
1. Replace diesel fuel tank grounding connections with those specified in the design documents to avoid a potentially dangerous condition.
2. Repair roof leaks around the vehicle-exhaust ventilation pipes in the vehicle maintenance building.
3. Repair the missing storm-water outlet grating in the perimeter wall, which would enable a person to gain unauthorized access to the compound.
4. Regularly clean silt and construction debris from the storm drain system.

AGENCY COMMENTS
USACE-TAN did not concur with SIGAR’s recommendation that it replace diesel fuel tank grounding connections. It said it had provided SIGAR with evidence that the fuel tank ground connections were completed in accordance with contract requirements and applicable construction standards. It did agree to repair roof leaks and the missing storm water outlet grating in the perimeter wall. It also concurred with the recommendation that it regularly clean silt and construction debris from the storm drain system.

New Inspections
SIGAR is conducting inspections of construction projects awarded with U.S. relief and rehabilitation funds throughout Afghanistan. This quarter
it initiated three new inspections. Two are of selected facilities in Kabul Province and in the Northern Provinces. The third is of incinerators at multiple forward operating bases.

Facilities in Kabul and the Northern Provinces
Prior contract audits have identified significant construction deficiencies where construction contractors were not held accountable in Afghanistan. To maximize coverage of the billions of dollars the United States has invested in infrastructure development, SIGAR is conducting inspections of selected facilities in Kabul and northern provinces. These inspections will ensure that infrastructure is being built in accordance with applicable construction standards and the facilities are being used as intended and properly maintained. The inspections started in September and October 2012.

Incinerator Requirements and Construction Quality
SIGAR is initiating a set of inspections of solid waste incinerators located at forward operating bases at Salerno, Sharana, Ghazni, and Shank. In response to air quality and health concerns caused by the use of open burning pits, Congress appropriated hundreds of millions of dollars to build incinerators at operating bases in Afghanistan. The agency will determine whether: a needs assessment for each incinerator was performed prior to construction to determine base requirements and capacity needs; construction was completed in accordance with contract requirements; and construction deficiencies have been corrected before acceptance and transfer. Based on its findings, SIGAR may identify other sites to visit.

INVESTIGATIONS
This quarter, SIGAR investigations resulted in one conviction, four arrests in the United States and Afghanistan, federal charges against a DoD contractor, and three federal chargings and one indictment against four current or former U.S. military personnel. SIGAR agents also seized fuel assets and cash valued at $87,000 and conducted an investigation that helped the U.S. military to secure the termination of an Afghan company providing support to the ANA Medical Service, saving $1.5 million for the U.S. government. SIGAR recommended 60 suspensions and debarments of corrupt contractors.

SIGAR Has a Multi-faceted Investigations Strategy
Since 2009, SIGAR investigations have resulted in 29 arrests, 36 criminal indictments and federal charges, 22 convictions, $7 million in fines and restitution, $36 million in recoveries, $59 million in savings, and $132 million in contract monies protected and returned to the contracting
process. The Investigations Directorate is pursuing a proactive investigative strategy to build on this record by aggressively detecting fraud and abuse, developing criminal and civil cases against U.S. individuals and companies, and by including, to the extent possible, Afghan law enforcement to address Afghan individuals and companies involved in the reconstruction effort.

SIGAR has 215 open investigations. (See Figure 2.2) Investigators evaluate each case first for criminal culpability, second for civil enforcement potential, and lastly for administrative remedies such as suspension and debarment. SIGAR’s strategic approach takes into account the unique and difficult environment in Afghanistan and includes:

- deploying investigators for tours of no less than one year in Afghanistan
- stationing investigators at major contracting centers throughout the country
- cementing alliances with other investigative agencies and anti-corruption groups
- working together with Afghan law enforcement to hold Afghan persons and companies responsible for waste, fraud and abuse of U.S. monies

**SIGAR’s Investigative Presence in Afghanistan**

SIGAR’s Investigations Directorate employs 57 people, mainly special agents; 22 were stationed in Afghanistan at the end of the quarter. Unlike other U.S. law-enforcement agencies, SIGAR deploys its investigators to Afghanistan for at least one year. Many of SIGAR’s special agents have been in-country for two years now, and several are into their third year. By contrast, most other law enforcement agencies in Afghanistan are staffed by domestic agents temporarily based in Kabul and serving 90- or 120-day assignments. The longer deployments to key locations throughout the country have enabled SIGAR to better understand the contracting environment, to recruit sources and informants, and to develop critical relationships both across U.S. government agencies and with the Afghan Attorney General’s office.

**SIGAR Embraces Integrative Approach to Investigations**

SIGAR conducts investigations using the “strike-force” model that U.S. Attorney General Robert F. Kennedy adopted to combat organized crime in the 1960s. The strike-force concept brings SIGAR, law enforcement partners, and prosecutors together to focus their highly specialized investigative and prosecutive skills in a coordinated manner. The system maximizes the expertise of each participating agency while eliminating most jurisdictional disputes. The strike-force practice of having a small group of highly specialized prosecutors working side-by-side with
experienced investigators has proven to be a highly effective investigative approach to combating reconstruction fraud.

SIGAR and seven other federal law enforcement agencies coordinate through the International Contract Corruption Task Force (ICCTF) in Afghanistan. Other agencies in the ICCTF include the Federal Bureau of Investigation (FBI); the Inspectors General of USAID, DoS, and DoD; and the Army Criminal Investigation Command (CID), Naval Criminal Investigative Service (NCIS), Defense Criminal Investigative Service (DCIS), and the U.S. Air Force’s Office of Special Investigations (USAF-OSI). ICCTF members work cases in collaboration to leverage resources. SIGAR has more investigators stationed in Afghanistan than all the other agencies combined.

Building cases in Afghanistan is only the first step to bringing individuals and companies charged with fraud or corruption to justice. They also must be successfully prosecuted. SIGAR has hired three Special Attorneys—SIGAR prosecutors, or SIG-PROs—to work as SIGAR employees detailed to the Fraud Section of the Justice Department. The SIG-PRO initiative is a key element of the strike-force concept. It allows SIGAR prosecutors to remain involved in virtually all SIGAR investigations, whether in the District of Columbia, with Justice Department Headquarters, or in local jurisdictions across the United States. Through the SIG-PROs, SIGAR is currently pursuing prosecutions in 10 federal judicial districts and the District of Columbia.

**Working with Afghan Law Enforcement Bodies to Hold Afghans Accountable**

SIGAR investigators in Afghanistan face a conundrum. Under the “Afghan First” policy, the United States is obliged to use Afghan contractors whenever possible. But in cases where these Afghan contractors prove corrupt, the United States has no legal authority over them. To combat Afghan corruption, SIGAR has developed a strategy of partnering with Afghan law enforcement bodies whenever possible. SIGAR recognizes that there is a risk in working with potentially corrupt Afghan law enforcement bodies, but believes that such collaboration is the best way to ensure that Afghans who commit fraud related to U.S.-funded reconstruction contracts are held accountable, and to gain information regarding bribery and corruption involving U.S. persons and companies.

This quarter, SIGAR initiated an investigation into an Afghan company in Kabul alleged to be offering U.S. military personnel bribes in return for contract considerations. An undercover ICCTF agent met with two Afghan businessmen who paid the agent $5,000 cash to steer contracts to their company. SIGAR and the Afghan Attorney General’s office investigated the case jointly. The Afghan authorities arrested the two businessmen as they delivered the cash. SIGAR is pursuing a number of Afghan targets for large-scale
bribery, fraud, and corruption involving U.S. personnel and U.S.-funded contracts. Primarily because of its investigators’ longer-term and more dispersed presence in Afghanistan, SIGAR has more success than many U.S. law enforcement agencies in working with the Afghan law enforcement and the Attorney General’s Office in the area of bribery and corruption.

**Preventing Bad Contractors from Being Awarded Contracts**

SIGAR has also developed one of the most aggressive and effective suspension-and-debarment program in the federal government to prevent corrupt and poorly performing contractors from obtaining reconstruction contracts in Afghanistan. SIGAR’s program has proposed and referred 206 individuals and companies for suspension or debarment to date. SIGAR works closely with the Department of Commerce and the U.S. military’s Task Force 2010 to pursue and support suspension and debarment of individuals and companies alleged to be providing support to insurgents or other illegal groups in Afghanistan. SIGAR has recommended the suspension or debarment of 43 individuals associated with the Afghan insurgency to prevent them from benefiting from U.S. reconstruction investments in Southwest Asia. The agency is seeking the independent authority to suspend and debar contractors. For more information see pages 23–24.

**Outreach Programs**

As part of a sustained effort to detect and deter waste, fraud, and abuse, SIGAR conducts a variety of outreach and educational activities throughout Afghanistan. Investigators conduct fraud awareness briefings throughout Afghanistan with U.S. military and civilian officials responsible for awarding and monitoring U.S.-funded reconstruction contracts. SIGAR advertises its hotline—featured prominently on the English, Dari, and Pashto versions of the SIGAR website—to make sure that potential whistleblowers know they have a place to report allegations of fraud.

**Investigative Results**

During this reporting period, SIGAR investigations led to four arrests in the United States and Afghanistan, three federal charges and one indictment against four current or former U.S. military, a federal charging against a DoD contractor, and one conviction of a former U.S. Army chief warrant officer. SIGAR agents seized fuel assets and cash valued at $87,000. They also helped to terminate the contract of an Afghan company providing support to the ANA Medical Service, saving the U.S. government $1.5 million. SIGAR also issued an investigative report to help DoS and USAID avoid contracting with individuals and entities supporting the insurgency in Afghanistan. This quarter SIGAR opened 55 new investigative cases and closed 28, bringing the total number of open cases to 215. Of these, SIGAR is the lead investigative agency for 166 cases. In the coming quarter SIGAR
is planning to forward two dozen cases, initiated in Afghanistan, to its U.S.-based agents to develop for prosecution by SIG-PROs in Washington, D.C. and other districts throughout the United States.

**$1.5 Million in Reconstruction Monies Saved**

A $1.75 million contract for a clinical engineering support program to assist the ANA Medical Service was terminated for non-performance following a SIGAR investigation. The termination resulted in a $1.5 million cost savings for the U.S. government. Afghan Royal First Logistics (ARFL) had contracted to install, calibrate, and certify biomedical equipment for the ANA. The equipment included anesthesia machines, X-ray machines, ventilators, defibrillators, and EKG/ECG machines. The contractor was also supposed to perform scheduled maintenance and repair of the equipment. SIGAR's previous ANA hospital investigations had documented that medical equipment often was not maintained. Therefore, SIGAR worked closely with military contracting offices and the military's Medical Service Corps to monitor the new contract's performance from the outset. SIGAR reviewed the company's contract proposal and dozens of other documents. The agency determined that ARFL did not appear to have the requisite technical expertise to comply with the contract. SIGAR made sure the contracting officer representatives were aware of the issues with ARFL. The company was never able to meet all mobilization requirements and failed to perform the services specified in the contract. On July 19, 2012, a stop-work order was issued. On August 2, 2012, the contract was modified to de-obligate 11 months of funding, thereby saving the U.S. government $1.5 million.

**U.S. Army Staff Sergeant Charged with Smuggling $1 Million**

On September 21, 2012, a U.S. Army staff sergeant was charged in the Eastern District of North Carolina with attempting to smuggle about $1 million in cash from Afghanistan to the United States. The cash was concealed in DVD recorders. In 2010, SIGAR initiated the investigation that led to Staff Sergeant Tonya Long Keebaugh's arrest after receiving information that the U.S. government was paying Afghan trucking companies for deliveries that never took place. Keebaugh had been deployed in January 2008 to Kandahar Airfield as a transportation management coordinator with the 189th Combat Sustainment Battalion, XVIII Airborne Corps. Her job was to coordinate transportation convoy efforts and services for the U.S. military. Keebaugh conspired to falsify transportation movement requests causing additional payments to be made to two Afghan trucking companies. In return, the two trucking companies allegedly provided kickbacks to Keebaugh and others who worked with her. The staff sergeant, who also performed duties as a customs inspector, then hid approximately $1 million in cash received from the kickbacks inside numerous DVD recorders loaded for shipment back to
the United States. Keebaugh was charged with aiding and abetting others to illegally ship currency as well as with concealing the money.

**U.S. Army Sergeant Pleads Guilty to Theft and Smuggling of $100,000**

On September 11, 2012, a U.S. Army sergeant pled guilty in the Eastern District of North Carolina to two counts of theft of U.S. government funds as well as bulk cash smuggling. SIGAR, together with CID, the FBI, and DCIS, initiated the ICCTF investigation that resulted in the arrest of Sergeant Nancy Nicole Smith on September 9, 2012. Sergeant Smith had been a disbursing agent with sole access to funds kept in her office safe at the 230th Financial Management Company in Bagram, Afghanistan. A routine military audit in May 2010 revealed that she altered documentation in an attempt to hide or steal $40,000. Investigators later learned that Smith had changed another document to facilitate the theft of an additional $60,000, for a total loss of $100,000 to the U.S. government. She admitted to SIGAR agents that she withdrew the money from the safe without proper authorization, placed it in a backpack, and took it to the United States on February 15, 2010, at the end of her overseas tour.

**Former U.S. Army Chief Warrant Officer Convicted in Bribery Scheme**

On September 27, 2012, a former U.S. Army chief warrant officer was convicted of conspiracy in the Eastern District of Virginia for his role in a bribery/kickback scheme in Afghanistan. SIGAR conducted the investigation of Chief Warrant Officer Franz Robinson, who was deployed to Afghanistan in February 2011 and placed in charge of overseeing the construction of a facility for the ANA. In June 2011, Robinson solicited a $60,000 bribe from several Afghan construction companies in exchange for allowing them to improperly use U.S. government heavy equipment and materials to build the facility. He negotiated an initial payment of $30,000 for the use of a dump truck, an excavator, a forklift, a grader, and two types of wire. He directed that the money be paid to his interpreter on his behalf. Robinson later confirmed that he had received the money from the interpreter, but investigators in Afghanistan were never able to recover the cash. On July 9, 2011, Robinson was arrested by FBI agents as he arrived in the United States from Afghanistan. He subsequently pled guilty to conspiracy to knowingly convert the money of another for an unauthorized use while serving as an officer or employee of the United States. He was sentenced to three years’ probation and ordered to pay $30,000 in restitution.

**U.S. Contractor Charged with Bribery**

On September 28, 2012, a U.S. contractor was charged with one count of bribery in connection with a scheme by Afghan contractors to charge the
U.S. government for phantom trucking services. SIGAR conducted the investigation of Diyana Montes, who was employed by Kellogg, Brown, and Root from April to December 2008. The firm had been hired to assist the U.S. Army's Movement Control contract with local Afghan trucking companies to transport U.S. military equipment and supplies throughout Afghanistan. Under the established system, each time a trucking company made a trip, it filed a transportation movement request (TMR). Montes’s job was to collect the TMRs from the contractors and reconcile any discrepancies between the amount of service actually rendered and the amount billed by the contractor. After she approved the TMRs, they would be passed on to U.S. contracting personnel for payment. Starting around May 2008, Montes passed TMRs on for payment that she knew to be false. In return she received some $50,000 in cash and wire transfers from a trucking company.

**U.S. Army Sergeant Arrested on Conspiracy and Theft Charges**

In July 2012, a U.S. Army sergeant first class was arrested after a SIGAR initiative to review and analyze postal money order purchases by personnel deployed in Afghanistan identified him and another soldier as being involved in suspicious monetary transactions. Sergeant First Class Mauricio Espinoza and Staff Sergeant Philip Stephen Wooten were both assigned to the 7th Special Forces Group based at Fort Bragg, North Carolina, when they allegedly stole about $225,000 in U.S. funds earmarked for the reconstruction effort. According to his indictment, Espinoza was deployed to Afghanistan as a paying agent, while Wooten was responsible for contracting with local vendors. Between July 2009 and April 2010, the two conspired to steal funds meant for Afghan contractors and falsified payment receipts to cover up the scheme. In some instances, they inflated bids for civil works projects that were submitted to the finance office for approval. Once the bids were approved, Espinoza and Wooten paid the vendor less than the approved amount and pocketed the difference for themselves. Later they converted the money into U.S. dollars and shipped some of it back to the United States via postal money orders. Wooten pled guilty on December 13, 2011, to two counts of conspiracy and theft of government property. Espinoza was arrested on July 20, 2012, and charged with the same violations.

**Two Afghan Contractors Arrested for Bribery**

On September 23, 2012, SIGAR agents, together with ICCTF member agencies and the Afghan Attorney General’s Office, arrested two Afghan citizens in Kabul as they attempted to bribe a USACE contracting officer. Wahidullah Matun and Navidullah Matun were arrested as they delivered $5,000 in cash to an undercover SIGAR special agent posing as the USACE contracting officer. The suspects had solicited USACE employees by email,
offering them bribes in exchange for USACE contracts. Eventually they revealed that they represented the Navid-Basir Construction Company. The Afghan Attorney General’s office worked jointly with SIGAR investigators on the case, illustrating the strength of SIGAR’s relationship with local law enforcement in Kabul.

**Novel Smuggling Technique Thwarted**
On June 22, 2012 SIGAR agents and other members of the ICCTF investigating fuel theft seized $23,000 in cash sewn inside a toy teddy bear. A sergeant with the U.S. Army 7th Special Forces Group in Kandahar had planned to mail the teddy bear, stuffed with cash, to the United States. The sergeant claimed to be returning money given to him to purchase carpets in Afghanistan, but could not explain why he had hidden it inside the toy bear. The sergeant was transferred to the United States in August 2012; SIGAR is investigating the source of the funds.

**Contracting with the Enemy**
On October 17, 2012, SIGAR wrote to senior United States military and political leaders, including Secretary of State Hillary Clinton and USAID Administrator Rajiv Shah, to warn them to avoid awarding any contracts, grants, or cooperative agreements to 20 contractors found to be supporting the insurgency in Afghanistan. SIGAR noted that in memoranda dated July 24, 2012, and September 17, 2012, CENTCOM commander General James N. Mattis advised DoD heads of contracting to avoid contracting with 20 individuals and entities found to be “actively supporting an insurgency” under the authority granted in Section 841 of the Fiscal Year 2012 National Defense Authorization Act. While DoS and USAID use many of the same contractors as DoD, they did not receive notice of the list. SIGAR had taken steps to initiate government-wide debarment of the 20 individuals and entities, but while the agency awaited action, it sought to alert other agencies to the danger. SIGAR recommended that that the U.S. Ambassador to Afghanistan and the USAID Mission Director/Kabul take immediate steps to disseminate General Mattis’s memoranda to their agencies’ contracting officers. It also recommended that CENTCOM develop a process for keeping civilian and military leaders and their contracting officers in Afghanistan informed of any new identifications under Section 841.

**SIGAR Aggressively Refers Corrupt Contractors for Suspension and Debarment**
This quarter, SIGAR’s suspension and debarment program referred 60 individuals and companies for suspension or debarment, bringing the total number of SIGAR referrals to 206, including 101 individuals and 105 companies. (See Figure 2.3 on the following page) The 60 referrals include 43 individuals and companies identified as having supported
terrorist groups. At the end of September 2012, SIGAR referrals had resulted in a total of 41 suspensions, 85 proposals for debarment, and 46 finalized debarments of individuals and companies engaged in U.S.-funded reconstruction projects.

Suspensions and debarments are actions taken by U.S. agencies to exclude companies or individuals from receiving federal contracts or assistance because of misconduct. SIGAR makes its referrals to implementing agencies based on completed investigations. SIGAR depends on these agencies to make the final decisions to suspend or debar an individual or a company.

As Special Inspector General John F. Sopko testified to Congress in September 2011, SIGAR is seeking independent authority to suspend and debar contractors because of lengthy delays between referral and official decision when cases are referred to other agencies. (See pages 23–24 for more information.) A SIGAR review found it takes an average of 323 days from the time SIGAR refers a case to the date an implementing agency makes a final decision. Just getting cases reviewed takes time: as of October 4, 2012, SIGAR had 19 referrals for suspension and 55 referrals for debarment awaiting action by the Department of the Army. All of them had been pending review for more than 30 days. Three had been awaiting action for over 90 days. An additional 29 referrals from SIGAR for debarment were awaiting action by USAID. All of them had been pending review for more than 90 days.

Source: SIGAR Investigations Directorate, 10/8/2012.
SIGAR OVERSIGHT ACTIVITIES

SIGAR Program Addresses Unique Afghan Contracting Environment

SIGAR’s suspension and debarment program addresses three challenges posed by U.S. policy and the contingency contracting environment in Afghanistan: the need to act quickly, the limited U.S. jurisdiction over Afghan nationals and Afghan companies, and the vetting challenges inherent in the use of multiple tiers of subcontractors. SIGAR continues to look for ways to enhance the U.S. government’s responses to these challenges through the innovative use of information resources and investigative assets in Afghanistan and the United States.

During the most recent quarter, the agency provided referrals to the Department of the Army of 43 individuals and companies identified as having actively supported insurgent groups, including the Taliban, the Haqqani Network, and affiliates of al-Qaeda. (See Table 2.1) In the past, suspension and debarment officers were not able to make such referrals because they would have been forced to rely on classified information. But

TABLE 2.1

<table>
<thead>
<tr>
<th>Name</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Khalil Zadran</td>
<td>Assadullah Majed</td>
</tr>
<tr>
<td>Afghan-German Construction Company</td>
<td>Caravan International</td>
</tr>
<tr>
<td>Haji Khalil Construction Company</td>
<td>Fazel Rahim Farid</td>
</tr>
<tr>
<td>Heim German Afghan Khalil Company</td>
<td>Farzad Fazl Karim</td>
</tr>
<tr>
<td>Heim-German Afghan-Hkcc Joint Venture</td>
<td>Hanif Computer Zone</td>
</tr>
<tr>
<td>German Afghan &amp; Khalil Construction Joint Venture</td>
<td>Habib Ur Rahman</td>
</tr>
<tr>
<td>Khalil Zadran Company</td>
<td>Iqara Computer Products</td>
</tr>
<tr>
<td>Haji Khalil Zadran Pvt. Ltd.</td>
<td>Kushid Ghoura</td>
</tr>
<tr>
<td>Green Land Star Construction Co.</td>
<td>Lapcom Computer Stores</td>
</tr>
<tr>
<td>Survey And Designing Company</td>
<td>Muhammad Halim Ghoura</td>
</tr>
<tr>
<td>Onyx Construction Company</td>
<td>Ologh Beg International Forwarders, Ltd.</td>
</tr>
<tr>
<td>Triangle Technologies</td>
<td>Qazi Abdullah</td>
</tr>
<tr>
<td>Feroz Khan</td>
<td>Sa’id Jan ‘Abd-Al-Salam*</td>
</tr>
<tr>
<td>Al Maskah Used Car And Spare Parts</td>
<td>Arvin Kam Group Lc</td>
</tr>
<tr>
<td>Zurmat Construction Company</td>
<td>Arvin Kam Construction Company</td>
</tr>
<tr>
<td>Zurmat Foundation</td>
<td>Arvin Kam Group Security</td>
</tr>
<tr>
<td>Zurmat Group Of Companies</td>
<td>Arvin Global Logistics Services Company</td>
</tr>
<tr>
<td>Zurmat Material Testing Laboratory</td>
<td>Arvin Kam Group Foundation</td>
</tr>
<tr>
<td>Zurmat General Trading</td>
<td>Vakil Saadat</td>
</tr>
<tr>
<td>Ibrahim Haqqani</td>
<td>Haji Mohammad Almas Khan</td>
</tr>
<tr>
<td>Jalauddin Haqqani</td>
<td>Haji Khalil Fruzi</td>
</tr>
<tr>
<td>Abdul Satar Ghoura</td>
<td></td>
</tr>
</tbody>
</table>

*Many of the individuals and entities on the list use multiple aliases.
now that U.S. Forces Afghanistan’s Task Force 2010 and the Department of Commerce’s Bureau of Industry and Security are able to issue SIGAR unclassified findings of determinations of support to insurgents under Section 841 of the National Defense Authorization Act of 2012 and the Department of Commerce’s Entity List, SIGAR is able to use these findings as the basis for referrals for debarment.

The task force and the bureau provide the debarring official with the classified materials that are the underlying evidence for these findings so that the official can make referrals with confidence that the individuals and companies being referred have been vetted and are indeed supporters of insurgent elements.

These referrals were the subject of congressional testimony by the Special Inspector General during the past quarter and SIGAR intends to make many more referrals based on Section 841 and the Entity List in the future.

This quarter also saw the suspensions of two large, poorly performing contractors, All Points International Distributors Inc. (API), and Hercules Global Logistics. API’s owners, Robert Schroeder and James Cipolla, were also suspended.

API failed to pay approximately $155,000 owed to an Afghan subcontractor despite receiving $617,000 in payments from the U.S. government. The company also failed to deliver an aircraft-maintenance shelter to the Combined Joint Special Operations Task Force-Afghanistan (JSOTF-A). SIGAR made multiple requests for API to meet its obligations to no avail before referring it to the Department of the Army for suspension. On August 3, 2012, the New Jersey Attorney General’s Office arrested Schroeder and charged him with writing nearly $400,000 in bad checks from his business accounts, including those of API, to investors as part of an alleged Ponzi scheme. Based on SIGAR’s efforts to suspend API, Schroeder, and their affiliates, SIGAR investigators are actively cooperating with the New Jersey State Police to provide prosecutors with materials that could be used to support the criminal case against Schroeder.

**SIGAR BUDGET**

Since SIGAR’s creation in 2008, Congress has appropriated $116.1 million to cover the organization’s operating expenses through fiscal year 2012. (See Table 2.2) Currently, SIGAR is operating under a Continuing Resolution Authority through March 27, 2013. The Continuing Appropriations Act for FY 2013 (P.L. 112-175) provides SIGAR with operational funding at the FY 2012 appropriated level of $44.4 million. SIGAR has recently submitted its FY 2014 budget request to OMB for the President’s review and approval.
This quarter, Special Inspector General Sopko announced the arrivals of Gene Aloise as Deputy Inspector General and John Arlington as SIGAR’s new General Counsel. Aloise came to SIGAR from the Government Accountability Office (GAO), where he served 38 years, most recently as director of the U.S. and International Nuclear Security and Cleanup Team. Arlington is a lawyer who has represented the United States in large corporate litigation, served as chief counsel to two Congressional committees, and spent over 10 years in the property and casualty insurance industry. Altogether, SIGAR increased its staff to 175 federal employees in FY 2012. SIGAR also extended offers of employment that would bring the total number of full-time staff to 185 by the end of October 2012.

Because of the need for increased oversight, DoS this quarter approved SIGAR’s request for eight additional positions at U.S. Embassy Kabul, bringing the total to 41. SIGAR also has 16 staff at locations outside of U.S. Embassy Kabul. SIGAR has staff members stationed at locations including Kandahar and Bagram airfields, Camp Leatherneck, forward operating base Salerno, United States Forces-Afghanistan headquarters in Kabul, and the U.S. Consulate in Herat. SIGAR employs four Afghan nationals in its Kabul office to support investigations and audits. In addition, SIGAR supports its work with staff assigned to short-term temporary duty in Afghanistan. This quarter, SIGAR personnel made 28 temporary duty trips to Afghanistan totaling 301 person-days.
“For more than a decade, Americans and Afghans have worked side-by-side to help the Afghan people build a more stable and secure future. ... This has been a tremendous shared effort. It’s also been very challenging.”

—Secretary of State Hillary Rodham Clinton

Source: DoS, Secretary of State Hillary Rodham Clinton, opening remarks at the first session of the U.S. Afghanistan Bilateral Commission, October 3, 2012.
3 RECONSTRUCTION UPDATE
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Photo on previous page
Afghan children sing their national anthem in a school near Bamyan. (U.S. Army photo)
OVERVIEW

Section 3 presents updates on accomplishments, challenges, and initiatives in Afghanistan reconstruction to provide context for oversight. Sidebars identify SIGAR audits, completed and ongoing, relating to those efforts. Cross-references to Section 1 point to more detail.

SIGAR presents the data in this section in compliance with Public Law 110-181, which mandates that each of SIGAR’s quarterly reports to Congress on reconstruction activities in Afghanistan include, among other things:

- obligations and expenditures of appropriated funds
- discussions of U.S. government entities’ contracts, grants, agreements, or other mechanisms
- funds provided by foreign nations or international organizations to programs and projects funded by U.S. government entities

TOPICS

This section has four subsections: Status of Funds, Security, Governance, and Economic and Social Development.

The **Status of Funds** subsection describes monies appropriated, obligated, and disbursed for Afghanistan reconstruction, including U.S. funds and international contributions.

The organization of the other three subsections mirrors the three pillars in the Prioritization and Implementation Plan developed in an international conference in July 2010 and announced by the Afghan government.

The **Security** subsection describes U.S. efforts to bolster the Afghan National Security Forces (the Army and Police), the transition away from private security contracting, and the battle against the narcotics trade.

The **Governance** subsection provides an overview of the Afghan government’s progress toward good governance through capacity-building efforts, rule of law initiatives, and human rights recognition. This subsection also describes the status of reconciliation and reintegration, Afghan government control in various provinces, and initiatives to combat corruption.

The **Economic and Social Development** subsection looks at reconstruction activities by sectors like energy, mining, and health. It provides a snapshot
of the state of the economy and updates on progress in regulating financial networks, achieving fiscal sustainability, and delivering essential services.

**METHODOLOGY**
Section 3 was compiled from open-source and U.S. agency data. Attributions appear in endnotes or notes to tables and figures. Multiple organizations provide data, so numbers may conflict. SIGAR has not verified data other than that in its own audits or investigations. Information from other sources does not necessarily reflect SIGAR’s opinion. For details on SIGAR audits and investigations this quarter, see Section 2.

**Data Call**
The data call is a series of questions directed to U.S. agencies about their contributions and involvement in reconstruction programming, and the state of affairs in Afghanistan. U.S. agencies responding to the latest data call include the Departments of State, Defense, Transportation, and Treasury, and the U.S. Agency for International Development. Responding agencies received a preliminary draft of this section so they could verify and comment on specific data they provided for this quarterly report.

**Open-Source Research**
Open-source research draws on the most current, publicly available data from reputable sources. Sources used include the U.S. agencies represented in the data call, the International Security Assistance Force, the United Nations (and relevant branches), the International Monetary Fund, the World Bank, and Afghan ministries and other government organizations.
UNDERSTANDING THE GRAPHICS AND DATA TERMS

All figures and tables report data for this quarter, except where identified in titles or notes.

BAR CHARTS
This report discusses many funds and projects with dollar values ranging from millions to billions. To provide an accurate graphical representation of these numbers, some bar graphs appear with a break (a wavy line) to indicate a jump between zero and a larger number.

UNITS IN BILLIONS AND MILLIONS
Because this report details funding in both billions and millions of dollars, it uses a visual cue to distinguish the two measurement units. Dollars reported in billions are represented in blue, and dollars reported in millions are depicted in green.

CALENDAR AND SOLAR YEARS
Afghanistan follows the solar Hejri calendar, which began in 622 A.D. in the Gregorian calendar. SIGAR converts Hejri solar years to Gregorian equivalents. The current Afghan solar year (SY) is 1391. It began on March 21, 2012, and ends on March 20, 2013. The Afghan government’s fiscal year has been the solar year, but the current fiscal year will run only from March 21, 2012, to December 20, 2012. This one-time, nine-month fiscal year accommodates the Afghan government’s upcoming change to a fiscal year that runs from December 21 to December 20.
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STATUS OF FUNDS

To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of September 30, 2012, the United States had appropriated approximately $88.56 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- $51.15 billion for security
- $22.33 billion for governance and development
- $6.01 billion for counter-narcotics efforts
- $2.45 billion for humanitarian aid
- $6.62 billion for operations and oversight

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

FIGURE 3.1

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

<table>
<thead>
<tr>
<th>FUNDING SOURCES (TOTAL: $88.56)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASFF</td>
</tr>
<tr>
<td>$49.63</td>
</tr>
<tr>
<td>CERP</td>
</tr>
<tr>
<td>$3.44</td>
</tr>
<tr>
<td>AIF</td>
</tr>
<tr>
<td>$0.80</td>
</tr>
<tr>
<td>TFBSO</td>
</tr>
<tr>
<td>$0.56</td>
</tr>
<tr>
<td>DoD CN</td>
</tr>
<tr>
<td>$2.31</td>
</tr>
<tr>
<td>ESF</td>
</tr>
<tr>
<td>$14.95</td>
</tr>
<tr>
<td>INCLE</td>
</tr>
<tr>
<td>$3.58</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td>$13.30</td>
</tr>
</tbody>
</table>

AGENCIES

- Department of Defense (DoD) $56.73
- USAID $14.95
- Department of State (DoS) $3.58
- Distributed to Multiple Agencies* $13.30

Note: Numbers affected by rounding.

* Multiple agencies include DoJ, DoS, DoD, USAID, Treasury, and USDA.


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

As of September 30, 2012, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $88.56 billion—a reduction of approximately $910 million from the amount reported last quarter due to DoD's reprogramming of $1 billion of FY 2011 Afghanistan Security Forces Fund (ASFF) to the Defense Working Capital Fund. Reconstruction funding falls into five categories: security, governance and development, counter-narcotics, humanitarian, and oversight and operations. Figure 3.2 displays cumulative appropriations by funding category from FY 2002 to FY 2012. For complete information regarding U.S. appropriations, see Appendix B.

As of September 30, 2012, appropriations for Afghanistan relief and reconstruction for FY 2012 totaled almost $16.51 billion. These figures reflect amounts as reported by the respective agencies and amounts appropriated.

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF SEPTEMBER 30, 2012 ($ BILLIONS)

<table>
<thead>
<tr>
<th>Year</th>
<th>Security</th>
<th>Governance/Development</th>
<th>Counter-Narcotics</th>
<th>Humanitarian</th>
<th>Oversight and Operations</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-05</td>
<td>$9.50</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>$12.98</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td></td>
<td>$23.01</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td></td>
<td>$29.20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td></td>
<td></td>
<td></td>
<td>$39.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$56.24</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$72.05</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$88.56</td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.

Nearly 55.3% of the $88.56 billion appropriated for relief and reconstruction since 2002 was appropriated in the last three fiscal years. Appropriations in these fiscal years range from $15.81 billion to $16.65 billion, as shown in Figure 3.3.

At the close of FY 2012, only 29% of the FY 2012 funds appropriated to five of the largest reconstruction funds had been obligated. These funds had combined appropriations of more than $14.16 billion. Of this amount only $4.10 billion had been obligated, as shown in Table 3.1.
AFGHANISTAN SECURITY FORCES FUND

Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANSF with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction. The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan (NTM-A/CSTC-A).

This quarter, DoD reprogrammed $1 billion of FY 2011 ASFF funds to the Defense Working Capital Fund to help cover a $1.10 billion projected funding shortfall for fuel costs related to DoD Overseas Contingency Operations. The ASFF reduction lowers the total cumulative appropriations for the fund to nearly $49.63 billion. As of September 30, 2012, nearly $42.04 billion of this amount had been obligated, of which nearly $36.51 billion had been disbursed. Figure 3.4 displays the amounts made available for the ASFF by fiscal year and Figure 3.5 provides a cumulative comparison.

DoD reported that cumulative obligations as of September 30, 2012, increased by nearly $4.24 billion over cumulative obligations as of June 30, 2012. Cumulative disbursements as of September 30, 2012, increased by more than $3 billion over cumulative disbursements as of June 30, 2012.

ASFF FUNDS TERMINOLOGY
DoD reported ASFF funds as available, obligated, or disbursed

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

ASFF BUDGET ACTIVITIES

DoD allocates funds to three budget activity groups within the ASFF:
- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

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

As of September 30, 2012, DoD had disbursed nearly $36.51 billion for the ANSF. Of this amount, nearly $23.93 billion was disbursed for the ANA, and more than $12.32 billion was disbursed for the ANP; the remaining nearly $0.26 billion was directed to related activities.

As shown in Figure 3.6, the largest portion of the funds disbursed for the ANA—nearly $9.67 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—nearly $4.27 billion—supported Sustainment, as shown in Figure 3.7.

---

**FIGURE 3.6**

**ASFF DISBURSEMENTS FOR THE ANA**

By Sub-Activity Group

FY 2005–September 30, 2012 ($ BILLIONS)

<table>
<thead>
<tr>
<th>Sub-Activity Group</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment and Transportation</td>
<td>$9.67</td>
</tr>
<tr>
<td>Sustainment</td>
<td>$8.44</td>
</tr>
<tr>
<td>Training and Operations</td>
<td>$2.34</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$3.48</td>
</tr>
</tbody>
</table>

Total: $23.93

---

**FIGURE 3.7**

**ASFF DISBURSEMENTS FOR THE ANP**

By Sub-Activity Group

FY 2005–September 30, 2012 ($ BILLIONS)

<table>
<thead>
<tr>
<th>Sub-Activity Group</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equipment and Transportation</td>
<td>$3.31</td>
</tr>
<tr>
<td>Sustainment</td>
<td>$4.27</td>
</tr>
<tr>
<td>Training and Operations</td>
<td>$2.00</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>$2.00</td>
</tr>
</tbody>
</table>

Total: $12.32

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STATUS OF FUNDS

COMMANDER’S EMERGENCY RESPONSE PROGRAM
The Commander’s Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects expected to cost less than $500,000 each.28 The Commander of U.S. Central Command must approve projects estimated to cost more than $1 million; the Deputy Secretary of Defense must approve CERP projects costing more than $5 million. Individual CERP-funded projects may not exceed $20 million.29

As of September 30, 2012, the total cumulative funding for CERP totaled nearly $3.44 billion.30 DoD reported that nearly $2.28 billion of this had been obligated, of which more than $2.13 billion had been disbursed.31 Figure 3.8 shows CERP appropriations by fiscal year.

DoD reported that obligations as of September 30, 2012, increased by nearly $59.68 million over cumulative obligations as of June 30, 2012. Disbursements as of September 30, 2012, increased by more than $55.96 million over cumulative disbursements as of June 30, 2012.32 Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

FIGURE 3.8
CERP APPROPRIATIONS BY FISCAL YEAR
($ MILLIONS)

FIGURE 3.9
CERP FUNDS, CUMULATIVE COMPARISON
($ BILLIONS)


CERP FUNDS TERMINOLOGY
OMB reported CERP funds as appropriated.
Appropriations: Total monies available for commitments
DoD reported CERP funds as appropriated, obligated, or disbursed
Appropriations: Total monies available for commitments
Obligations: Commitments to pay monies
Disbursements: Monies that have been expended

Sources: OMB, response to SIGAR data call, 4/19/2010; DoD, response to SIGAR data call, 4/14/2010.
AFGHANISTAN INFRASTRUCTURE FUND
The National Defense Authorization Act for FY 2011 established the Afghanistan Infrastructure Fund (AIF) to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DoD and DoS. Before obligating or expending funds on an AIF project, the Secretary of Defense and Secretary of State are required to notify Congress on details of the proposed project, including a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.33

As of September 30, 2012, the AIF had been appropriated total cumulative funding of $800 million. Of this amount, approximately $458.47 million had been obligated, of which approximately $56 million had been disbursed. These figures include AIF funds transferred to USAID to implement its FY 2011 AIF project.34 Figure 3.10 shows AIF appropriations by fiscal year.

DoD reported that cumulative obligations as of September 30, 2012, increased by approximately $105.30 million over cumulative obligations as of June 30, 2012. Cumulative disbursements as of September 30, 2012, increased by nearly $14.72 million over cumulative disbursements as of June 30, 2012.35 Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for AIF projects.

![AIF Appropriations by Fiscal Year](image)

**AIF FUNDS TERMINOLOGY**
DoD reported AIF funds as appropriated, obligated, or disbursed.

<table>
<thead>
<tr>
<th>Appropriations</th>
<th>Total monies available for commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obligations</td>
<td>Commitments to pay monies</td>
</tr>
<tr>
<td>Disbursements</td>
<td>Monies that have been expended</td>
</tr>
</tbody>
</table>

DoD reported TFBSO funds as appropriated, obligated, or disbursed

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


The Task Force for Business and Stability Operations (TFBSO) was established in June 2006 and operated for several years in Iraq. In 2010, TFBSO launched a program in Afghanistan to help stabilize the country by creating economic opportunities for Afghans. TFBSO projects include activities to facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.36

For FY 2012, TFBSO received funding of nearly $241.82 million, bringing the total cumulative funding for the task force to more than $555.31 million.37 As of September 30, 2012, nearly $523.79 million of this amount had been obligated, of which nearly $264.13 million had been disbursed.38 Figure 3.12 displays the amounts appropriated for TFBSO projects by fiscal year.

DoD reported that obligations as of September 30, 2012, increased by nearly $94.70 million over cumulative obligations as of June 30, 2012. Disbursements as of September 30, 2012, increased by more than $68.15 million over cumulative disbursements as of June 30, 2012.39 Figure 3.13 provides a cumulative comparison of amounts made available, obligated, and disbursed for TFBSO projects.


Source: DoD, responses to SIGAR data call, 10/02/2012 and 7/02/2012; P.L. 112-74, 12/23/2011; P.L. 112-10, 4/15/2011.
**DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES**

DoD’s Drug Interdiction and Counter-Drug Activities fund (DoD CN) supports efforts to stabilize Afghanistan by combating the drug trade. DoD uses the DoD CN to support military operations against drug traffickers, expand Afghan interdiction operations, and build the capacity of Afghan law enforcement bodies with specialized training, equipment, and facilities.40

Congress appropriates funds for DoD CN to a single line for all military services. DoD programs the funds from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DoD reported DoD CN accounts for Afghanistan as a single figure for each fiscal year.41

As of September 30, 2012, DoD reported that DoD CN received more than $420.47 million for Afghanistan for FY 2012—a $4.51 million decrease from the amount reported last quarter. As of September 30, 2012, DoD CN had received total cumulative funding of nearly $2.31 billion since FY 2004.42 Figure 3.14 shows DoD CN appropriations by fiscal year, and Figure 3.15 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for DoD CN projects.

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**DOD CN FUNDS TERMINOLOGY**

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

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


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Notes: Numbers affected by rounding.

4 a Updated data resulted in a lower appropriation figure for FY 2012.

Source: DoD, response to SIGAR data call, 10/17/2012.
**ECONOMIC SUPPORT FUND**

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.43

As of September 30, 2012, USAID reported that the total cumulative funding for the ESF amounted to more than $14.95 billion. Of this amount, more than $12.80 billion had been obligated, of which more than $10.16 billion had been disbursed.44 Figure 3.16 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of September 30, 2012, increased by nearly $1.10 billion over cumulative obligations as of June 30, 2012. Cumulative disbursements as of September 30, 2012, increased by nearly $661.31 million over cumulative disbursements as of June 30, 2012.45 Figure 3.17 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

**ESF FUNDS TERMINOLOGY**

USAID reported ESF funds as appropriated, obligated, or disbursed

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the independent International Narcotics Control and Law Enforcement (INCLE) account to advance rule of law and combat narcotics production and trafficking. INCLE supports several INL program groups, including police, counter-narcotics, and rule of law and justice.46

As of September 30, 2012, DoS reported that the total cumulative funding for INCLE amounted to nearly $3.58 billion. Figure 3.18 displays INCLE appropriations by fiscal year. Of this amount, nearly $3.21 billion had been obligated, of which nearly $2.40 billion had been disbursed.47

DoS reported that cumulative obligations as of September 30, 2012, increased by more than $190.23 million over cumulative obligations as of June 30, 2012. Cumulative disbursements as of September 30, 2012, increased by nearly $167.73 million over cumulative disbursements as of June 30, 2012.48 Figure 3.19 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.

Notes: Numbers affected by rounding.
Source: DoS, response to SIGAR data call, 10/11/2012.

INL FUNDS TERMINOLOGY
INL reported INCLE and other INL funds as allotted, obligated, or liquidated.

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

FIGURE 3.18
INCLE APPROPRIATIONS BY FISCAL YEAR
($ MILLIONS)

FIGURE 3.19
INCLE FUNDS, CUMULATIVE COMPARISON
($ BILLIONS)
INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

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

The Afghanistan Reconstruction Trust Fund (ARTF)

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to September 21, 2012, the World Bank reported that 33 donors had pledged nearly $6.13 billion, of which they had paid in nearly $5.75 billion. According to the World Bank, donors have pledged $956.16 million to the ARTF for the Afghan fiscal year—SY 1391—which runs from March 21, 2012, to December 20, 2012 (when the Afghan fiscal year will shift to a December 21 start date). Figure 3.20 shows the 10 largest donors to the ARTF for SY 1391.

![ARTF Contributions for SY 1391 by Donor, as of September 21, 2012 ($ Millions)](image-url)

**Notes:** Numbers affected by rounding. SY 1391 = 3/21/2012–12/20/2012, when the Afghan fiscal year will shift to run from December 21–December 20.

As of September 21, 2012, the United States had paid in more than $1.74 billion. The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing more than 47.6% of its total funding, as shown in Figure 3.21.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window. As of September 21, 2012, according to the World Bank, nearly $2.60 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants. The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives sufficient funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.

The Investment Window supports the costs of development programs. As of September 21, 2012, according to the World Bank, more than $2.50 billion had been committed for projects funded through the Investment Window, of which nearly $1.72 billion had been disbursed. The World Bank reported 20 active projects with a combined commitment value of more than $1.45 billion, of which approximately $668.54 million had been disbursed.

The Law and Order Trust Fund for Afghanistan (LOTFA)

The United Nations Development Programme administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior. Since 2002, donors have pledged more than $2.64 billion to the LOTFA, of which nearly $2.56 billion had been paid in, according to the most recent data available. The LOTFA’s sixth support phase started on January 1, 2011, and runs through March 31, 2013. In the first 15 months of the program, the LOTFA had transferred nearly $635.07 million to the Afghan government to cover ANP and Central Prisons Directorate staff remunerations and an additional $29.86 million for capacity development and other LOTFA initiatives. As of March 31, 2012, donors had committed more than $1.11 billion to the LOTFA for Phase VI. Of that amount, the United States had committed nearly $420.92 million, and Japan had committed nearly $476.62 million. Their combined commitments make up nearly 81% of LOTFA Phase VI commitments as of March 31, 2012. The United States had contributed nearly $892.74 million to the LOTFA since the fund’s inception. Figure 3.22 shows the four largest donors to the LOTFA since 2002, based on the latest data available.
AFGHANISTAN NATIONAL PRIORITY PROGRAMS

In the Tokyo Declaration of July 8, 2012, the international community reaffirmed its commitment to align 80% of its aid with Afghanistan’s National Priority Programs (NPPs) and channel at least 50% of its development assistance through the national budget of the Afghan government. The concept of the 22 NPPs was approved at the Kabul Conference in 2010. It grew out of the Afghanistan National Development Strategy, a blueprint for poverty reduction that Afghanistan adopted in 2008. The goal of the NPPs was to consolidate hundreds of Afghan, bilateral, and multilateral development projects into a coherent suite of programs that could be absorbed in an ordered manner into the Afghan budget ensuring their sustainability. Each NPP is grouped within one of six functional clusters of ministries to strengthen coordination among government institutions and international organizations: security, governance, human resource development, agriculture and rural development, infrastructure development, and private sector development.

The NPPs are supposed to build on successful initiatives, deliver their results from 2012 to 2014, and include a system of 100-day progress reports toward their implementation. Over the past year, the Afghan government has worked to develop detailed three-year NPPs with accompanying activity timelines and budgets. As of this quarter, the Joint Coordination and Monitoring Board (JCMB), a high-level decision-making body co-hosted by the Afghan Ministry of Finance and the United Nations Assistance Mission to Afghanistan (UNAMA), has approved 16 of the 22 NPPs. The international community and the Afghan government are still trying to come to agreement about how to carry out the remaining six. They cover some of the more contested areas of Afghan governance, such as transparency and accountability as well as the legal system.

None of the NPPs is fully funded; the Afghan government is seeking donations to cover the bulk of the programs. The single most costly NPP is the National and Regional Resource Corridors program. It aims to connect Afghanistan to the region and the world by building roads, railways, and airports. It has a three-year budget of about $3.7 billion, of which it still seeks more than $2.0 billion from the international donors. The Urban Management Support Program is the second most expensive program. It is designed to strengthen urban governance and improve the quality of urban built environments especially in the Afghan capital of Kabul. The three-year budget is more than $1.6 billion of which the Afghan government is seeking about $1.4 billion. The least expensive NPP is the Capacity Development to Accelerate National Action Plan for Women of Afghanistan (NAPWA) Implementation. The goal of this program is to strengthen the government’s capacity to implement NAPWA in their policy-making, planning, programming, budgeting, implementation, monitoring, reporting, and evaluation processes. The government has raised $200,000 for it so far out of an overall budget of $29.7 million.

The Afghanistan Peace and Reintegration Program is the only security-related NPP. At the operational level, the reintegration effort focuses on local peace processes with the foot soldiers, small groups, and local leaders who form the bulk of the insurgency. At the strategic and political levels, efforts focus on the leadership of the insurgency. Its total budget for five years is $773 million.
# AFGHANISTAN NATIONAL PRIORITY PROGRAMS (NPPs)

<table>
<thead>
<tr>
<th>Security</th>
<th>Governance</th>
<th>Human Resource Development</th>
<th>Agriculture and Rural Development</th>
<th>Infrastructure Development</th>
<th>Private Sector Development</th>
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<tbody>
<tr>
<td>Local Governance</td>
<td>Education for All</td>
<td>Strengthening Local Institutions</td>
<td>National Extractive Industry Excellence Program</td>
<td>E-Afghanistan</td>
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<td>Human Rights and Civic Responsibilities</td>
<td>Expanding Opportunities for Higher Education</td>
<td>National Water and Natural Resource Development Program</td>
<td>National Urban Delivery Program</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Efficient and Effective Government</td>
<td>Human Resources for Health</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Law and Justice for All</td>
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</tr>
</tbody>
</table>

Approved | Unapproved
As of September 30, 2012, the U.S. Congress had appropriated more than $51.1 billion to support the Afghan National Security Forces (ANSF). Most of these funds ($49.6 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided through the Combined Security Transition Command-Afghanistan (CSTC-A). Their purpose is to build, equip, train, and sustain the ANSF, which comprises the Afghan National Army (ANA) and the Afghan National Police (ANP). Of the $49.6 billion appropriated for the ASFF, approximately $42 billion had been obligated and $36.5 billion disbursed as of September 30, 2012.62

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

SECURITY CHALLENGES
Afghanistan, the United States, and members of the international community involved in the reconstruction of Afghanistan are fast approaching an important milestone—the handover of security responsibilities to Afghan forces in 2014. The International Security Assistance Force (ISAF) Joint Command (JJC) noted that the ANSF will begin to assume full responsibility for selected provinces in 2013.63 However, several challenges call into question the ANSF’s readiness to assume this responsibility.

The rise of insider or “green-on-blue” attacks has the potential to adversely affect morale in the ranks of the ANSF and NATO-led coalition forces, and erode trust between them. These attacks have hampered U.S. and coalition efforts to train and partner with ANSF units as commanders and soldiers in the field struggle to fulfill mission requirements in light of this threat.64

In addition, U.S. government sources report that ANSF strength is approaching its goal of 352,000 members. But the actual strength is difficult to validate, and anomalies in reporting suggest the current tally of Afghan Forces may not be completely accurate (see “ANA Strength” in this section, pages 87–88). SIGAR is examining ANSF strength to
determine if an audit is necessary. Without a clear picture of ANSF strength, long-term sustainability costs (specifically for salaries and consumables such as food and ammunition) are difficult to determine. The ANSF is slated to be gradually reduced to 228,500 personnel by 2017. The reduced force is expected to cost $4.1 billion annually to sustain.65

Another area of concern is the capability of the ANSF and the Ministries of Defense (which oversees the ANA) and Interior (which oversees the ANP). Although Afghan and coalition efforts have made remarkable progress in building the ANSF—starting with a goal of a 132,000-strong ANSF and building it to nearly 352,000—changes to assessment rating categories raise questions about the capability of their highest rated units. In March 2011, the highest rating category changed from “independent” to “independent with [non-Afghan] advisors.” IJC said at this rating level units are “capable of autonomous mission planning and execution and have the ability to call for coalition enablers if needed.”66 However, according to the Government Accountability Office, the original category of “independent” meant that a “unit was capable of planning, executing, and sustaining the full spectrum of its mission without assistance from coalition forces.” Moreover, GAO noted that “the change of category lowered the standard for unit personnel and equipment levels from ‘not less than 85’ to ‘not less than 75’ percent of authorized levels.”67 In other words, before the change of category, a unit could receive the highest rating if they were performing at the highest level and were 85% staffed and equipped up to the authorized level of personnel and equipment. After the change, a unit could receive the highest rating if they were performing at the highest level and were 75% staffed and equipped. In contrast, the system for assessing ministries’ capability permits a rating of “capable of autonomous operations.” However, during this reporting period, no offices within either ministry with security responsibilities had achieved that rating, and only a few had achieved the second-highest rating, “capable of executing functions with coalition oversight only” (see “ANSF Assessments” and “Ministry of Defense and Ministry of Interior Assessments” in this section, page 83).68

SECURITY ENVIRONMENT

At a meeting of the UN Security Council on September 20, 2012, Ján Kubiš, the Special Representative of the Secretary-General for Afghanistan, said the security situation in Afghanistan remains fragile. He reported that, overall, the number of security incidents from May through July this year had dropped compared to the same period in 2011, but that August 2012 was the second-deadliest month for civilians since the UN Assistance Mission-Afghanistan began tracking these figures in 2007. Kubiš also noted that the number of civilians killed by “pro-government” forces in aerial attacks—the main cause of civilian casualties by friendly forces—had dropped by 62%
compared to the same period in 2011.\textsuperscript{69} DoD said the “overwhelming majority of civilian deaths were insurgent-caused.”\textsuperscript{70}

According to DoD, security has dramatically improved in several populous districts this year compared to 2011: enemy-initiated attacks (EIAs) dropped 63\% in Kandahar, 22\% in Kabul, 33\% in Jalalabad, 60\% in Marjah, 88\% in Mazar-e-Sharif, and 13\% in Herat. Overall, EIAs decreased by 9\% in 2011 compared to 2010 and decreased by 3\% in 2012. Insurgent attacks—particularly in the south and southwest—have shifted from primarily offensive operations in Afghan population centers, to defensive operations in areas that had traditionally been safe havens; 80\% of attacks occurred in districts encompassing only 20\% of the population, and nearly half of all attacks country-wide occurred in just 17 districts, which contain only 5\% of the population.\textsuperscript{71}

**INSIDER ATTACKS**

Insider or “green-on-blue” attacks—persons in ANSF uniform attacking coalition partners—continued to hamper U.S. and coalition efforts to prepare the Afghans to take the security lead in 2014. These attacks have strained the relationship between coalition partners and their Afghan counterparts. As this report went to press, 37 insider attacks had occurred since the beginning of the year, resulting in the deaths of 51 coalition forces (including 32 U.S. military personnel).\textsuperscript{72} According to NATO/ISAF officials, about 25\% of these attacks had “direct enemy planning to support an attacker.” They say some of the insider attacks stem from cultural clashes or grievances.\textsuperscript{73} Afghan officials have blamed terrorist infiltration and foreign spies for the rise in insider attacks.\textsuperscript{74}

ISAF has acted to prevent future insider attacks. Its response has evolved to include several measures. In August, ISAF required all coalition forces to carry loaded weapons at all times.\textsuperscript{75} In addition, it implemented a “guardian angel” program, in which one or more U.S. or coalition force soldiers remain armed and ready when working or meeting with ANSF counterparts.\textsuperscript{76} By September, ISAF and Afghan government measures also included a new warning system, enhanced intelligence exchanges, an anonymous reporting system, the establishment of a joint investigation commission, and enhanced cultural training.\textsuperscript{77}

ISAF is helping the Ministry of Defense (MoD) and Ministry of Interior (MoI) reexamine their vetting procedures and identify insurgents who have infiltrated the ranks of the ANA and the ANP. In addition, the Afghan government has a counterintelligence initiative that places people inside ANSF units to identify possible threats to prevent insider attacks.\textsuperscript{78}

But “green-on-blue” attacks are not the only worrisome trend. Incidents of ANSF members attacking other members have raised concerns about the future stability of Afghan forces.\textsuperscript{79} In some cases, these Afghan-on-Afghan
attacks involved members of one ethnic group attacking members of another. Details of insider attacks within the ANA and the ANP are often classified. However, according to the UN Secretary-General, nine Pashtuns were killed this quarter by perpetrators rumored to be Hazaras disguised as local defense forces. This followed the Taliban killing of two Hazaras. In addition, a member of the ANP in Nimroz killed 10 of his colleagues on August 11. The Secretary-General also noted reports of defections from the Afghan security forces this quarter; 17 local policemen reportedly joined the Taliban on June 24, followed by 93 more on July 3.

Insider attacks are also affecting the Afghan Local Police (ALP), a key component of the Afghan government and coalition strategy to secure rural areas ahead of the 2014 transition. In March 2012, ISAF Commander General John R. Allen testified before the Senate Committee on Armed Services that he was heartened by “success of the Afghan local police” and noted, “There has yet to be an attack on any one of our Green Berets, SEALs, or Marines” who are embedded with and training ALP units. However, in August, two U.S. Special Forces members were killed by an ALP recruit in Farah. In September, U.S. Forces temporarily suspended training 1,000 ALP recruits because of the threat of insider attacks. During the suspension, partnered operations with trained ANSF members continued while members of the 16,300-person ALP were “re-vetted.” U.S. Special Forces resumed training the ALP in October. DoD said “ALP insider attacks make up a small percentage of total [insider] attacks.”

General Allen has sought to put these attacks in context. He said the focus on insider attacks “obscures the callous slaughter of Afghan civilians by insurgents.” He also said, “Most Americans do not get to see Afghans’ commitment to their country or the improving security that has emerged from our fight together. But I do.”

ANSF ASSESSMENT
On July 24, 2012, an official from the U.S. Government Accountability Office testified before the House Armed Services Committee’s Subcommittee on Oversight and Investigations that DoD and NATO have changed the tools used to assess the ANSF. He noted that by August 2011, the highest unit rating category had been changed from “independent” to “independent with advisors” and that “these changes, as well as the elimination of certain requirements for validating units, were partly responsible for the increase in ANSF units rated at the highest level.”

In a response to SIGAR, IJC called the GAO report “incorrect and misleading,” and maintained the change in the rating title does not “equal a change in [its] definition.” Moreover, they said the change “from independent to independent with advisors in August 2011 had no effect on the [rating] definition,” but was instead “made to clarify the fact that if a unit became
independent, it wasn’t necessarily going to be left uncovered by coalition forces.” LIC also said the change “had no effect on the operational effectiveness standards in the [rating category],” despite the reduction in the unit personnel and equipment standard.88 DoD said the current rating system, the Commander’s Unit Assessment Tool (CUAT) is “by itself not an effective tool for ANSF-wide trend analysis and should be used in conjunction with an array of other indicators, including ANSF operations, MoD and MoI capabilities, and the progress of the security transition process.”89

SIGAR has been closely tracking ANSF assessments since 2010, when SIGAR first audited the previous assessment tool—the Capability Milestone (CM) rating system—and found it did not provide reliable or consistent assessments of ANSF capabilities. During the course of that audit, DoD and NATO began using a new system, the CUAT, to rate the ANSF.

This quarter, 216 of 267 ANA units—battalions, support units, separate companies, and headquarters units—were assessed. Of those assessed units, 14% were rated “independent with advisors,” 63% were rated “effective with advisors,” 18% were rated “effective with partners,” and 5% were rated “developing with partners” (see rating definitions on the next page).90 The number of units rated at the highest level this quarter increased by 33% from the number reported last quarter, as shown in Figure 3.23.

FIGURE 3.23

CUAT RATINGS OF THE ANSF, QUARTERLY CHANGE

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<thead>
<tr>
<th></th>
<th>ANA</th>
<th>ANP</th>
</tr>
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<tbody>
<tr>
<td>Independent with Advisors</td>
<td>30</td>
<td>65</td>
</tr>
<tr>
<td>Effective with Advisors</td>
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<td>168</td>
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<tr>
<td>Effective with Partners</td>
<td>115</td>
<td>130</td>
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<tr>
<td>Developing with Partners</td>
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<td>81</td>
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<tr>
<td>Established</td>
<td>49</td>
<td>49</td>
</tr>
<tr>
<td>Not Assessed</td>
<td>2</td>
<td>6</td>
</tr>
</tbody>
</table>

Sources: CSTC-A, responses to SIGAR data call, 9/26/2012 and 7/2/2012.
This quarter, 277 of 408 ANP units were assessed. Of those, 18% were rated “independent with advisors,” 47% were rated “effective with advisors,” 22% were rated “effective with partners,” and 11% were rated “developing with partners.” The most recent CUAT report noted that the number of ANP units reported decreased significantly since last quarter and “for this reason it has been difficult to make an accurate assessment of progress.”

According to DoD, the ANSF are moving increasingly into the lead and are conducting many more unilateral operations. As of the fall, security responsibility in the north will be almost exclusively ANSF-led. DoD said the ANSF have shown they are capable of conducting complex, multi-day operations in more contested areas. DoD also noted the ANSF not only planned, led, and successfully executed a number of operations in the south and east this quarter, but demonstrated that they were able to coordinate with each other and, in one case, with the Pakistani military.

Moreover, DoD noted that some of these ANSF-led operations involved several components of the ANA, ANP, the National Directorate of Security, and ISAF, and were large-scale and weeks-long in duration. In one case, 11,000 personnel were involved. In another, the ANSF was supported through Afghan supply channels.

Commander’s Unit Assessment Tool Ratings
In assessing the capability of ANA and ANP units, ISAF uses the Commander’s Unit Assessment Tool (CUAT), which has five ratings:

- **Independent with Advisors**: The unit is able to plan and execute its missions, maintain command and control of subordinates, call on and coordinate quick-reaction forces and medical evacuations, exploit intelligence, and operate within a wider intelligence system.
- **Effective with Advisors**: The unit conducts effective planning, synchronizing, directing, and reporting of operations and status. Coalition forces provide only limited, occasional guidance to unit personnel and may provide enablers as needed. Coalition forces augment support only on occasion.
- **Effective with Partners**: The unit requires routine mentoring for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. ANSF “enablers” provide support to the unit; however, coalition forces may provide enablers to augment that support.
- **Developing with Partners**: The unit requires partnering and assistance for planning, synchronizing, directing, and reporting of operations and status; coordinating and communicating with other units; and maintaining effective readiness reports. Some enablers are present and effective, providing some of the support. Coalition forces provide enablers and most of the support.
Established: The unit is beginning to organize but is barely capable of planning, synchronizing, directing, or reporting operations and status, even with the presence and assistance of a partner unit. The unit is barely able to coordinate and communicate with other units. Most of the unit’s enablers are not present or are barely effective. Those enablers provide little or no support to the unit. Coalition forces provide most of the support.

MINISTRY OF DEFENSE AND MINISTRY OF INTERIOR ASSESSMENTS

Assessments of the MoD and the MoI showed limited progress this quarter. To rate the operational capability of these ministries, the NATO Training Mission-Afghanistan (NTM-A) uses the Capability Milestone (CM) rating system. This system assesses staff sections (such as the offices headed by assistant or deputy ministers) and cross-functional areas (such as general staff offices) using four primary and two secondary ratings:

- **CM-1A**: capable of autonomous operations
- **CM-1B**: capable of executing functions with coalition oversight only
- **CM-2A**: capable of executing functions with minimal coalition assistance
- **CM-2B**: can accomplish its mission but requires some coalition assistance
- **CM-3**: cannot accomplish its mission without significant coalition assistance
- **CM-4**: exists but cannot accomplish its mission

At the MoD, 42 of 45 staff sections and cross-functional areas were assessed this quarter. Of those, one progressed and one regressed, as shown in Figure 3.24 on the following page. Two offices included in the list of cross-functional areas (but not assessed) last quarter were not included this quarter: the Ground Forces Command and the Headquarters Services Support Brigade. Of the two offices that showed changes from last quarter, the ANA Training Command was upgraded from CM-2B to CM-2A; the ANA Special Operations Command was downgraded from CM-2B to CM-3 (the second lowest rating).

All 31 staff sections at the MoI were assessed; four showed progress since last quarter. The offices of Legal Affairs and the Legal Advisor—which had been assessed as one office last quarter—were separated this quarter. The Office of Legal Affairs retained its rating of CM-2B, while the Office of the Legal Advisor received a higher rating of CM-2A. The four sections that progressed were the Office of the Inspector General (CM-2B), the Financial and Budget Office (CM-2B), the Force Management department, and the Counter-Improvised-Explosive-Device (Counter-IED) office (CM-3).
The transition of security responsibility to the ANSF by the end of 2014 continues. Three tranches—each of which contains approximately 25% of Afghanistan’s population and includes sections of cities, districts, and provinces—are in the process of shifting to ANSF control as shown in Figure 3.25. None has yet completed the process. Transition started for Tranche 1 in July 2011, Tranche 2 in November 2011, and Tranche 3 in July 2012 (bringing to 75% the population living in areas in transition).

This quarter, DoD reported the number of enemy-initiated attacks had declined in Tranches 1 and 3 by 7-8%, but increased in Tranche 2 by 4%. However, DoD said, “Tranches 1 and 2 continue to be the most secure areas in Afghanistan by objective measure and Afghan perceptions.” In areas that have yet to begin transition, enemy-initiated attacks increased by 6% in the aggregate.

DoD said the next milestone will be completion of the transition process in some areas. Eleven provinces have all of their districts in transition; eight are candidates to complete the process later this year. Areas that have not yet started transition are expected to enter the first phase by mid-2013.
According to DoD, the withdrawal of U.S. surge troops and some coalition forces will provide a clearer picture over the next year of the ANSF’s ability to provide security and hold territory gained during the surge.101

**Change of Leadership at the Ministries of Defense and Interior and the National Directorate of Security**

During this reporting period, President Karzai replaced the three key Afghan officials responsible for security. Reports suggest that his shake-up of the top security positions was designed to maintain an ethnic balance in advance of the 2014 elections.

On August 4, the Afghan parliament voted no confidence in the ministers of defense and interior after criticizing them for failing to stop assassinations or secure the Afghanistan-Pakistan border—specifically against the cross-border shelling of Kunar by Pakistani forces.102 Minister of Defense Abdul
Rahim Wardak resigned on August 7, and was later appointed Senior Security Adviser to President Karzai. On August 12, President Karzai bestowed the prestigious Ghazi Amir Amanullah Khan state medal on both Wardak and Bismillah Khan Mohammadi, the outgoing Minister of Interior. On August 29, President Karzai fired Rahmatullah Nabil, the head of Afghanistan’s intelligence agency, the National Directorate of Security (NDS). All three positions were filled on September 16, when Karzai swore in two new ministers and a new head of the NDS.

Karzai appointed Mohammadi, the recently removed Minister of Interior, to replace Wardak as Minister of Defense, as shown in Figure 3.26. Minister Mohammadi—like First Vice President Mohammad Fahim—is an ethnic Tajik, and Karzai’s move may have been designed to secure or maintain Tajik support for his government ahead of coming elections. The Ministry of Interior is now headed by former Deputy Interior Minister Ghulam Majtaba Patang, an ethnic Pashtun who does not have the strong ethnic or political influence of his predecessor, Mohammadi. Minister Patang’s appointment may be an attempt by Karzai to avoid charges of favoritism ahead of the upcoming election. The new Director General of the NDS, Asadullah Khalid, was the former Minister of Border and Tribal Affairs; like his predecessor, he is an ethnic Pashtun.

**NEW LEADERSHIP IN KEY AFGHAN SECURITY POSTS**

<table>
<thead>
<tr>
<th>MoD</th>
<th>MoI</th>
<th>NDS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NEW</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minister of Defense</td>
<td>Minister of Interior</td>
<td>Director General of the National Directorate of Security</td>
</tr>
<tr>
<td>Bismillah Khan Mohammadi</td>
<td>Ghulam Majtaba Patang</td>
<td>Asadullah Khalid</td>
</tr>
<tr>
<td>Ethnicity: Tajik</td>
<td>Ethnicity: Pashtun</td>
<td>Ethnicity: Pashtun</td>
</tr>
<tr>
<td>Prior position</td>
<td>Prior position</td>
<td>Prior position</td>
</tr>
<tr>
<td>Minister of Interior</td>
<td>Deputy Minister of Interior</td>
<td>Minister of Tribal and Border Affairs</td>
</tr>
</tbody>
</table>

| **FORMER** | | |
| Minister of Defense | Minister of Interior | Director General of the National Directorate of Security |
| Abdul Rahim Wardak | Bismillah Khan Mohammadi | Rahmatullah Nabil |
| Ethnicity: Pashtun | Ethnicity: Tajik | Ethnicity: Pashtun |
| Prior Position | Prior position | Prior position |
| Deputy Minister of Defense | Army Chief of Staff | Head of Presidential Special Guards Unit |

AFGHAN PUBLIC PROTECTION FORCE BEHIND SCHEDULE

SIGAR has closely followed the development of the Afghan Public Protection Force (APPF) from its creation to its current role as Afghanistan’s state-owned security force. Following President Karzai’s 2010 decree to disband all national and international private security companies (PSCs), the Afghan government implemented a bridging strategy for a phased transition process. As part of the transition, the APPF, a state-owned enterprise under the authority of the MoI, was expected to assume responsibility for security of development and humanitarian projects in March 2012. However, IJC said, “At the end of the quarter, they had assumed security for 51 out of 145 sites, with 92 in transition and 2 awaiting transition.” Moreover, CSTC-A noted, “They were also supposed to assume security for convoy security by March 2012, but have yet to provide any convoy security.”

The APPF is scheduled to assume responsibility for security at military installations in March 2013. According to IJC, “This is not an event that will begin in March [but] is a process that is supposed to be completed in March” but “may start as early as November.” IJC said, “It is also extremely unlikely that this deadline will be met.”

The number of personnel in the APPF nearly doubled since last quarter. This quarter, CSTC-A said 11,309 APPF personnel were assigned against 15,627 authorized positions. IJC noted that these numbers include “guards on temporary tashkil approved for specific projects,” but not “personnel in the APPF headquarters in permanent tashkil positions.” Last quarter, CSTC-A reported 6,131 personnel were assigned against 6,858 authorized positions.

AFGHAN NATIONAL ARMY

As of September 30, 2012, the United States had obligated $27.4 billion and disbursed $23.9 billion of ASFF funds to build, train, and sustain the ANA.

ANA Strength

The strength of the ANA is a key metric of the Afghan government’s readiness to take the security lead in 2014. According to CSTC-A, the overall force strength of the ANA is 184,676 as of September 6, 2012. This includes 163,916 assigned to authorized positions and another 20,760 categorized as “Trainee, Transient, Holdee [sic], or Student” or awaiting “assignment to authorized positions.” In addition, 6,172 personnel are assigned to the Afghan Air Force (AAF). Combined, 190,848 personnel were assigned to the ANA and AAF—744 fewer than last quarter. The number of personnel assigned does not necessarily equal the number of troops present for duty. Within the main combat forces (the six Army corps, the 111th Capital Division, and the Special Operations Force) only 74–81% of personnel were present for duty. More than 94% of AAF personnel were present for duty.
SIGAR’s July 2012 quarterly report noted anomalies in data reports that raised questions about the accuracy of ANA personnel numbers and the consistency of the compiling methodology. For example, last quarter, CSTC-A reported that civilians were counted as part of overall force strength. This quarter, CSTC-A said it had removed civilians from the total force strength.

In addition, last quarter, SIGAR noticed that ANA personnel categorized as “Other ANA” appeared to have been tallied indirectly, using a formula whereby the number of personnel in the main combat corps was subtracted from the goal of 187,000 to create the “Other ANA” datum as a residual. On July 2, 2012, SIGAR brought this issue to the U.S. Central Command’s (CENTCOM) attention. CSTC-A responded through CENTCOM on July 30, the same day that SIGAR’s July 2012 quarterly report was released. CSTC-A provided new numbers for ANA strength, but did not adequately explain the reason for the existence of the formula to calculate “Other ANA.” In their response, CSTC-A noted some loss of clarity “due to a lack of data provided by the [ANA Personnel Office].”

Comparing numbers for authorized and assigned personnel in ANA components as reported last quarter and this quarter revealed some fluctuations. However, the difference in the number of personnel categorized as “Other ANA” was significantly smaller this quarter compared to the number reported last quarter, as shown in Table 3.2. According to CSTC-A, the category “Other ANA” includes MoD, General Staff, and Intermediate Command personnel.

### Table 3.2

<table>
<thead>
<tr>
<th>ANA Component</th>
<th>Authorized</th>
<th></th>
<th></th>
<th>Assigned</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Q3</td>
<td>Q4</td>
<td>Quarterly Change</td>
<td>Q3</td>
<td>Q4</td>
<td>Quarterly Change</td>
</tr>
<tr>
<td>201st Corps</td>
<td>14,935</td>
<td>18,421</td>
<td>+3,486</td>
<td>17,262</td>
<td>19,613</td>
<td>+2,351</td>
</tr>
<tr>
<td>203rd Corps</td>
<td>19,366</td>
<td>20,614</td>
<td>+1,248</td>
<td>21,840</td>
<td>21,330</td>
<td>-510</td>
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<tr>
<td>205th Corps</td>
<td>19,393</td>
<td>19,075</td>
<td>-318</td>
<td>19,696</td>
<td>20,144</td>
<td>+448</td>
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<tr>
<td>207th Corps</td>
<td>13,026</td>
<td>14,706</td>
<td>+1,680</td>
<td>15,086</td>
<td>13,824</td>
<td>-1,262</td>
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<tr>
<td>209th Corps</td>
<td>12,732</td>
<td>14,852</td>
<td>+2,120</td>
<td>16,091</td>
<td>15,194</td>
<td>-897</td>
</tr>
<tr>
<td>215th Corps</td>
<td>14,604</td>
<td>17,542</td>
<td>+2,938</td>
<td>16,190</td>
<td>16,942</td>
<td>+752</td>
</tr>
<tr>
<td>111th Capital Division</td>
<td>8,901</td>
<td>9,608</td>
<td>+707</td>
<td>10,612</td>
<td>10,238</td>
<td>-374</td>
</tr>
<tr>
<td>Special Operations</td>
<td>8,224</td>
<td>12,525</td>
<td>+4,301</td>
<td>10,617</td>
<td>10,193</td>
<td>-424</td>
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<tr>
<td>Other ANA</td>
<td>75,819</td>
<td>44,712</td>
<td>-31,107</td>
<td>59,606</td>
<td>36,438</td>
<td>-23,168</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>187,000</strong></td>
<td><strong>172,055</strong></td>
<td><strong>-14,945</strong></td>
<td><strong>186,012</strong></td>
<td><strong>184,676</strong></td>
<td><strong>-23,084</strong></td>
</tr>
</tbody>
</table>

Notes: Q3 data is as of 5/20/2012. Q4 data is as of 9/6/2012.

a This number was the total provided in a table by CSTC-A; however, it is not the sum of the column for Q3 assigned. Due to the formula used to calculate “Other ANA”, the sum of the column was 187,000, the same as the sum in the Q3 authorized column.

b This number was the total provided in a table by CSTC-A; however, it is not the sum of the column for Q3 assigned. This number includes 20,760 personnel “in Trainee, Transient, Holdlee, and Student (TTHS) account as of Aug 12, both in Afghanistan and abroad, or awaiting assignment to authorized positions” that were not captured in the column above.

Source: CSTC-A, responses to SIGAR data calls, 10/1/2012 and 7/2/2012.
ANA Sustainment
As of September 30, 2012, the United States had obligated $9 billion and disbursed $8.4 billion of ASFF funds for ANA sustainment. Funds include money for petroleum, oil, and lubricants (POL) for the ANSF. See the “SIGAR Oversight” section of this report for discussion of shortcomings in documenting POL use and estimating requirements.

ANA Salaries
As of September 6, 2012, the U.S. government had provided $1.28 billion through the ASFF to pay ANA salaries and incentives, including $152.5 million this quarter, according to CSTC-A. In addition to their salaries, all ANA personnel, including the AAF, receive some sort of incentive (extra pay for personnel engaged in combat or employed in specialty fields). For more details on the U.S. government’s program to provide salary funding to the ANA, see SIGAR’s July 2012 quarterly report, page 74.

ANA Equipment and Transportation
As of September 30, 2012, the United States had obligated and disbursed $9.7 billion of ASFF funds for ANA equipment and transportation. CSTC-A used these funds to purchase weapons, vehicles, radios, ammunition, aircraft, and related equipment. More than half of U.S. funding in this category was for vehicles and transportation-related equipment.

The United States has surpassed its goals for procuring equipment for the ANA and had delivered most of that equipment, according to CSTC-A. As of September 30, 2012, CSTC-A had procured 105% of weapons and weapons-related equipment versus the goal, 110% of vehicles and transportation equipment, and 102% of communications equipment. NTM-A noted that the “equipment requirements have fluctuated over time as a result of CSTC-A’s continuing efforts to create the correct force size and mix” and “in many such cases, requirements decreased in the years after equipment was acquired, resulting in total numbers of deliveries that were higher than revised requirements.” To track equipment, CSTC-A uses several categories: “Shoot” (weapons and related equipment), “Move” (vehicles and related equipment), “Commo” (communications equipment), “Ammo” (ammunition), and “Fly” (aircraft and aviation-related equipment).

DoD’s FY 2013 budget request included only $241.5 million to be allocated through the ASFF for ANA equipment and transportation—an 83% decrease from the amount authorized for this purpose in FY 2012. The requested funds would support the AAF ($169.8 million), provide communications and intelligence equipment ($1.7 million), and support airlift operations ($70 million). The request did not include amounts for weapons or vehicles, whose inventories have reached target levels.

SIGAR AUDIT
SIGAR’s audit of ASFF-funded petroleum products for the ANA found that CSTC-A could not fully account for $1.1 billion in fuel expenditures and did not have a valid method for estimating fuel needs on which to base funding requests. For more information, see Section 2, pages 28–30.
On October 8, 2012, the ISAF Commander’s Advisory and Assistance Team (CAAT) issued a special report on missing U.S.-owned repair parts for ANSF equipment. CAAT found that 474 of 500 shipping containers of repair and maintenance parts worth approximately $230 million were unaccounted for. According to CAAT, the missing equipment may have “triggered the requirement of an additional $136,910,899 in repair parts,” bringing the total spent on these parts to nearly $367 million. CAAT also stated that these parts were procured by “circumventing the Afghan logistics system” at a time when Afghans should be increasingly involved with their own maintenance and logistics. CAAT recommended that ISAF “self-report” to SIGAR and request a formal investigation to “determine accountability for the currently unaccounted for [equipment repair parts] and their potential misuse or possible corruption.” SIGAR has commenced the requested audit (see “SIGAR Oversight,” page 35).

ANA Infrastructure
As of September 30, 2012, the United States had obligated $6.3 billion and disbursed $3.5 billion of ASFF funds for ANA infrastructure such as barracks, offices, and storage facilities. As of September 30, 2012, the United States had completed 205 infrastructure projects (valued at $2.51 billion), with another 99 projects ongoing ($2.53 billion) and 73 planned ($1.06 billion), according to CSTC-A. This quarter, seven contracts were awarded ($150.4 million), one was terminated ($35.7 million), and one was transferred to the ANP ($14.0 million).

DoD’s FY 2013 budget request for ANA infrastructure was 85% less than the amount authorized in FY 2012. The FY 2013 request is not for construction projects, but for upgrades and modernizations of garrisons and force-protection systems, and to prepare coalition facilities for handover to the ANSF as the U.S. forces are drawn down.

ANA and MoD Training and Operations
As of September 30, 2012, the United States had obligated $2.4 billion and disbursed $2.3 billion in ASFF funds for ANA and MoD operations and training. During the reporting period, NTM-A/CSTC-A was conducting 18 training programs at a cost of $114.5 million, of which $27 million was for literacy training. Fourteen of the 18 training programs were funded through the ASFF; the literacy training program was funded jointly through the ASFF and the NATO Trust Fund.

ANA Literacy Training
The ANA’s literacy program is based on a 312-hour curriculum. According to CSTC-A, in order to progress from being illiterate to functionally literate, a student may take as many as seven tests. The student’s performance determines if he or she progresses to the next training level.
September 1, 2012, the ANP success rates for the passing these tests were: 95% for Level 1 literacy, 98% for Level 2, and 97% for Level 3. According to CSTC-A, Level 1 literacy provides an individual with the ability to read and write single words, count up to 1,000 and add and subtract whole numbers. At Level 2 an individual can read and write sentences, carry out basic multiplication and division and identify units of measurement. At Level 3 an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute and use printed and written materials.”

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a limit of five years of service—as one-year options that may be exercised in August of each year—and a maximum cost of $200 million. According to CSTC-A, these contractors are providing 1,434 literacy trainers to the ANA:

- OT Training Solutions (a U.S. company) is providing 528 trainers.
- Insight Group (an Afghan company) is providing 303 trainers.
- The Higher Education Institute of Karwan (an Afghan company) is providing 603 trainers.

CSTC-A said that responsibility for literacy training for ANA personnel in the field will transition to the ANA between January 1 and June 30, 2013. Literacy training at ANA training centers will transition by April 2014.

Women in the ANA

As of August 21, 2012, ANA personnel included 379 women—268 officers, 104 noncommissioned officers, and 7 soldiers—according to CSTC-A. The number of noncommissioned officers and soldiers remained the same, but the number of officers increased by 44 since last quarter. CSTC-A noted that these numbers include 27 AAF personnel; it was not clear if AAF personnel were included in the previous quarter’s report. The current target is for women to make up 10% of the 195,000-strong combined ANA and AAF.

Recruitment of women remains a low priority for the ANA, according to CSTC-A. The ANA lacks a centralized and structured process to screen, test, and process women applicants. However, the ANA has recognized the need for women in fields such as intelligence and law, and has been supportive of hiring women to fill such positions.

NTM-A has two priorities for supporting recruitment and integration of women into the ANA: establishing a Human Rights, Ethnic Balancing, and Gender Integration Office within the MoD, and a program to support recruiting women into the Intelligence Branch.

AFGHAN NATIONAL POLICE

As of September 30, 2012, the United States had obligated $14.3 billion and disbursed $12.3 billion of ASFF funds to build, train, and sustain the ANP.
ANP Strength
Like the ANA, the strength of the ANP is a key metric of the success of the reconstruction effort in Afghanistan and will determine the Afghan government’s ability to provide its own security in the future. This quarter, the total strength of the ANP was 146,399, according to CSTC-A. Of that number, 106,538 were assigned to the Afghan Uniform Police (AUP), 22,243 to the Afghan Border Police (ABP), and 14,585 to the Afghan National Civil Order Police (ANCOP). This quarter, the reported number of personnel in the AUP—the largest and most visible component of the ANP—rose considerably.\textsuperscript{138}

This quarter’s ANP strength number also includes 2,437 personnel in training and 536 officer candidates awaiting assignment.\textsuperscript{139}

ANP Sustainment
As of September 30, 2012, the United States had obligated $4.5 billion and disbursed $4.3 billion of ASFF funds for ANP sustainment.\textsuperscript{140}

ANP Salaries
From 2005 through September 30, 2012, the U.S. government had provided $735 million through the ASFF to pay ANP salaries and incentives (extra pay for personnel engaged in combat or employed in specialty fields), CSTC-A reported. However, that number does not include non-ASFF funds. Since 2002, the United States has provided approximately $927.5 million through the Law and Order Trust Fund for Afghanistan (LOTFA) to support the ANP. The LOTFA is a multi-national trust fund, administered by the UN Development Programme, that provides funds to the Afghan government. The United States also provided $51.5 million outside of LOTFA contributions to support the Afghan Local Police program. According to CSTC-A, when the ANP reaches its final strength of 157,000 personnel, it will require approximately $726.9 million per year to fund salaries ($471.6 million), incentives ($117.8 million), and food ($137.5 million).\textsuperscript{141}

ANP Equipment and Transportation
As of September 30, 2012, the United States had obligated and disbursed $3.3 billion of ASFF funds for ANP equipment and transportation.\textsuperscript{142} Most of these funds were used to purchase weapons and related equipment, vehicles, communications equipment, and ammunition.\textsuperscript{143}

The United States had surpassed two of three of its goals for procuring equipment for the ANP and had delivered most of that equipment, according to CSTC-A. As of September 30, 2012, CSTC-A had procured 99% of weapons and weapons-related equipment versus the goal, 104% of vehicles and transportation equipment, and 109% of communications equipment.\textsuperscript{144} To track equipment, CSTC-A uses the following categories: “Shoot”
(weapons and related equipment), “Move” (vehicles and related equipment), and “Commo” (communications equipment).

**ANP Infrastructure**

As of September 30, 2012, the United States had obligated $3.6 billion and disbursed $2 billion of ASFF funds for ANP infrastructure.

As of September 30, 2012, the United States had completed 445 ANP infrastructure projects valued at $1.3 billion in total. Another 212 were ongoing ($1.2 billion), and 308 were planned or “in progress” ($1.7 billion). The information CSTC-A provided did not make it clear whether the “ongoing” and “in progress” counts overlapped. Last quarter, CSTC-A reported 164 planned projects ($1.1 billion). This quarter, 13 projects were completed ($38.3 million) and 45 new contracts were awarded ($197.0 million).

**ANP Training and Operations**

As of September 30, 2012, the United States had obligated $2.8 billion and disbursed $2.7 billion of ASFF funds for ANP and MoI training and operations.

**ANP Literacy Training**

The ANP’s literacy program, like the ANA’s, is based on a 312-hour curriculum. According to CSTC-A, in order to progress from being illiterate to being functionally literate, a student may take as many as seven tests. The student’s performance determines if he or she progresses to the next training level. As of September 1, 2012, the ANP success rates for the passing these tests were: 89% for Level 1 literacy, 90% for Level 2, and 86% for Level 3. According to CSTC-A, Level 1 literacy provides an individual with the ability to read and write single words, count up to 1,000 and add and subtract whole numbers. At Level 2 an individual can read and write sentences, carry out basic multiplication and division and identify units of measurement. At Level 3 an individual has achieved functional literacy and can “identify, understand, interpret, create, communicate, compute, and use printed and written materials.”

Since 2010, the United States has funded three literacy contracts for the ANSF. Each has a limit of five years of service—as one-year options that may be exercised in August of each year—and a maximum cost of $200 million. According to CSTC-A, these contractors are providing 1,779 literacy trainers to the ANP:

- OT Training Solutions (a U.S. company) is providing 482 trainers.
- Insight Group (an Afghan company) is providing 353 trainers.
- The Higher Education Institute of Karwan (an Afghan company) is providing 944 trainers.

**SIGAR AUDIT**

SIGAR has initiated an audit to determine whether CSTC-A and the ANP can manage and account for U.S.-funded petroleum products. For more information, see Section 2, page 34.

**SIGAR INSPECTION**

SIGAR’s inspection of the Wardak Province National Police Training Center found that contract requirements had generally been met, but deficiencies and maintenance issues needed to be addressed. For more information, see Section 2, pages 40–41.
CSTC-A said that responsibility for literacy training for ANP personnel in the field will transition to the ANP between January 1 and June 30, 2013. Literacy training at ANP training centers will transition by April 2014.151

Women in the ANP
As of September 18, 2012, ANP personnel included 1,462 women—238 officers, 597 noncommissioned officers, and 627 enlisted personnel—according to CSTC-A. The goal for the ANP is to recruit 5,000 women by March 2014. The ANP is actively recruiting women through a campaign sponsored by the LOTFA. The United States has provided three gender advisors, assigned to the MoI’s Human Rights, Gender, and Child Rights Directorate. These advisors work with ANP leaders, promote the advantages of having women in a police force, and visit ANP units where women are assigned to identify and address gender-related issues.152

ANSF MEDICAL/HEALTH CARE
This quarter, the ANP health system made progress in several areas, according to CSTC-A. The Office of the Surgeon General (OTSG) changed the process for ordering and distributing medical supplies that could reduce the administrative burden on customers and result in faster deliveries. ANP medical logistics are also improving; a new medical warehouse at the National Logistics Center in Wardak is expected to open soon.
Aggressive recruiting by OTSG and MoI resulted in the highest percentage of medical positions filled (nearly 92%). However, CSTC-A said OTSG recognized that there are still shortages at local levels; OTSG has a plan to correct these imbalances.153

The standard of patient care in the ANP Hospital (ANPH) has markedly improved, especially in the areas of infection control, wound care, orthopedics, emergency services, and surgical services as a result of intensive clinical advising in 2011. The ANPH is applying these new skills, allowing CSTC-A to focus on building and maintaining systems and procedures to accurately track and assess the quality of care provided.154

CSTC-A also said many steps to professionalize the ANA health care system were taken this quarter and progress was made in the institutional and ministerial-level development of a better healthcare system. Bio-medical equipment calibration, validation, and repair inventories of all regional military hospitals, and the National Military Hospital were completed. In addition, the Biomedical Repair Technician course from the Armed Forces Academy of the Medical Sciences graduated 32 personnel, who are gaining hands-on training alongside coalition partners in those hospitals. These graduates can now fix some of the ANA’s medical equipment without coalition assistance. Moreover, the development of a graduate medical residency program is in its final stage; CSTC-A expects the announcement of a start date soon. Three regional military medical hospitals are being prepared for transfer to the ANA’s Medical Command.155

CSTC-A noted that ANSF disease reporting has improved. Following the mid-April attacks in Kabul, the ANSF healthcare system successfully responded and treated all casualties without coalition assistance.156 As of the end of this quarter, 174 ANSF hospitals and health clinics had been built and 10 are planned. The ANSF health care system has 885 physicians—706 in the ANA and 179 in the ANP—out of 1,001 needed. In addition, it had 8,527 medical personnel (including nurses and medics) out of 11,186 needed.157

**U.S. FORCES**

According to U.S. Forces-Afghanistan (USFOR-A), 76,000 U.S. forces were serving in the country as of September 30, 2012. Of those, approximately 54,000 were assigned to ISAF, 2,000 to NTM-A/CSTC-A (the joint NATO/U.S. mission responsible for training, equipping, and sustaining the ANSF), and 7,800 to USFOR-A, while 12,200 were categorized as “other U.S. military personnel.”158 On September 21, 2012, Secretary of Defense Leon Panetta announced that the drawdown of the 30,000 surge force was complete.159
**REMOVING UNEXPLODED ORDNANCE**

From 2002 through September 2012, the U.S. Department of State has provided $253.2 million in funding for the removal and abatement of weapons, according to its Political-Military Affairs’ Office of Weapons Removal and Abatement (PM/WRA). Of that funding, $207.6 million had been provided since 2006 to fund the work of seven international non-governmental organizations (NGOs), five Afghan NGOs, three public institutions, two companies, and a U.K. university. According to PM/WRA, more than 57% of the funding since 2002 has been dedicated to clearance operations; the remaining funding was for the securing of excess or unstable weapons, victim’s assistance projects, mine-risk education, and Afghan capacity development.

From July 1, 2011 through June 30, 2012, DoS-funded implementing partners had cleared more than 42.6 million square meters of minefields, according to the most recent data available from the PM/WRA. An estimated 563.0 million square meters of contaminated areas remain to be cleared, as shown in Table 3.3. The PM/WRA defines a “minefield” as an area contaminated by landmines, and a “contaminated area” as an area contaminated with both landmines and explosive remnants of war.

**COUNTER-NARCOTICS**

As of September 30, 2012, the United States had appropriated $6 billion for counter-narcotics initiatives in Afghanistan since efforts began in 2002. Most of these funds were appropriated through two sources: the State Department’s International Narcotics Control and Law Enforcement (INCLE) account ($3.6 billion), and the DoD Drug Interdiction and Counter-Drug Activities (DoD CN) fund ($2.3 billion).

DoD and DoS coordinate with each other to support the counter-narcotics efforts of the MoI and the Counter-Narcotics Police of Afghanistan (CNPA), INL stated. For example, in some provinces, DoD funded the construction of secure storage facilities for drug laboratory equipment.

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**TABLE 3.3**

**CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, JULY 1, 2011–JUNE 30, 2012**

<table>
<thead>
<tr>
<th>Date Range</th>
<th>AT/AP Destroyed</th>
<th>UXO Destroyed</th>
<th>SAA Destroyed</th>
<th>Fragments Cleared</th>
<th>Minefields Cleared (m²)</th>
<th>Estimated Contaminated Area Remaining (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1–9/30/2011</td>
<td>2,071</td>
<td>120,616</td>
<td>627,656</td>
<td>6,258,408</td>
<td>7,735,897</td>
<td>602,000,000</td>
</tr>
<tr>
<td>10/1–12/31/2011</td>
<td>2,616</td>
<td>88,998</td>
<td>449,589</td>
<td>13,376,738</td>
<td>13,097,574</td>
<td>588,000,000</td>
</tr>
<tr>
<td>1/1–3/31/2012</td>
<td>2,113</td>
<td>62,043</td>
<td>467,071</td>
<td>3,364,885</td>
<td>14,604,361</td>
<td>585,000,000</td>
</tr>
<tr>
<td>4/1–6/30/2012</td>
<td>1,559</td>
<td>28,222</td>
<td>20,580</td>
<td>3,601,378</td>
<td>7,251,257</td>
<td>563,000,000</td>
</tr>
<tr>
<td>Total</td>
<td>8,359</td>
<td>299,879</td>
<td>1,564,896</td>
<td>26,601,409</td>
<td>42,689,089</td>
<td>563,000,000 remaining</td>
</tr>
</tbody>
</table>

Notes: AT/AP = anti-tank/anti-personnel ordinance. UXO = unexploded ordinance. SAA = small-arms ammunition. Fragments are reported as a measure of effort, as they require the same care in detection and handling as live ordnance until their nature is established.

of forward operating bases used by the CNPA’s National Interdiction Unit (NIU); INL funded the maintenance of those bases. Moreover, DoD funded the NIU’s training and DoS supplemented their salaries.164

This quarter, five programs were being funded through the INCLE account:165

- a supply reduction program through the Governor-Led Eradication Program (or GLE, at a cost $4.8 million per year)
- an alternative development program through the Good Performers Initiative ($23 million)
- a drug interdiction program to support the CNPA and U.S. Drug Enforcement Administration (DEA) efforts to build CNPA capacity ($55 million)
- a demand reduction and public information program to support the treatment of drug users ($12.0 million) and train Afghan Ministry of Counter Narcotics (MCN) public outreach officials on conducting public awareness campaigns ($3.7 million)
- a ministerial capacity-development program to support the MCN ($18.7 million)

**Poppy Eradication**

INL provides financial support to the Afghan government’s GLE program. INL stated that 9,672 hectares of poppy were eradicated in 2012 through the GLE program.166

INL works with the Afghan MCN to achieve and sustain poppy-free provinces. For example, INL funds the MCN’s Good Performer’s Initiative (GPI) which helps governors see the benefit of reducing poppy cultivation in their provinces through incentives. According to INL, a province becomes eligible for $1 million in GPI development projects if it is deemed poppy-free (or has fewer than 100 hectares under cultivation during the year). INL noted that, since the start of the GPI in 2007, more than 90 development projects—including the construction of schools, roads, bridges, agricultural, and medical facilities—are either complete or in progress in 32 provinces.167

INL also funds the Counter-Narcotics Public Information program to help poppy-free provinces maintain their status through public awareness and media campaigns. In addition, INL funds a grant to the Aga Khan Foundation which focuses on helping six key provinces move toward poppy-free status by working with communities and local NGOs to increase opportunities for residents to find non-narcotics-related jobs.168

**Counter-Narcotics Police of Afghanistan**

This quarter, 2,622 personnel were assigned to the CNPA, according to CSTC-A. This is a decrease of 274 from last quarter.169

On September 12, 2012, CNPA launched an independent operation—observed by DEA agents—from the INL-supported Regional Law
Enforcement Center in Kunduz. The successful operation resulted in the seizure of more than 180 kg of heroin, 1,200 kg of opium, 700 kg of narcotics-related chemicals, and the destruction of six drug labs.\(^{170}\)

**National Interdiction Unit**

During the reporting period, INL’s Air Wing provided more than 428 flight hours in support of interdiction operations, including tactical and operational support for the CNPA. The DEA-supported CNPA consists of the National Interdiction Unit (NIU) and the Sensitive Investigation Unit (SIU). The flights supported 80 missions and transport of 1,220 passengers and 106,393 lbs. of cargo.\(^{171}\)

INL does not provide support to the Special Missions Wing (previously known as AIU), but supports interdiction missions for DEA teams and task forces in conjunction with NIU officers. INL also supports DEA efforts to assist the CNPA by providing assets for intelligence collections, moving platoons and equipment to various sites in Afghanistan, and providing operations and maintenance to the main NIU/SIU base in Kabul as well as the Regional Law Enforcement Centers in Kunduz and Herat.\(^{172}\)

**Interdiction Operations**

From July 1 through September 26, 2012, the ANSF partnered with U.S. and coalition forces to conduct 38 interdiction operations—partnered patrols, cordon and search operations, and deliberate detention operations—according to DoD. These operations resulted in 41 arrests and led to the seizure of the following narcotics contraband:\(^{173}\)

- 17,774 kg of hashish or marijuana
- 15,785 kg of opium
- 48 kg of morphine
- 1,484 kg of heroin
- 2,765 kg of narcotics-related chemicals

The U.S. military provided general logistics and intelligence support in addition to on-ground quick-reaction assistance, according to DoD. DEA mentored specialized units throughout the country to establish a foundational investigative and law enforcement capability. In addition, the U.S. Intelligence Community continued to provide targeting and analytical support to the Afghan military and law enforcement agencies at the strategic, operational, and tactical levels.\(^{174}\)

Most interdiction activities occur in the south and southwest, where the majority of opiates are grown, processed, and smuggled out of Afghanistan. According to DoD, Afghan forces in these areas increasingly took the lead on patrols and conventional military operations as ISAF units withdrew in line with transition plans. DoD noted that Afghan specialized units continued to demonstrate an ability to operate independently, aided in part by
logistical and intelligence support from ISAF. Moreover, Afghan counter-Narcotics investigators continued to refine their intelligence collection priorities in combating known drug trafficking networks and identifying drug processing labs, storage sites, and trafficking routes. The result of these efforts has led to stronger cases leading to evidence-based arrests.¹⁷⁵

Conventional and specialized Afghan units also executed a number of operations with support from interagency elements, including the Combined Joint Interagency Task Force-Nexus (CJIATF-N) and the Interagency Operations Coordination Center (IOCC). CJIATF-N and IOCC integrate information from various military and law enforcement sources to enable operations against corrupt narco-insurgent elements. According to DoD, all operations were coordinated with and received support from U.S. and coalition military commanders.¹⁷⁶
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As of September 30, 2012, the United States had provided $22.33 billion to support governance and economic development in Afghanistan. The country’s endemic corruption, underperforming formal judicial sector, difficulties in establishing and maintaining governmental authority, and persistent human-rights violations continued to complicate U.S. efforts to establish a stable and mature Afghan government.

KEY EVENTS
This quarter, the Afghan government announced a series of reforms aimed at improving governance and stemming corruption. It is still too early to tell if genuine political will exists to implement these reforms. President Karzai also made a number of leadership changes at the national and local levels, but it is unclear whether these changes will improve governance. Peace and reconciliation remains a primary objective of the Afghan government, but this quarter saw no major breakthroughs in peace negotiations with the Taliban.

Karzai’s Governance and Corruption Decree
In July 2012, President Hamid Karzai issued a presidential decree to spur the Afghan government to improve its institutional capabilities and reduce widespread corruption. The decree contained a number of directives for various ministries, some of which contained specific actions with deadlines while others did not. Among the key directives:

- By March 2013, the Supreme Court should activate and staff all inactive courts.
- High-ranking officials should separate themselves from criminals, and corrupt individuals.
- Judicial and law enforcement agencies must take firm legal action against those who get in the way of justice without considering their official position.
- No individual should be imprisoned, arrested, or placed under investigation without lawful rationale, or remain in prison for a longer period than their sentence.
• By December 2012, the High Office of Oversight should assess the “suspicious” finances of all private institutions and government officials, and send results to the president.
• By August 2012, the Ministry of Finance should make a proposal to pursue the pledges of the Tokyo Conference and inform the Cabinet on the implementation progress every month.

Because many of the directives are aligned with Tokyo Mutual Accountability Framework commitments the Afghan government made at the Tokyo Conference on July 8, 2012, State Department officials said the decree gave a focus and sense of urgency to a reform agenda. Afghan progress towards fulfilling the Tokyo commitments is critical to maintaining long-term donor support. As of September 30, 2012, DoS reported the Afghan government had accomplished some of the elements of the decree. It noted that responsibility for the implementation of the decree—including funding, monitoring, and reporting—lies fully with the Afghan government.178

Governorship Changes
On September 19, 2012, President Karzai fired or reassigned governors of 10 provinces. Governor Gulab Mangal of Helmand province was among those who lost their positions. Mangal was a key U.S. ally and a relatively effective governor in the important southern province. Some Afghan analysts saw Karzai’s move as an effort to promote political allies to key positions ahead of the 2014 presidential elections. Others viewed it as a response to poor administration and heightened insecurity in those areas.179

Afghanistan-Pakistan Relations
This quarter, cross-border incidents continued to strain relations between Afghanistan and Pakistan, prompting increased diplomatic activity between the countries. Among other incidents, Pakistani military forces shelled Kunar province and Afghan insurgents crossed into Pakistan, killing six Pakistani soldiers and 11 militia members. Afghanistan’s National Assembly cited the cross-border incidents, which have occurred regularly, as one reason for ousting the ministers of defense and interior this quarter. (See the security section for more information about the removal of the ministers). On August 15, 2012, the presidents of Afghanistan and Pakistan met in Mecca, Saudi Arabia, during the fourth extraordinary session of the Islamic Summit Conference, and agreed to establish a joint military delegation to investigate the incidents.180 DoD reported some progress on border coordination and cooperation efforts as well as joint operations.181

In September 2012, Afghanistan banned the distribution of all Pakistani newspapers within Afghanistan because of continued pro-Taliban and anti-Afghan-government coverage in some of Pakistan’s most right-wing newspapers, according to media reports. The Pakistani newspaper coverage
had included publishing Taliban speeches and characterizing suicide bombings of government targets as “martyrdom operations” against “puppets.” Some articles had also suggested that Afghanistan was being handed over to Jews and Christians. The Afghan Border Police seized copies of the publications at Afghan-Pakistan border crossings. Members of Pakistan’s media criticized the ban as an over-reaction.182

RECONCILIATION AND REINTEGRATION
Afghanistan’s political and economic strategy—as articulated in the National Priority Programs it has been developing since 2010—makes peace and reconciliation a primary objective (see pages 74–75 for a discussion of the NPPs). Efforts to begin serious peace negotiations between the Taliban and the Afghan government continued this quarter, but made no significant progress. The UK Foreign and Commonwealth Office reported the Taliban has been internally debating its role in Afghanistan’s future and whether it should conduct serious talks. However, the Office noted the insurgency is a complex and disparate entity with elements that continue to reject engagement with the West and the Afghan government. As of September 2012, the Taliban had not reopened discussions that broke off in March 2012.183

The UN Security Council did take steps to facilitate negotiations by removing a key Taliban leader, their former minister of finance, from the UN’s Taliban sanctions list on July 19, 2012. As of September 13, 2012, a total of 20 individuals had been delisted since June 2011.184 In his address to the UN, President Karzai urged the UN Security Council take more Taliban leaders off the sanctions list in hopes of facilitating negotiations.185

High Peace Council
The Afghan government designated September 19-26, 2012 as “Peace and National Unity Week.” During this period, the High Peace Council and the Afghanistan Peace and Reintegration Program (APRP) held over 200 events throughout the country to increase national and local public awareness of the peace process. The three national-level events included a national peace conference with over 1,500 attendees, an international peace conference with over 30 countries, and an Ulema (Islamic scholars) conference with respected religious leaders. The United States assisted with these events, according to DoS.186

Afghanistan Peace and Reintegration Program
This quarter, the pace of reintegration continued to slow. Only 372 insurgents officially entered the APRP—well below the program’s previous 12-month average of 706 reintegrees per quarter, as shown in Figure 3.27 on the following page. As of September 25, 2012, there were 5,046 reintegrees in the program.187 The ISAF Force Reintegration Cell (F-RIC) noted an

additional 1,000 reintegrees were undergoing vetting to enter the program. Only 16.5% of all reintegration has occurred in the more volatile provinces in the south and east, as shown in Figure 3.28.188

**U.S. Support for Reintegration**

As of September 30, 2012, the United States had provided $50 million to USAID to support the APRP. These donations went directly to the World Bank’s Afghanistan Reconstruction Trust Fund to support the Ministry of Rural Rehabilitation and Development’s National Solidarity Program. However, the USAID contribution to APRP does not fund most of the activities typically associated with APRP, such as operational expenses for peace institutions, demobilization, outreach, or any community recovery efforts besides the Ministry’s National Solidarity Program. The United States allocated an additional $50 million to support reintegration through DoD’s Afghanistan Reintegration Program (ARP) which is the main DoD program supporting the APRP. As of September 23, 2012, the U.S. military had obligated only $1.2 million of its funds due to bureaucratic challenges in approval and delivery. In early October, State concurred with DoD’s request for a further $35 million for ARP for FY 2013; the request awaits Congressional approval.189
Regional Reintegration Progress

The Defense Department reported reintegration has been slow to take hold in the eastern, southwestern, and southern parts of Afghanistan because of overall insecurity and provincial officials’ perception that they receive few tangible benefits from the program. Some insurgents who have shown an interest in reintegration, or who have been reintegrated, have been threatened or killed by the Taliban.190 Some communities like Ghazni have had no reintegrees come forward. These areas are therefore ineligible for community recovery activities like basic community infrastructure, agriculture, health education, and water and sanitation that could raise the profile of the program. However, local uprisings against the Taliban in some of these areas have raised hope that the program will become more popular in the future.191

Capacity Development for Reintegration

The APRP’s capacity to reintegrate insurgents at the provincial level continued to vary considerably. Some Provincial Peace Councils (PPCs) and Provincial Joint Secretariat Teams (PJSTs) are able to act independently and make strong appeals to the APRP’s Joint Secretariat for their provinces’ financial reintegration needs. Other PPCs and PJSTs lack basic accounting and technical skills needed to properly operate their budgets. The High
Peace Council has determined that it needs to quickly assess and restructure the weaker PPCs. PJSTs will be challenged to successfully assume all of their responsibilities as reintegration efforts intensify. Greater coordination between the PJSTs and provincial governors, as well as with relevant security institutions, will be key to promoting successful reintegration and managing the overall program.  

**Reintegree Recidivism and Vetting**

From April 2011 to September 2012, the APRP’s vetting procedures greatly improved, according to DoS and DoD. To confirm that each reintegree is in fact an insurgent, vetting procedures now require multiple offices—political, military, and intelligence—of both the provincial and national governments to confirm that each reintegree poses a genuine threat. This quarter, ISAF said 100 potential reintegrees are turned away from joining the APRP every month, demonstrating the effectiveness of current vetting procedures. DoS reported one instance where 155 potential reintegrees were rejected from the program in Herat this quarter. The State Department reported that as of September 30, 2012, only 15 reintegrees who had entered the program were either confirmed or rumored to have rejoined the insurgency. However, the strengthened vetting process has also created program bottlenecks: until reintegrees are fully vetted, they cannot receive APRP benefits.

**Financial Management of Reintegration Programs**

The APRP continued to have difficulty executing its $161 million budget. Four months into Afghan Fiscal Year 1391, the APRP had spent approximately 11% of its budget. Although spending typically increases at the end of the fiscal year, if the program continues to spend at current rates, it would only spend about 33% of its budget by the end of the shortened Afghan Fiscal Year 1391 which ends on December 20, 2012. The APRP disbursed only 14% of its budget from March 2011 to March 2012.

The APRP’s Joint Secretariat strives to provide each province with similar resources. For example, certain financial accounts are the same for every province regardless of the number of reintegrees or the size of the province. Provincial officials in the west and north argue that this is unfair, given their larger reintegree populations.

**Community Recovery Programs**

The APRP has improved its ability to implement community recovery programs designed to provide economic and social opportunities to reintegrees and their communities. From April to September 2012, the APRP increased its small grant projects from 48 to 102, of which 12 were completed, according to DoD. The APRP’s 2012 budget allocates $87.4 million of its $161 million budget for community recovery projects. Line ministries responsible for implementing community recovery projects have
significantly increased their capacity over the past two quarters. The ministries also prepared their FY2013 plans for approval by the APRP Technical Committee. These ministries have told APRP leadership of the need for increased Afghan awareness about the linkages between the APRP and a reduction in violence.196

The APRP’s Joint Secretariat reported that 3,206 of the 5,046 reintegrees (64%) had directly benefited from community recovery activities as of September 30, 2012. In addition, over 100,000 Afghan civilians had also benefited from community recovery activities.199 The UN Secretary-General reported that about 10% of reintegrees were working on demining projects supported by the UN’s Mine Action Service.200 Meanwhile, the State Department said the security situation in the south, southwest, and east makes delivering community recovery activities in those areas difficult.201

According to the State Department, some local reintegration bodies have complained that the $360 assistance package offered to new reintegrees over the three-month transition period is not enough to convince insurgents to move off the battlefield because it is less than they can make as insurgents.202 The Defense Department agrees that the $360 payment is insufficient for insurgents operating in the south. To address these issues, the Joint Secretariat is working on increasing the amount of the assistance package and extending the duration of the transitional assistance.203 An enhanced commanders’ package containing additional benefits was approved this quarter for insurgent leaders that reintegrate over 50 fighters, according to DoS.204

**Reintegration Support from the Afghan National Security Forces**

This quarter, the ANSF gave greater support to the APRP, particularly in the east, according to DoS. A Ministry of Defense (MoD) directive implemented in April 2012 led to an increase in the ANA’s support of the program. This quarter, the ANA trained all of its corps (with the exception of 205th Corps in Kandahar) on the APRP. Although progress has generally been slow, ANA units are increasingly more aware of the APRP and the ANA’s role in supporting the program. However, some provincial officials believe that the ANSF’s level of support varies throughout the country. At the end of the quarter, the Joint Secretariat was working with the Ministry of Interior (MoI) to finalize a draft directive, similar to the ANA’s, to improve its support of the program. ISAF continues to work with NATO Training Mission-Afghanistan (NTM-A) to ensure that APRP training is included in ANA and ANP training courses.205

**NATIONAL AND SUB-NATIONAL GOVERNANCE**

The United States supports a number of efforts to improve Afghanistan’s national and sub-national governance in such areas as capacity building, local governance, and civil service training. As of the end of the quarter,
Afghanistan continued to have serious problems establishing a competent and capable government in full control of the country.

**National Assembly**

The Wolesi Jirga was active this quarter. On August 4, 2012, the Wolesi Jirga passed a no-confidence vote against the Ministers of Defense and Interior. On September 15, 2012, it confirmed the replacement appointments for the two ministers and named a new Director for the National Directorate of Security. On September 24, 2012, the Wolesi Jirga passed the Independent Election Commission’s (IEC) Structure Law, which outlined the appointment process for IEC commissioners and established a permanent Electoral Complaints Commission. In addition, on September 25, 2012, the Wolesi Jirga passed the Civil Aviation Law, which created an independent Civil Aviation Authority within the Ministry of Transport and Civil Aviation. DoS noted that this law should help in achieving international aviation standards and create better oversight of the aviation system.206

**Proposed Election Law**

As of September 30, 2012, the Council of Ministers’ legal committee was reviewing a draft electoral law.207 According to the IEC, the draft makes changes in areas such as the technical and operational makeup of the electoral administration and the electoral systems. It also establishes an adjudication mechanism for electoral complaints.208 DoS views the draft as a good start to making much-needed electoral reforms.209

This quarter, the international community intensified its discussions with Afghan officials about the 2014 presidential and 2015 parliamentary elections. Officials hope to institute a more robust legal and technical framework to mitigate the electoral fraud and large-scale ballot exclusions that marred previous Afghan elections. On July 10, 2012, the Chief Executive of Afghanistan’s IEC, Abdullah Ahmadzai, resigned. As of September 2012, Karzai had yet to appoint his successor.210

On September 17, 2012, the Council of Ministers decided to move forward with a multi-purpose national identification card, also known as E-Taskera, instead of the voter registration program the IEC had proposed.211 The United States and the international community had raised concerns about the voter registration program backed by the United Nations Development Programme (UNDP) and the IEC.212

**Civil Service Vacancies**

As of September 30, 2012, approximately 86% of civil service positions were filled in the 14 most insecure provinces, according to USAID. This represents a steady increase in positions filled, as shown in Figure 3.29. In the more volatile provinces, insecurity as well as low-levels of education and experience continued to prevent the government from completely filling its
civil service positions. USAID plans to use its on-budget funding assistance for civil service reform to hold job fairs in seven insecure provinces. These job fairs will prioritize filling vacant positions and provide orientation and training to those recruited. USAID noted that a new recruitment strategy for insecure provinces was being implemented in a number of dangerous provinces, including Kandahar, Helmand, Zabul, Uruzgan, Nimroz, Paktika, Khost, and Ghazni.213

Passport Processing
The MoI Afghan Passport Agency continues to have limited ability to process passports, according to DoS. The Agency issues passports only within Kabul. Outside of the capital, it simply distributes blank passport books to provincial passport stations for issuance. The MoI’s oversight of the Agency has not improved its capacity, diminished corruption, or reduced black-market sales. In February 2012, reports indicated that more than 1 million Afghans were waiting for passports. In response, the Ministry of Finance (MoF) ordered production of 1.4 million new passports. Some 35,000 of the new passports arrived in April 2012. However, the new passport books had not yet been properly disbursed by the Passport Agency, as of September 30, 2012.214

Targeted Killings
Insurgents accelerated efforts to undermine the Afghan government by targeting senior officials, civil service, community elders, and religious leaders. From May 1 through July 31, 2012, targeted killings left 231 people dead and another 139 injured. This marked an 88% increase from the same period last year, during which at least 162 people were assassinated and 35 were injured. The UN Secretary-General noted that improvised explosive devices figure more often in these attacks than in the past.215 The U.K. Foreign and
Commonwealth Office attributed the insurgents’ mounting use of high-profile attacks and assassinations to their determination to remain relevant despite their difficulty conducting more open-ended operations in protected urban areas.216

U.S. Capacity-Building Programs for Public Administration
Developing Afghanistan’s human resources is a key goal of the U.S. reconstruction effort. The United States is implementing a number of programs to build Afghan governing capacity at the national, provincial, and local levels. This sub-section reviews some of those efforts.

USAID RAMP-UP and KCI Programs
USAID’s Regional Afghan Municipalities Program for Urban Populations (RAMP-UP) and the Kabul City Initiative (KCI) programs are making progress in improving service delivery and connecting populations to their municipal governments, but many challenges remain in creating a functional system of local governance. As of September 30, 2012, USAID had obligated about $235.72 million for RAMP-UP and KCI.217

In recent quarters, RAMP-UP and KCI have attempted to build more sustainable, competent, responsive, and transparent local municipal governments. To achieve these goals, the programs have focused on improving revenue generation, providing focused program support in a single area of governance, creating mechanisms for citizens to influence local government decision making, and ensuring government staff have the skills and the knowledge to be effective after transition.218

USAID noted a number of positive results from the program, including:219
• municipal revenue generation increases of 226% in Herat, over 100% in Kabul, 71% in Kunduz, 109% in Farah, and 20% in Mazar-e-Sharif
• an 8% increase in access to trash services and an 11% increase in park usage in Kabul
• 50 service delivery projects completed with assistance from RAMP-UP South
A number of systemic issues have hampered the implementation of programs to support local governance:220
• Municipal official accountability: Because municipal officials are not elected by the local population, they are not truly accountable to locals and focus more on pleasing the central government. USAID noted that bribery rather than good performance is often the best way to satisfy Kabul.
• Top-down governance structure: The central government’s control over municipalities means that Kabul controls many decisions that would otherwise be made by the local municipal government.
• Funding cuts and program uncertainty: Funding for regional programs has been reduced by as much as 60% and the fiscal picture for future option years is unclear, creating uncertainty and planning difficulties.
• **Coordination and programmatic focus:** The Afghan government’s General Directorate for Municipal Affairs (GDMA)—responsible for donor and implementing partner coordination, policy development, expectation management, and the introduction of strategic interventions—has often made ad-hoc program requests that have made following program plans difficult. In addition, GDMA does not have the capacity to effectively coordinate activities to prevent duplication of the UNDP’s Afghanistan Sub-national Governance Programme, which has many of the same program elements as RAMP-UP.

**USAID Support to Sub-National Governance Program**

USAID says its Sub-National Governance program has improved the ability of provincial councils to operate, oversee, and engage with the local population. As of September 30, 2012, the program assisted Provincial Councils with 340 public consultation events, 162 local project site visits, and 130 public hearings to share information and solicit public feedback. USAID noted that Councils’ capacity had improved, but much work remains to ensure their sustainability and connect them with central and district governments. Insecurity, poor regulatory frameworks, lack of operational resources, and a centralized governance system all hamper the Councils. As of September 30, 2012, USAID had obligated almost $17 million for the program.221

**USAID IARCSC Support**

USAID’s funding support to the Afghan government’s Independent Administrative Reform and Civil Service Commission (IARCSC) has helped the Commission meet 14 of its 23 benchmarks. USAID said it expected the program to reach seven additional benchmarks by the end of this quarter but the Commission could not verify to USAID that it had. The IARCSC was created to standardize the Afghan civil service across the government. USAID has disbursed $7.75 million of the $15 million budgeted for the program. USAID said Commission achievements included:222

- establishing policies, manuals, and systems necessary to improve its governance and management, allowing for a more robust leadership role in civil service and public administration reform
- performing independent technical capacity assessments and performance appraisals of ministries
- expanding the human resources management-information system to 25 ministries, improving record management and thereby allowing ministries to account for their employees and better plan for recruitment and budgeting
- drafting a five-year strategic plan to build the internal capacity and structure of the commission
Provincial and District Governance
The Afghan government has gained greater control of the south due to improved security, but the government continues to compete with insurgent groups for control of the population in the more rural areas. In the more stable north, the government exercises more authority, but its control is still not complete, as shown in Figure 3.30. The Provincial Reconstruction Teams (PRTs) and District Support Teams (DSTs) still operating in the north and south continue to focus on supporting the transition effort with initiatives that seek to improve governance, rule of law, health and education, infrastructure, agriculture, economic growth and development, counternarcotics, and reintegration and reconciliation.223

Helmand Province
The Afghan government’s provincial and district governments in Helmand have made progress in administering and governing urban areas. However, they are less effective in rural areas, where the central government has not provided robust support. DoS noted that effective provincial and district leadership is expanding government influence in Helmand. The Taliban no longer has outright control of most areas of Helmand, although it can still provide shadow governance in certain locations. The Taliban gains much of its influence through violence and intimidation of the local populace. The central government will need to provide additional support to Helmand to sustain progress.224

Coalition troop reductions and the summer fighting season did not materially affect government officials’ freedom of movement in Helmand this quarter. Improved security allowed government officials, civil servants, and residents to travel from the province’s capital, Lashkar Gah, to outside districts such as Musa Qala, Sangin, Kajaki, Khan-e Shin, and Now Zad. With the exception of the Kajaki district, local officials can commute to their duty locations without ISAF support.225

Improving governance in Helmand remains a challenge. Senior officials continue to draw on political connections and patronage networks to hire civil servants. Corrupt hiring practices have allowed for many incompetent directors to remain in charge of the provincial and district officials. This has undermined efforts to promote good governance in Kajaki and improve security in Gereshk.226

Kandahar Province
The Afghan government and Taliban shadow government continue to vie for control of Kandahar, birthplace of the Taliban, but DoS says Afghan government influence in the province appears to be increasing. In those areas where the Afghan government has control, it has demonstrated improved capacity. The Afghan government is functioning in Kandahar City and the larger cities. However, districts further from the capital have
proven difficult to hold; the Taliban largely controls the Zharay, Panjwai, and Maiwand regions.\textsuperscript{227}

The improved security situation in Kandahar has increased government officials' ability to travel independently within the province. DoS noted that the province's governor can move around the province in a way he could not as recently as May 2012. Government officials are able to travel without ISAF support. Many provincial leaders are now relying on their own security details for longer ground movements.\textsuperscript{228}

Although there have been gains in implementing hiring standards and training for government employees, political connections and patronage networks continue to influence hiring. The United States is working with the Kandahar government to ensure that provincial and district positions are filled with qualified and dependable civil servants and that salaries are paid to the right people.\textsuperscript{229}

**Balkh Province**

Balkh's capital, Mazar-e-Sharif, enjoys relative stability and provincial officials are able to govern effectively. The United States has little engagement with the province's rural district governments as there are no longer any
DSTs in these areas. Consequently, U.S. officials do not have much insight into whether the local governments are effective. Although the Taliban shadow government has limited control of the province, it is present in several districts such as Chintal, Sholgara, Chahar Bolak, and Balkh. 230

**Kunduz Province**

Taliban influence is strongest in Chahar Dara and is significant in Aliabad, Imam Sahib, and Dasht e Archi districts, where government influence is weak. However, the governor has recently been able to travel to those areas. DoS noted that the governor’s successful response to a recent flare-up in violence that left 16 civilians dead demonstrated effective leadership. During that episode, the governor acted as an honest broker between the two sparring groups by conducting peace shuras and mediation sessions. However, the government has not been willing to address many of the underlying stability problems that are caused by illegally armed factions in the province. 231

**Takhar Province**

Takhar province is fairly stable with little in the way of Taliban shadow governance. However, some insurgent presence lingers in Khwaja Gar, Darqad, and Ishkamesh. The province’s former governor, replaced in President Karzai’s September 2012 provincial leadership shake-up, was largely absent from the province during his tenure and rarely travelled to the districts. As of September 30, 2012, his replacement had not yet assumed the governorship. 232

**JUDICIAL REFORM AND RULE OF LAW**

Afghan and U.S. efforts to develop the judicial system concentrate on updating laws, educating and training Afghan legal professionals, strengthening connections between the informal and formal systems, and improving prison and detention center operations and conditions.

Although the Afghan government and the international community have identified “law and justice for all” as one of the National Priority Programs, they have not agreed on program specifics that would lay out a clear and verifiable roadmap to improve the Afghan justice system. This quarter, efforts to deliver a finalized version of the law and justice for all program to the Joint Coordination and Monitoring Board for approval failed again. 233

This quarter, the UN Secretary-General reported the Afghan government made some progress towards legislative reform in the justice sector, including creating several working groups to revise the Penal Code. 234

This section covers some of the U.S. programs supporting judicial reform and rule of law.
Detention Center Operations and Transfer

Over the past two quarters, the United States has transferred more than 3,000 detainees at the Detention Facility in Parwan to the Afghan authorities in accordance with a Memorandum of Understanding signed in March 2012 between the Afghan government and the United States. However, a small number of detainees remained under U.S. control. As of September 10, 2012, the United States suspended transfers of remaining detainees to resolve issues arising from the Memorandum. DoD noted that the Afghan government had some questions about the legality of administrative detention. Following high-level negotiations, it appeared that the Afghan government would be willing to work with the United States to resolve the impasse by developing a legal framework that respects Afghan sovereignty while preventing any serious security threats from detainees.

According to DoD, the United States transferred detainees to Afghan custody and control only after a U.S. Detainee Review Board determined that the detainee met U.S. criteria for internment. For future detentions, the Afghan government has set up a process for determining the management of detainees. The process involves a number of checks and balances as well as consultations with the United States, as shown in Figure 3.31 on the following page.

Some 50 additional foreign detainees, mostly from Pakistan, were not covered by the agreement and have not been transferred to Afghan control.

Prisons

Afghanistan’s prisons remained overcrowded at almost 176% over capacity, as of September 30, 2012. However, this is an improvement in prison conditions from March 2012, when prisons held more than double their capacity (202%). There were over 16,400 male prisoners and 471 female prisoners in Afghan custody. The State Department had obligated almost $70.47 million for the construction of prisons and detention centers.

Criminal Procedure Code

Although the Afghan government pledged to enact a new Criminal Procedure Code more than two years ago, as of September 30, 2012, the National Assembly had not approved a draft of the Code. The Ministry of Justice’s (MoJ) Taqnin unit presented a revised version of the Code to the National Assembly on June 30, 2012. The draft was expected to be placed on the legislative agenda soon, according to the UN Secretary-General. Throughout the protracted revision process, the United States repeatedly conferred with Afghan officials within the MoJ, the Afghan Attorney General’s Office (AGO), and Supreme Court to improve the draft. DoS says the current Code is not a basis for a successful rule of law system, and the draft Code has serious problems that the Assembly might not be able to resolve through the amendment process.

Under the March 2012 bilateral Memorandum of Understanding on Detention Operations, the United States agreed to transfer detainees to Afghan control. The Afghan government had given the transfer high priority, maintaining that the United States had no legal authority to hold Afghan prisoners.


Taqnin: The legislative drafting unit in the MoJ that is tasked with scrutinizing draft laws. According to the MoJ, all draft laws in Afghanistan must be vetted by the Taqnin for such things as compliance with the Constitution, Islamic law, and international agreements that Afghanistan has ratified.

GOVERNANCE

FIGURE 3.31

CRIMINAL DETAINEE INTERNMENT PROCESS

INTERNMENT PROCESS

CJIATF-435
Compiles and forwards each transferred detainee’s case file to Afghan Government for Technical Committee review.

Technical Committee
Decides whether each case should be referred for continued internment or for prosecution.
Composed of members from GIRoA’s Attorney General’s Office (AGO), Ministry of Defense (MoD), Ministry of Interior (MoI), National Directorate of Security (NDS) and Supreme Court.

CONTINUE INTERNMENT

Afghan Impartial Review Board (IRB)
IRB determines if detainee meets criteria for detention or if continued detention would mitigate threat.
Panel of three field-grade officers from MoD, MoI, and NDS. An ANA staff judge advocate represents Afghan government; another ANA attorney serves as detainee’s defense counsel; a third ANA staff judge advocate serves as IRB’s legal advisor.

RELEASE

Consultation with USA
Afghanistan must favorably consider any U.S. assessment that continued internment is necessary to prevent detainee from engaging in or facilitating terrorist activity.

CONTINUE INTERNMENT

DISAGREEMENT
If no agreement on way forward, discussions go to Detention Transition Oversight Subcommittee or to the Bilateral Committee or through diplomatic negotiations.

PROSECUTION

National Directorate of Security (NDS)
NDS Conducts a criminal investigation.

Note: Any released detainee has the opportunity to enroll in the Afghan Peace and Reintegration Program (APRP).
Source: DoD/OSD, response to SIGAR data call, 10/12/2012.
DoS identified the following deficiencies:

- Audio, video, written, and photographic evidence (crucial parts of many prosecutions) are not admissible.
- Covert surveillance is limited and is not available to use for offenses like corruption, fraud, arms trafficking, and extortion. Under UN conventions against corruption and transnational organized crime, Afghanistan is obligated to provide legal authorization for electronic surveillance.
- Prosecutors lack the required authority to dismiss cases if there is insufficient evidence against the accused. This results in weak cases being referred to court and tying up the judicial system.
- Convictions for sexual assault can be pardoned or commutated.

Due Process and the Afghan Case Management System

The Afghan Case Management System (CMS), a database which tracks criminal cases from investigation through sentencing and appeal, recorded over 21,000 new criminal cases in Kabul from March 2011 to August 2012. The State Department’s Justice Sector Support Program (JSSP) also established an internet link from the central CMS in Kabul to the Attorney General’s Office, as well as to primary courts in Herat and Mazar-e-Sharif. The JSSP is working with Afghan officials to address the findings of CMS data analysis. This analysis could help make the legal system more transparent and improve management, which would also deter corruption. In addition, the CMS could spot due process failures by identifying delays in the judicial process.

U.S. Justice Sector Support Program

The State Department’s Bureau of International Narcotics and Law Enforcement (INL) manages the JSSP to train prosecutors, defense attorneys, investigators, and judges and build the overall capacity of the judicial system. As of September 30, 2012, DoS had obligated more than $212.71 million for the JSSP, of which $186.1 million had been expended. The JSSP employed 154 attorneys, including 108 Afghans and 46 American and third-country-national legal advisors. Over the next two years, October 2012 to October 2014, INL will transition the JSSP from a donor-provided program to an institutionalized Afghan government program. DoS said it had shifted from primarily using U.S. legal advisors in its training, to relying mostly on Afghan lawyers. The program will also start having Afghans organize and manage the legal training programs.

As of July 27, 2012, the JSSP had trained 44% of prosecutors, 39% of defense attorneys, 28% of police investigators, and 19% of judges in its foundational rule of law program, according to a survey of over 5,800 justice professionals. In addition, the JSSP provides mentorship programs and short-term courses in gender training, trial advocacy, ethics, and anti-corruption. DoS pointed to a number of anecdotal events that occurred this
quarter where JSSP-trained judicial professionals demonstrated the positive impact the JSSP training has had: 248

- In Herat, a JSSP-trained prosecutor used witness interrogation and crime-scene examination knowledge to successfully prosecute a case under the 2010 Elimination of Violence Against Women (EVAW) law against a husband who had repeatedly beat his wife during their three-month marriage.

- In Kunduz, relatives of a widow tried to force her to marry her dead husband’s brother. She refused, and went to the local Huquq—or provincial civil law office—to complain to a JSSP-trained officer. He explained the EVAW law and its prohibition of forced marriage to the village elders and a number of the women’s in-laws. The elders and in-laws subsequently declared she did not have to get married.

- In Kabul, judges declared that their training in procedural laws and adherence to time limits had allowed them to clear a case backlog in their traffic court.

- In Bamyan, a JSSP-trained police officer was able to use his knowledge that “running away” was not against the law to release a couple arrested after travelling to the province to get married without their parents’ permission.

- In Bamyan, a JSSP-trained judge has opened his court proceedings to the public and has increased his protection of defendants’ rights, including encouraging the use of counsel.

U.S. Corrections System Support Program

INL’s Corrections System Support Program (CSSP) provides aid to the Afghan government’s Central Prison Directorate’s (CPD) prison system. According to DoS, this assistance has improved prison record keeping and helped establish rehabilitation programs for prisoners. As of September 30, 2012, the records of almost 28,000 prisoners had been entered into a nationwide classification system. Where infrastructure permits, the classification system lets prison commanders separate dangerous and national-security-threat prisoners from non-violent offenders. 249

In addition, the system enables prison authorities to better identify inmates eligible for literacy and vocational classes and other prison programs. DoS noted that in FY 2012, CSSP’s partnership with Afghan prison authorities led to increased participation in programs like carpet weaving, metal work, sewing, and agriculture at Pol-i-Charkhi, Afghanistan’s central prison. CSSP also provides material support for these kinds of programs in 10 provincial prisons, basic education and literacy programs in eight provincial prisons, and educational and vocational programs in five female prisons and three juvenile centers.250

As of September 30, 2012, INL had expended about $184.57 million to improve the Afghan prison system. INL plans to provide much of its future
support to Afghanistan’s prisons through grants and local implementers to increase cost efficiency and support sustainability.\(^{251}\)

**ANTI-CORRUPTION**

Corruption continues to place the entire reconstruction effort at risk. Although the Afghan government and international community have pledged to fight the use of public office for private gain, little progress has been made, according to the Monitoring and Evaluation Committee (MEC) (see description below). The MEC has found the Afghan government lacks the will to combat and prosecute corruption. The country’s poorly paid and ill-qualified civil service, weak legal and administrative structures, and limited oversight and accountability of international aid have all fostered a sense of impunity.\(^{252}\) Karzai’s September decree contained anti-corruption reforms, but it is too early to tell if they will prove effective. DoS noted that progress has been slow in building independent and aggressive investigations and prosecutions. There were no indications this quarter of change in the Afghan government’s reluctance to investigate or prosecute high- or even low-level officials to the degree needed to seriously reduce the country’s rampant corruption.\(^{253}\)

**Monitoring and Evaluation Committee**

The Afghan government and the international community created the joint anti-corruption MEC in 2010 to develop anti-corruption benchmarks for the Afghan government. The MEC comprises three Afghan and three international representatives. As of September 30, 2012, it had established 73 benchmarks, including 17 approved this quarter.\(^{254}\) The benchmarks include a risk assessment and mitigation plan for the Law and Order Trust Fund for Afghanistan (LOTFA), conducting a public inquiry into the Kabul Bank scandal, the consolidation and coordination of anti-corruption efforts, progress in asset verification, and improved public procurement.\(^{255}\) The MEC has reported that over 80% of its previous benchmarks have been partially or fully implemented.\(^{256}\)

Recommendations included strengthening civil society’s oversight role, expanding oversight of border control, conducting a public awareness campaign focused on religious strictures against corruption, enforcing adherence to restrictions on subcontracting, and auditing organizations and projects.\(^{257}\)

During this reporting period, the MEC criticized the UNDP for not taking sufficient steps to address concerns about mismanagement or fraud in the LOTFA. The MEC recommended the UNDP undertake a formal risk assessment of the LOTFA, followed by mitigation actions. DoS noted the UNDP was taking some corrective actions, but it was unclear if these changes would be adequate.\(^{258}\)

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**LOTFA:** a multi-national trust fund administered by the UN Development Programme that pays for ANP salaries and builds the capacity of the MoI. LOTFA funds are provided to the Afghan government. Since 2002, donors have pledged nearly $2.64 billion for the LOTFA, according to the most recent data. The United States has contributed nearly $892.74 million to the LOTFA since the fund’s inception. The LOTFA has been the subject of criticism for its oversight and its payment system, which some see as rife for waste and fraud.

Source: SIGAR funding analysis.
Afghan Attorney General’s Office

In DoD’s view, the AGO continues to be the weakest Afghan link in the fight against corruption. The Attorney General’s unwillingness to prosecute high-level officials has repeatedly stifled investigations. For example, despite a major scandal at the Dawood National Military Hospital in 2011, no senior hospital officials had been prosecuted as of September 30, 2012. Widespread corruption led to siphoning off U.S. funds as well as theft of medical supplies intended to support hospital operations. In addition, patients often did not receive care because they or their families could not bribe hospital staff. Officials in the MoD and ANA, including the Surgeon General of the ANA, General Yafalti, were implicated in the scandal. Congress has held a series of hearings on this matter.

Although the AGO touts its efforts on corruption cases, DoS says the performance of its Anti-Corruption Unit (ACU) and Military Anti-Corruption Unit—both of which report to the AGO—is lackluster. This quarter, the Attorney General fired the prosecutors responsible for convicting individuals involved in the Pashtany Bank scandal. Prosecutors with the ACU took this as a warning not to be overly aggressive or independent in prosecuting powerful figures, according to DoS.

Despite the AGO’s reluctance to prosecute high-level officials’ corruption cases, SIGAR has had some limited success working with the AGO to investigate and prosecute Afghan contractors. See pages 44–45 for a discussion on SIGAR’s efforts to work with Afghan law enforcement officials.

Special Cases Committee

This quarter, the Special Cases Committee (SCC) made incremental progress in investigating high-profile corruption cases. It played a major role investigating the Dawood National Military Hospital case. The investigations resulted in the prosecutions and convictions of three fairly minor military officials. The AGO was not involved in these prosecutions. DoS said these cases should be just the beginning of the Dawood National Military Hospital probe and would not have occurred without the SCC’s investigation, organization, and prioritization. The United States and international community have supported both the SCC and the ACU.

High Office of Oversight and Anti-Corruption

The HOO, created in 2008, has the power to investigate corruption cases and to catalog overseas assets, but remains an ineffective watchdog in practice. Effectively confronting Afghanistan’s corruption problem requires that HOO senior leadership develop political will, which it has not done to date. DoS noted that the HOO’s director-general continues to be ineffective, despite his aggressive media campaign denouncing various government officials as corrupt. For its part, the HOO claims none of more than 100 cases it forwarded to the AGO has been prosecuted.

Source: DoS, response to SIGAR data call, 7/5/2012.
The HOO has also been ineffective in its media and public relations work, largely due to its hostility to civil society. In addition, despite attempts by USAID’s Assistance to Afghanistan Anti-Corruption Agency (4A) program to persuade the HOO to implement internal asset declarations for government personnel, the HOO remains unwilling to act.\(^{264}\)

The HOO continues to lack capacity to effectively monitor, evaluate, and audit the Afghan government, but the 4A program has at least helped improve the agency’s ability to deter corruption. As of September 30, 2012, USAID had obligated $7.9 million for the 4A. This quarter, USAID’s 4A program assisted the HOO in completing the following tasks:\(^{265}\)

- analyzing jobs and re-designing workshops, leading to re-drafting of job descriptions for HOO’s complaints-management and case-tracking department
- completing a job-analysis workshop at the HOO’s Directorate of Internal Audit
- completing the first re-draft of the HOO’s Recruitment and Selection Policy
- delivering to the HOO of 54 copies of Asset Registration Tutorial DVDs for use by civil servants and government officials in remote locations such as the provinces and overseas
- drafting an MOU between the HOO and the IEC and another MOU between the HOO and the Independent Administrative Reform and Civil Service Commission
- drafting an online asset-declaration form for civil servants
- training the 21-member staff of HOO’s Department of Corruption Prevention on conducting Vulnerability to Corruption Assessment in government bodies

The HOO has generally been unwilling to work with the MEC, whose powers it does not fully recognize. According to the MEC, the HOO had not responded to any of the MEC’s monitoring and evaluation work, and has been unwilling to recognize MEC independence from HOO oversight. The MEC noted that HOO resistance jeopardizes any potential progress in curbing corruption.\(^{266}\)

**Control and Audit Office**

This quarter, the National Assembly passed a draft law with key provisions that would bolster the independence of the Control and Audit Office. As of September 30, 2012, the legislation awaited President Karzai’s signature.\(^{267}\)

**Corruption in Afghan Security Forces**

The MoI and MoD, with the guidance of DoD’s Combined Joint Interagency Task Force (CJIA)\(^{268}\)-Shafafiyat (“transparency”), have made some progress in countering corruption through internal reforms and commissions. However, they still lack adequate procedures to remove criminal and corrupt
leadership. Some officials who are removed from leadership roles are “recycled” into different positions. In addition, patronage networks are still solidly intertwined with the appointment process, particularly in the ANP.\textsuperscript{268}

This quarter, the MoD reported that its Transparency and Accountability Working Group had either completed or was making progress in successfully implementing 41 anti-corruption action items in areas like procurement and contracts. DoD noted that it was not yet clear how effective these measures would be in preventing and penalizing corruption within the MoD.\textsuperscript{269}

This quarter, the MoD also appointed a director for its Transparency and Accountability Office. This office will oversee and make specific anti-corruption recommendations to the broader MoD in areas like finance, logistics, procurement, and personnel. The MoD’s Senior Anti-Corruption Committee also began to press senior MoD officials to take solid steps in response to issues like food contracting, property accountability, and poor oversight. The Committee’s continuity was hampered by the departure of Minister of Defense Wardak.\textsuperscript{270}

The MoI’s Transparency and Accountability Committee’s (TAC) effectiveness was still unclear at the end of the quarter. In September 2012, the TAC established itself in the Helmand police zone, extending its presence to all seven of the MoI’s police zones. However, the Committee had not yet led any efforts resulting in investigations or prosecutions of corrupt leaders. The ISAF Joint Command (IJC) recently directed the Regional Command to submit reports on committee progress and implementation.\textsuperscript{271} In addition, as of September 30, 2012, the MoI and ISAF/NTM-A were in the process of producing a national-level MoI anti-corruption plan similar to the one already developed by the MoD.\textsuperscript{272}

Corruption in Customs Collections
For the third straight quarter, the Afghan government failed to form the Presidential Executive Commission (PEC), which is supposed to prevent the widespread corruption that occurs in customs collections. A meeting was held this quarter between General Allen, President Karzai, and Dr. Spanta, the Chair of the Afghan Office of the National Security Council, to re-energize the proposal. Spanta recommended re-drafting the proposal to allow a greater role for the National Security Office to provide oversight and convene ministries to attack the customs corruption issue.\textsuperscript{273}

Task Force Shafafiyat
The Defense Department’s Task Force Shafafiyat has facilitated counter-corruption initiatives like the Transparency and Accountability Working Group and Transparency and Accountability Committee within the MoD and MoI. Task Force Shafafiyat also manages ISAF’s Corruption and Organized Crime Interagency Effects Group, which brings together international and U.S. agencies to leverage and coordinate their anti-corruption capabilities. At the end of the quarter, the Group was focusing on corruption in the justice sector.\textsuperscript{274}
GOVERNANCE

The Shafafiyat task force is also trying to identify ISAF capabilities to deter transnational crime and corruption, and is developing a counter-corruption transition plan with ISAF planners. At the end of the quarter, a formal ISAF process was under way to partner with elements of the Afghan government to develop sustainable activities leading up to and beyond 2015.275

**Vendor Vetting**

DoD’s biggest challenge in conducting proper vendor vetting and contract oversight is obtaining timely information on all sub-contractors employed under newly awarded contracts. Some contractors still do not properly provide information about sub-contractors. At the end of the quarter, vendor vetting processes were not meeting contracting officers’ and military commanders’ need to easily understand how to handle vendors that are considered high or extremely high risks for attacking coalition bases. These vetting processes were scheduled to be reassessed in October 2012.276

According to DoD, contract oversight continues to assess contracts at high risk for waste and fraud, such as fuel, transportation, and security. These efforts have led to changes in tracking and evaluation in hopes of preventing contract waste. DoD noted that the process for ordering, receiving, and distributing fuel—the subject of a SIGAR audit report discussed on pages 28–30—is being changed to ensure full accountability and prevent the loss of U.S. funds. As of September 2012, 11 of the 26 action items designed to improve contract oversight and management were implemented.277

**HUMAN RIGHTS**

Afghanistan’s record in protecting human rights remains inconsistent. This quarter, the report reviews issues related to women’s rights, human trafficking, and refugees.

**Gender Equity**

Despite a decade-long focus on the issue, traditional Afghan practices that harm women and girls remain widespread, according to the UN Secretary-General. Extrajudicial and “honor” killings of women in Afghanistan continue, and some civil society groups worry that the international military drawdown will erode the gains made by women in Afghan society.278 The Civil-Military Fusion Center noted a Ministry of Women’s Affairs (MoWA) report of 3,000 instances of violence from January to September 2012, an increase from the same period last year.279

Although the Afghan authorities have been historically slow to prosecute perpetrators of violence against women, they did prosecute several officials for violence against women this quarter. These prosecutions included the prison director in Logar, who was sentenced to a 16-year prison term for raping a 15-year-old girl.280
In much of Afghan society, running away from home is considered a serious violation of social mores, even if the woman is fleeing forced marriage or domestic abuse. According to Human Rights Watch, up to 70% of Afghan women in jail are serving terms for running away, even though running away is not a crime under Afghan law. The practice of jailing women for escaping their homes continues despite the urging of many international and civil-society institutions that the Afghan government do more to prevent these unlawful prosecutions.281

In September 2012, high-level officials within the Afghanistan government publicly stated—for the first time—that running away is not a crime, nor a basis for detention or prosecution, according to Human Rights Watch. The MoJ also committed to end the unlawful arrest of women, and its officials instructed police that running away is not a crime. International observers called on Karzai to free women and girls imprisoned on these charges.282

Women’s Shelters

The standing of women’s shelters has long been a contentious issue in Afghanistan. In June 2012, the Minister of Justice said safe houses were “home to immorality and prostitution.”283 The State Department reported that although these remarks were deeply offensive, they did not have any tangible negative effects on shelter operations this quarter. The current ability of the MoWA to monitor shelters is unclear, but it was working with INL-supported civil-society organizations to improve future oversight of shelters. Non-Governmental Organizations (NGOs) have reported that due to better training and awareness, members of the ANP and other government officials have increasingly referred women to the shelters.284

As of October 3, 2012, there were 17 shelters and halfway houses in 10 provinces that could collectively hold up to 500 women. In August 2012, INL funded a grant to open shelters in two additional provinces, Farah and Ghor, by the end of 2012. There were only six provinces with shelters in 2010.285

Human Trafficking

At the end of this reporting period, more than 2.7 million Afghans were living as refugees in Pakistan and Iran. Iran hosted about 1 million Afghan refugees and Pakistan hosted about 1.7 million. The Afghan government has made limited progress in implementing its anti-human-trafficking reform plan. Last quarter, the State Department gave Afghanistan its second-lowest rating for preventing and prosecuting human trafficking crimes. In the report, State said that Afghanistan would have been given the lowest rating, but was granted a waiver after promising to implement a plan to combat trafficking. Although the Afghan government has had a very poor record in enforcing its 2008 anti-trafficking law, the Afghan Attorney General has recently begun to prosecute some traffickers under Afghanistan’s 2008 anti-trafficking law. The United
States supports Afghanistan’s anti-human-trafficking efforts by funding shelters, an NGO program, and the JSSP.286

Refugees
During a tripartite commission meeting in September 2012, Pakistan and Afghanistan reaffirmed their commitment to the principle of voluntary repatriation for the Afghan refugees in Pakistan. The Pakistan government agreed to submit to its cabinet a recommendation to extend the binding, tripartite agreement that governs the voluntary, dignified, and safe repatriation of Afghan refugees in Pakistan. The agreement in effect as of September 20, 2012, is scheduled to expire at the end of the year, along with the validity of proof-of-registration cards held by Afghan refugees.287

Also in September 2012, Iran assured the UN High Commissioner for Refugees (UNHCR) that it would continue to provide protection and assistance to Afghan refugees within its borders, while also promoting their voluntary return to Afghanistan. In addition, Iran has developed a program for providing a legal framework for refugees in the country without documentation. Under this program, the Iranian government will provide temporary residence permits for refugees while the Afghan authorities issues them passports.288 While the number of returnees from Iran to Afghanistan has increased in the past year, the rise is due largely to depressed economic conditions within Iran. Although Iran has threatened mass deportations, none has occurred and there are no indications of a change in Iran’s commitment to protect registered refugees. As of August 31, 2012, UNHCR had facilitated approximately 10,000 voluntary returns.289

The United States has been most concerned with the legal and humanitarian situation for Afghan refugees in Pakistan. The United States has lobbied on the issue of proof-of-registration cards for extended temporary stays for registered refugees and those in need of protection in Pakistan. With limited access to the Iranian government, the United States is unable to do much direct lobbying for Afghans in Iran; however, the UNHCR keeps United States apprised of the refugee situation.290

The Afghanistan Independent Human Rights Commission
As of September 30, 2012, President Karzai had not appointed any commissioners to fill the four open seats on the nine-person board of the Afghanistan Independent Human Rights Commission (AIHRC) that have been vacant since January 2012.291 In September 2012, the AIHRC dismissed another commissioner for releasing information outside of the commission without prior approval.292 Human Rights Watch noted that the AIHRC has been an important and effective governmental tool to protect the fragile human rights of Afghans, but the absence of full leadership has been detrimental to its work.293 According to the State Department, the AIHRC does continue to function.294

AIHRC was established in accordance with the 2001 Bonn Agreement as the main institution within the Afghan government responsible for promoting human rights. The commission monitors the human rights situation in the country, investigates specific rights violations, and assists Afghans whose rights have been violated. The Commission has reported on a number of issues including the treatment of detainees, women’s and children’s rights, and civilian casualties.

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As of September 30, 2012, the U.S. government had provided nearly $22.33 billion to support governance and economic development in Afghanistan. Concerns remained about Afghanistan’s ability to sustain economic growth in light of the planned drawdown of U.S. troops in 2014, and the expected accompanying reduction in international-donor assistance.

This quarter, U.S. and international efforts continued to help prepare Afghanistan to transition successfully to full control of its national security and to minimize economic contraction in the coming “Decade of Transformation.”

KEY EVENTS

During this reporting period Afghanistan’s growth rate was revised downward, underscoring concerns about Afghanistan’s ability to sustain economic development as U.S. and coalition forces withdraw. The international community, together with the Afghan government, took a number of steps to deter corruption and prioritize economic assistance to Afghanistan to mitigate the economic impact of transition. Although President Karzai issued a decree to combat corruption, the Afghan government made little progress in recovering assets from Kabul Bank and no progress this quarter in holding anyone accountable for the theft at the bank. In other developments, the State Department added the Haqqani Network, which is enmeshed in Afghanistan’s licit and illicit economy, to its list of Foreign Terrorist Organizations, making it illegal to do any kind of business with members of the insurgent group.

The United States continued to focus its assistance programs in essential areas such as power generation, health, education, and agriculture to promote stability and encourage sustainable development. Agriculture was one bright spot in the economy this quarter. As a result of good rains and improved irrigation, Afghanistan is expected to produce bumper crops of wheat and other cereals this year. However, the quarter saw no new developments in the critical energy and mining sectors.
ECONOMIC AND SOCIAL DEVELOPMENT

ECONOMIC INDICATORS
This quarter, the Central Intelligence Agency (CIA) revised its FY 2011 estimate of Afghanistan’s annual real-Gross Domestic Product (GDP) growth rate from 7.1% to 5.7%. The Asian Development Bank (ADB), which has similarly calculated Afghanistan’s FY 2011 growth estimate at 5.7%, attributes the decline to prolonged drought that affected agricultural output. The ADB projects Afghan GDP to increase to 6.9% in FY 2012, due to an expected bumper harvest, but then decline to 6.5% in FY 2013 as international security forces depart the country. The ADB estimates inflation will decline from 11.8% in FY 2011 to 9.1% in FY 2012 and 6.7% in FY 2013 due to moderation in international commodity prices and Afghanistan’s planned tightening of its monetary policy, as seen in Figure 3.32.

For more information on agricultural yields, see page 135.

Revenue Collection
This quarter, the Afghan Customs Department announced that in the first four months of SY 1391 (starting March 2012), revenues increased at border crossing points in Herat province from the same time period in SY 1390. Customs revenues at the Torghundi crossing on the border with Turkmenistan rose to 717.9 million afghanis from last year’s level of 457.4 million afghanis, an increase of approximately 57%. At Islam Qala on the border with Iran, revenues rose to 1.19 billion afghanis from 857.2 million the previous year, an increase of approximately 39%. Afghanis convert at the rate of about 50 to the U.S. dollar.

More than 50% of all Afghan government revenue comes from customs duties, according to USAID. Those revenues can grow if customs procedures are reformed to reduce delays and compliance costs, improve transaction speed, and make goods transportation more efficient. Through its Trade and Accession Facilitation for Afghanistan (TAFA) program, USAID is helping the Afghan Customs Department streamline its customs clearance process in order to speed trade, reduce corruption, and generate more revenue.

As of September 30, TAFA has implemented streamlined clearance procedures at seven customs locations across Afghanistan. Assistance included developing templates to check for compliance with streamlined procedures, reporting non-compliance, and reviewing implementation of procedures. The TAFA program also helped the Afghan government comply with an International Monetary Fund (IMF) Extended Credit Facility (ECF) benchmark to develop a Border Management Model (BMM)—joint management of border activities by the Ministries of Interior and Finance—by piloting the BMM at the Hairatan border crossing point on the northern border with Uzbekistan. TAFA also implemented BMMs at the Sher Khan Bandar border crossing point near Tajikistan and at Islam Qala on the border with Iran, fulfilling another IMF ECF benchmark.

Extended Credit Facility (ECF): provides financial assistance to countries with protracted balance-of-payments problems. It makes the IMF’s financial support more flexible and better tailored to the needs of low-income countries, with higher levels of access, more concessional financing terms, more flexible program design features, as well as streamlined and more focused conditionality.

TAFA implemented a risk-based approach instead of the past practice of conducting a physical or documentary examination of all cargo entering Afghanistan. The old system slowed trade and increased costs. TAFA's risk-management system selectively examines cargo by using the Automated System for Customs Data (ASYCUDA) to select cargo customs declarations for scrutiny based on risk profiles. The ASYCUDA version used in Afghanistan also tracks duty and tax revenues.300

DONOR ASSISTANCE

As transition at the end of 2014 draws closer, Afghanistan’s economic future remains uncertain. The World Bank, the United States, and others have long concluded that Afghanistan will need to develop its own resources to sustain growth and wean itself from international assistance. It will continue to require high levels of donor support for the foreseeable future. The World Bank believes the size of this assistance and the manner of its delivery will influence the country’s political and economic future over the next decade and beyond.301

At the Tokyo Conference on Afghanistan in July, donors pledged approximately $16 billion in assistance through 2015, 80% of it to be aligned with Afghanistan’s National Priority Programs (NPPs), which are described on pages 74–75. However, the donors have made this funding conditional on the Afghan government’s implementation of political and economic reforms to improve governance, make public institutions more accountable, and tackle pervasive corruption.302 The Tokyo Mutual Accountability Framework, an annex to the conference declaration, identifies Afghan
priority development and governance areas, as well as accountability
benchmarks the government must meet for sustained donor support. The
Tokyo Framework is an incentive-based assistance model for developing
Afghanistan’s capacity to provide for its own sustainable growth.

A United States Institute of Peace (USIP) study analyzing the Tokyo
Framework said successful implementation will be challenging. Not only
does global economic contraction threaten donor commitments, but donors
have differing accountability requirements, benchmarks, and standards.
Afghanistan’s political and security environment is fluid, with presidential
elections looming and the military transition underway. The USIP also
noted that successful implementation of the Tokyo Framework will depend
on pro-reform groups in Afghanistan working together to hold their govern-
ment accountable.

All of these factors could affect the Afghan government’s commitment and
ability to reform, especially if donors fail to fulfill their pledges. Moreover, the
Tokyo Framework leaves guidelines for monitoring and enforcing its imple-
mentation unclear while the Afghan government, in consultation with the
international community, develops an aid management policy.

On July 31, the Ministry of Finance (MoF) presented to donors an ini-
tial draft policy paper on implementing the Tokyo Framework. According
to a UN Secretary-General report, the policy will require consensus
among the government of Afghanistan and international donors on how
assistance will be designed and managed. The Joint Coordination and
Monitoring Board (JCMB), set up in 2006 to oversee strategic coordina-
tion between Afghanistan and the international community, will be used
to facilitate an agreement.

Afghanistan’s National Priority Programs
Since 2010, the United States and its coalition partners have been working
with the Afghan government to align international assistance to the NPPs.
Afghanistan introduced 22 NPPs at the Kabul International Conference in
July 2010. The NPPs grew out of the Afghan National Development Strategy
(ANDS)—Afghanistan’s poverty reduction strategy paper. NPPs consoli-
dated hundreds of Afghan and international development projects into an
organized and more manageable set of programs that could be absorbed
into and sustained by the Afghan budget. The NPPs’ six issue clusters rep-
resent the strategic vision and sector strategies of the ANDS. The NPPs
are expected to be in place until at least 2015, and several are expected to
extend beyond that date. As of publication, the JCMB has approved 16 of
the 22 NPPs. Afghanistan and the international community expect to have
the final six ready for Board endorsement in November 2012.

The six outstanding NPPs include:
• National Water and Natural Resource Development Program
  (Agriculture and Rural Development)
• National Comprehensive Agriculture Production & Market Development Program (Agriculture and Rural Development)
• National Energy Supply Program (Infrastructure Development)
• National Transparency and Accountability Program (Governance)
• Efficient and Effective Government (Governance)
• Law and Justice for All (Governance)

BANKING AND FINANCE
The Tokyo Mutual Accountability Framework agreement reached in July calls for the Afghan government to fulfill, on schedule, its responsibilities under the IMF’s ECF agreement. This includes recovering assets and holding accountable those responsible for the Kabul Bank crisis; strengthening banking reforms and supervision through Afghanistan’s central bank, Da Afghanistan Bank; improving the management and transparency of public funds; and combating money laundering and terrorist financing.311

Update: Kabul Bank Asset Recovery
The 2010 near-collapse of Kabul Bank brought to light the loss of nearly $1 billion in stolen funds. Afghanistan’s central bank covered these losses, which, under the ECF, the government is required to recapitalize.312 Cash and asset recovery can help offset some of the costs of recapitalization. In its documentation to the IMF as part of the June ECF review, Afghanistan reported recovering $128 million in cash, an estimated $44 million worth of properties in Dubai, and properties in Afghanistan with a book value of $146 million.313 Several news reports, however, quote the head of the Kabul Bank Receivership Department expressing doubt that the department would be able to sell the seized properties at their high prices.314 As SIGAR has noted previously, the IMF does not count recoveries of non-cash assets until they are liquidated.

There have been no significant developments in holding anyone accountable for economic crimes against Kabul Bank this quarter, and minimal recovery of cash and properties, according to the U.S. Department of Treasury (Treasury).315 DoS reported just $100,000 in cash recovered and one property valued at $3 million to $5 million secured in Dubai this quarter. DoS also noted that while the Financial Dispute Resolution Commission has officially received nine cases from the Kabul Bank Receiver, it had not reached any repayment agreements as of September 30. There is currently no timeline to complete these cases.316

This reporting period saw no changes in the IMF’s ECF program requirements. Last quarter the IMF provided waivers of some requirements and modified performance criteria to facilitate the release of funds. Prior to this quarter, the IMF considered adding a structural benchmark requiring a prosecution strategy to hold people accountable for the Kabul Bank crisis,
but the IMF’s General Counsel ruled that exceeded the Fund’s authority because it would presume guilt. Nevertheless, Afghanistan committed to pursuing asset recovery using all available legal, regulatory, and administrative means as part of its official letter of intent to the IMF when the ECF was signed in November 2011. On that basis the IMF continues to press for a satisfactory resolution of the Kabul Bank case, including civil and criminal processes related to asset recovery.

The privatization of New Kabul Bank and an in-depth public inquiry on the Kabul Bank crisis by the independent Monitoring and Evaluation Committee remain ECF benchmarks, and both appear to be moving forward, according to DoS. The New Kabul Bank is a temporary “bridge bank” containing the good assets, loans, and deposits from Kabul Bank. Meanwhile, the United States continues to emphasize to the government of Afghanistan the need for a satisfactory resolution of the Kabul Bank crisis, including a transparent asset recovery process and prosecution of all parties involved.

In July, SIGAR reported that the list of individuals, companies, and account holder groups includes Kabul Bank’s founder and chairman, and its CEO, as well as President Karzai’s brother and the brother of the First Vice President.

Sale of New Kabul Bank
The MoF has said it intends to sell New Kabul Bank to private investors or liquidate it by the end of 2013. After some delay, the Cabinet approved a privatization plan on September 24. The deadline for bid submission is November 27, 2012.

Terrorist Financing
In September, the State Department added the Haqqani Network to its list of Foreign Terrorist Organizations and also named it a Specially Designated Global Terrorist entity. Executive Orders have frozen all Haqqani network assets under the jurisdiction of the United States and prohibit any U.S. citizen from knowingly providing support to or engaging in transactions with the Haqqani Network. The family-run Haqqani Network, one of the major insurgent groups affiliated with the Taliban and al-Qaeda, operates predominantly in southeastern Afghanistan but has been credited with some devastating attacks in Kabul and other parts of the country.

Both Treasury and DoS had previously designated senior members of the Haqqani Network as terrorists. The broader classification of the entire Haqqani Network came in the wake of growing congressional concern about the organization. In August, Congress passed a resolution formally asking the State Department to designate the Haqqani Network as a terrorist organization. U.S. officials and members of Congress have repeatedly voiced concern that the Haqqani Network was extorting and funneling money to support terrorist operations.
On July 31, the Combating Terrorism Center at West Point published a report on the Haqqani Network finances. The report claims that the Haqqani Network has profited from the U.S. and coalition force presence not only by extorting protection money from truckers and construction contractors, but by also having business interests in companies that have contracts with the United States and its coalition partners. For example, the report says that Haqqani operatives collect transit fees on trucks passing through areas under its control. They also collect substantial security payments from larger businesses, including telecommunications firms, non-government organizations, construction companies and trucking firms, and other organizations involved in reconstruction. The report estimates the extortion fees to run between 10% and 25% of each construction project.

The United States has two organizations that seek to prevent insurgents from benefiting from U.S.-funded contracts. The Afghanistan Threat Finance Cell works with Afghan and coalition partners to identify and disrupt insurgent funding. DoD’s Task Force 2010 works to ensure that U.S. contracting is not supporting businesses or individuals associated with the insurgency.

The FY 2011 National Defense Authorization Act (NDAA) passed by Congress in 2012 includes Section 841-Prohibition on Contracting with the Enemy in the United States Central Command (CENTCOM) Theater of Operations. SIGAR is conducting an audit to identify the processes established by CENTCOM and its contractors to comply with the provisions of Section 841. It is also assessing whether CENTCOM and its contractors are fully complying with established contracting policies and procedures.

Additionally, SIGAR has already referred to the U.S. Army 43 individuals and companies identified as having actively supported insurgent groups engaged against U.S. and coalition forces in Afghanistan—including the Taliban, the Haqqani Network, and affiliates of al-Qaeda—for suspension and debarment. SIGAR also issued a recommendation this quarter that DoD institute a process to notify other agencies such as DoS and USAID of any new identifications it makes under Section 841 of contractors supporting the insurgency. For more information, see page 33.

**Iran Sanctions**

Afghanistan is a potential target for illicit Iranian activity because the two countries have a common border and long-standing trade relationship (See Figure 3.33). A Congressional Research Service report notes that U.S. dollars are being used as a second Afghan national currency given high donor spending in the country. Iranian currency traders may be using Afghanistan to circumvent sanctions and acquire U.S. dollars in exchange for Iranian rials. Treasury warned Afghan traders not to assist in these transactions.

On May 1, 2012, President Obama issued Executive Order (E.O.) 13608, which authorizes the Secretary of Treasury to impose sanctions on, among
others, those who violate, or attempt or conspire to violate, sanctions concerning Iran or Syria.332

In a letter to the Secretaries of Defense and Treasury this quarter, the Chairman of the House Committee on Foreign Affairs raised concerns about Iran trying to use Afghanistan’s financial sector, particularly in Kabul and Kandahar, to circumvent U.S. and international sanctions. The letter referenced press reports that the Iranian government was using Arian Bank, located in Afghanistan, but owned by Iran’s Bank Melli and Bank Saderat, to move cash into and out of Afghanistan.333 DoD has not conducted a comprehensive study to determine whether money laundering aided and abetted by Afghan financial institutions poses a systemic threat to U.S.-appropriated funds for reconstruction.334

U.S. sanctions under the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA) may impact financial institutions in Afghanistan that conduct significant transactions with Iranian-linked banks. Arian Bank was designated in 2007 for being owned or controlled by Iran’s Bank Melli. Bank Saderat, which also maintains an ownership stake in Arian Bank, also was designated. Under CISADA, any foreign financial institution that knowingly facilitates significant transactions for Arian Bank risks losing its correspondent account or payable-through account access in the United States, effectively cutting it off from the U.S. financial system.335

This quarter, President Obama issued E.O. 13622, which targets Iran’s petroleum and petrochemical sectors by imposing additional sanctions on foreign financial institutions, and any individual or entity that knowingly engages in significant transactions for purchasing or acquiring Iranian petroleum or petrochemical products in violation of sanctions. It also prohibits material assistance to the Government of Iran, its central bank, the National Iranian Oil Company, or Niftiran Intertrade Company for the purchase or acquisition of precious metals or U.S. bank notes.336

During this reporting period, President Obama also signed into law the Iran Threat Reduction and Syria Human Rights Act of 2012, which builds upon the FY 2012 NDAA, and subjects to sanctions foreign financial institutions that knowingly conduct significant non-petroleum-related transactions with the Central Bank of Iran. Sanctions also apply to any commercial activity with Iran’s oil and natural gas sectors, including financial services, insurance, technology, transportation, or infrastructure.337 These sanctions can impact Afghanistan’s financial institutions, given that Afghanistan imports between 33% and 50% of its fuel from Iran.338

**Mobile Money**

“Mobile money” is the use of cell phones to store currency, pay for goods, and receive and transfer funds. This quarter, the United States continued to encourage Afghanistan to develop greater access to mobile money services,
which the Afghan government and international community consider a key investment in the banking sector.\textsuperscript{339}

The Ministry of Communications and Information Technology (MCIT) estimates that less than 5\% of Afghans have bank accounts, yet almost 60\% use mobile phones. Given that 83\% of the population lives in network coverage areas, an opportunity exists to increase banking access across the country.\textsuperscript{340}

On August 26, USAID and MCIT held a high-level mobile money seminar in Kabul for government officials, industry executives, and media representatives to discuss developing a mobile money action plan for Afghanistan. This plan will help improve the Afghan telecom industry and infuse the financial sector with greater transparency, efficiency, and consumer confidence.\textsuperscript{341}

On July 17, the national electric utility, Da Afghanistan Breshna Sherkat (DABS), and Etisalat Afghanistan, one of four mobile phone operators in Afghanistan, introduced Da Afghanistan Breshna Sherkat Electricity Bill Payments. This service, made possible through USAID innovation grants to mobile network operators, allows DABS and Etisalat customers to receive and pay their electricity bills through their mobile phones. DABS plans to expand the service throughout Afghanistan and to allow other mobile operators to participate.\textsuperscript{342}

\section*{AGRICULTURE}

Agriculture plays a dominant role in the Afghan economy. Only 12\% of the land is arable and less than 6\% is cultivated, yet 80\% of Afghans directly and indirectly earn a living from agriculture.\textsuperscript{343} Given its importance to the labor force, agriculture could be a catalyst for GDP growth, improved food security, and more stable employment opportunities.\textsuperscript{344} The United States is helping this sector in a number of ways, including by providing equipment, facilities, and training to strengthen agribusiness and other agricultural subsectors; and training to enhance the government’s capacity to build, maintain, and effectively distribute strategic food reserves to hungry Afghans.\textsuperscript{345}

\subsection*{Harvest Withstands Natural Disasters}

The UN Secretary-General reported that 58 natural disasters—including floods, earthquakes, avalanches, extreme weather, landslides, and mudflows—occurred in 57 Afghan districts from June 1 to July 31, 2012. The Secretary-General said these natural disasters caused 116 deaths, destroyed 2,046 homes, and affected 31,783 people. Notwithstanding these events, the Ministry of Agriculture, Irrigation, and Livestock estimated that national cereal production in 2012 will increase 42 percent over 2011 levels due to above-normal precipitation and sufficient irrigation water.\textsuperscript{346} At 6.3 million tons, that would be the second-largest harvest in 35 years.\textsuperscript{347}
As a result of the bumper 2012 harvest, the shortfall between Afghanistan’s production and consumption is only 400,000 metric tons compared to two million metric tons in 2011. Food availability, especially wheat and wheat flour (staples of the Afghan diet), is expected to improve over the coming lean season, driving down the need for imports and lowering prices for consumers. Increased agricultural wage rates resulting from the need for more labor to harvest the bountiful crop, and lower prices fueled by increased supply should help consumers buy staple foods, seeds, and supplies before the winter and the lean season in November.

The poor wheat harvest in 2011 caused some households to sell livestock, spend savings, and use credit to purchase food. Then a harsh winter, especially in the extreme north, limited accessibility to pastures, causing livestock deaths in the early spring; recovery from these losses will take time. While most household groups benefited from the 2012 harvest and are classified as “No Acute Food Insecurity,” there are exceptions, including vulnerable populations in flood-affected areas, internally displaced persons, deportees from Iran and Pakistan, and inhabitants along the eroding Amu riverbank.

Food Prices
Afghanistan’s two primary staples are wheat and wheat flour. The price of both increased this quarter. The World Food Program (WFP) reported that wheat prices in Afghanistan’s main urban markets increased by an average of 4.5% in September compared to August. They attributed the increase to higher prices for imported wheat flour, depreciation of the afghani versus the U.S. dollar, and the results of supply and demand. However, compared to September 2011, wheat prices were still 4.4% lower due to this year’s plentiful harvest and supply of wheat flour.

In the main cities, wheat flour prices in September were 6.8% higher than in August and 4.2% higher than a year earlier. WFP attributes this to increases in the global price of wheat flour and the normal price increase of cereal after harvest. Overall, food prices remain well above levels from January through October 2007, before the 2008 drought and subsequent import restrictions sent food prices soaring. Current average wheat prices are 41.6% and current wheat flour prices 63.7% higher than the pre-crisis levels.

Challenges of Getting Agricultural Products to Market
Afghan farmers face several challenges getting their products to international markets. According to USAID, a major impediment is their lack of understanding about international market demands and expectations. Moreover, most farmers have neither the facilities nor the knowledge to add value to their products through product grading, sorting, and packaging. Consequently, regional neighbors buy unrefined Afghan products, add
value, and resell them at higher prices (and greater profits) than Afghan farmers can obtain.353

Farmers also face difficulties in selling perishable products to high-paying major markets like Kabul, or cities in Pakistan and India, in part because of the sheer distance from the farms to urban centers. Security issues and the generally poor condition of the roads add time and distance to already long trips, made worse by adverse weather. The limited availability of packaging and cold-storage facilities results in high levels of product damage and spoilage, especially when trucks are held up at the Pakistani border. Related problems include cumbersome customs documentation requirements and poor business links between producers and traders.354 USAID is trying to address these issues with several programs, including Incentives Driving Economic Alternatives-North, East, and West (IDEA-NEW) and Commercial Horticulture and Agricultural Marketing Program (CHAMP).

IDEA-NEW
The USAID-supported program IDEA-NEW provides agricultural assistance and economic alternatives to growing poppies in select provinces in Afghanistan’s east, and in poppy regions in the north and west. As of September 30th, 2012, a little more than $124 million had been obligated to the IDEA-NEW program and $108 million had been disbursed.355

IDEA-NEW helps farmers shift to legal agriculture production, assists with rural enterprise and infrastructure development, extends access to
financial services, and promotes value-chain development for key regional industries and trade corridors. In cutting poppy cultivation, the program seeks to disrupt one of the insurgents’ main financial resources.356

IDEA-NEW activities this quarter include 1) commercial trellising of vineyards in the north of the country, and 2) training orchard owners in the east on modern field development techniques, post-harvest value-added practices, fruit nursery, and sustainability. No new projects were started in the west, but the IDEA-NEW project director did visit existing infrastructure in Badghis province.357

In July and August 2012, the IDEA-NEW program benefitted over 6,000 Afghan households. It provided agricultural training to 3,000 participants, and almost 550 farmers used IDEA-NEW agricultural inputs. The program also helped farmers convert 44 hectares from illicit to licit crop production. Total value of the sale of licit farm and non-farm products for the two months was $780,000.358

CHAMP
USAID’s four-year CHAMP grant began in February 2010 to help farmers shift from low-value crops such as wheat to high-value produce such as almonds, grapes, and pomegranates. The project seeks to improve crop yields, product quality, and product marketing, as well as increase producer and trader profits through the following activities:359

- developing new orchards and rehabilitating existing ones
- teaching Afghan traders and farmers about international market requirements through marketing and commercial trade missions
- ensuring transportation companies are capable of addressing transit issues and avoiding long delays at border crossings
- establishing a refrigerated container service center in Afghanistan
- providing financial assistance for Afghan merchants to search for market share
- assisting Afghan companies to become members of Global G.A.P. (Good Agricultural Practice), a private sector organization that sets voluntary global standards for certification of agricultural production processes
- training Afghan producers in value chain techniques
- establishing underground cool storages that allow producers to sell their products off-season
- training traders in export documentation requirements
- applying contract farming of high-value crops

This quarter, USAID provided $8,000 to help fund the construction of two cold storage facilities for local apple growers in Maidan, Wardak province. With storage capacities of 25 metric tons each, these facilities will allow farmers to sell their products off season, giving them the ability to

**Value Chains:** sets of interlinked activities that add value by converting inputs (raw materials) into outputs (finished goods), which add to a company’s net profits and help create competitive advantage.

increase profits, rather than flooding the market in the peak season and driving down prices.360

ENERGY
The Afghan government and international donors consider the energy sector a priority for Afghanistan’s core infrastructure. This quarter, DoS, USAID, DoD, and other partners continued to support numerous projects to generate additional power, increase power-transmission capacity, and upgrade electric-distribution grids.361

Energy Sector Development
As part of the U.S. government’s inter-agency effort to coordinate development of Afghanistan’s energy sectors, USAID, DoS, and the Joint Program Integration Office/U.S. Army Corps of Engineers meet weekly. These agencies, along with DoD/International Security Assistance Force, also meet monthly as part of an Infrastructure Working Group. Additionally, USAID has two active working groups for the Sheberghan Gas Development Program, whose goal is to strengthen the Afghan government’s capacity to manage its gas industry.362

USAID also meets, less frequently, with the Asian Development Bank (ADB) on the large-scale Power Transmission, Expansion, and Connectivity Program (PTEC), which aims to modernize Afghanistan’s power generation, transmission, and distribution systems. PTEC meetings may also include the Joint Program Integration Office/U.S. Army Corps of Engineers and Afghan government stakeholders.363

Sheberghan Gas Field Development Project
USAID and the Overseas Private Investment Corporation (OPIC), the U.S. government’s development-finance institution, are partnering with the Afghan government, the ADB, and private investors to advance the Sheberghan Gas Field Development Project. This $580 million public-private partnership aims to rehabilitate a gas field west of Mazar-e-Sharif and to develop a 200MW power plant with associated transmission lines by 2016. USAID has provided funding to the Afghan government to rehabilitate two gas wells and to drill two new ones. This quarter, U.S. Embassy Kabul created and filled a position for a project coordinator to work with USAID and OPIC to help keep the Sheberghan project on schedule.364

Hydrocarbon Tenders
The Ministry of Mines (MoM) offered no new hydrocarbon tenders this quarter. A March 2012 tender remains open for exploration, development, and production of hydrocarbons in six blocks totaling 14,760 square kilometers in the western portion of the Afghan-Tajik Basin of northern Afghanistan.365

Afghanistan. The Task Force for Business Stability Operations (TFBSO) assisted the MoM in this effort. The MoM estimates these blocks to contain between 700 million and 900 million barrels in recoverable reserves. Estimates of the monetary value of the tender will not be available until December 2012, when bid evaluations will be completed. The MoM expects to announce the award in early 2013.

The MoM hosted an information conference in Istanbul on August 28–30 for the eight qualified bidders for the Afghan-Tajik Basin Phase I. The non-mandatory conference included site visits, reviews of relevant Afghan laws, and model contracts. U.S.-based ExxonMobil, the world’s largest non-state owned oil company, is one of the eight qualified bidders. It did not attend the conference due to weather delays and flight cancelations, nor has it come to Afghanistan for a site visit, but continues to engage and review data on the tender, according to TFBSO. ExxonMobil’s official expression of interest has given the Afghan-Tajik Basin tender international legitimacy and sparked speculation that other U.S. energy companies may soon compete for Afghan tenders.

This quarter, TFBSO, at the request of the MoM, has stopped advising the ministry on tendering hydrocarbons in the Tirpul Basin in western Afghanistan. The official tender announcement was expected in August, but did not materialize. The MoM will reevaluate Tirpul Basin tenders after Afghan-Tajik Basin Phase I tender is complete.

**TAPI Pricing Agreement**

Last quarter, SIGAR reported progress in the 20-year ongoing negotiations to develop the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. TAPI is designed to deliver gas from Turkmenistan, through Afghanistan, to Pakistan and India. If realized, the project will improve Afghanistan’s energy security and increase government revenues.

In May 2012, Turkmenistan signed gas pricing agreements with Pakistan and India. At the same time, Turkmenistan and Afghanistan signed a Memorandum of Cooperation affirming Afghanistan’s commitment to the project and allowing TAPI to proceed even if Afghanistan participates solely as a transit country. Afghanistan-Turkmenistan negotiations on a pricing agreement for offloading gas are ongoing. Afghanistan stands to receive an estimated $400 million in annual revenue from TAPI. According to DoS, India and Pakistan believe TAPI will be commercially viable regardless of the extent of Afghanistan’s participation. DoS, however, continues to warn that the TAPI pipeline is not commercially viable without international technical assistance to operate the pipeline and international financing estimated at $7.6 billion to build it. There is no reliable estimate of when TAPI might come online.

This quarter, TFBSO advised the MoM in advance of its participation in an ADB-funded tour promoting the TAPI to international investors.
ADB-sponsored events took place in Singapore, Ashgabat, and London in August and September.

**Effect on Afghanistan of U.S. and International Sanctions on Iranian Petroleum Products**

U.S. sanctions that aim to restrict the export of petroleum and petroleum products from Iran include:

- Section 1245(d) of the NDAA of 2012, which authorizes sanctions on foreign financial institutions that knowingly conduct or facilitate significant transactions with the Central Bank of Iran or with other foreign central banks should they engage in a financial transaction for the sale or purchase of petroleum products to or from Iran; and
- E.O. 13622, which authorizes sanctions on foreign financial institutions that knowingly conduct or facilitate significant financial transactions with the National Iranian Oil Company or Naftiran Intertrade Company, or for the acquisition or purchase of petroleum or petroleum products from Iran. It also authorizes sanctions against all entities involved in the acquisition or purchase of petroleum or petroleum products from Iran.

There are no reliable public data on the impact of Iranian sanctions on Afghanistan's economy, its pattern of trade, or commerce. According to DoS, no Afghan entities have yet been sanctioned under either section 1245(d) of the NDAA as amended by the Iran Threat Reduction and Syrian Human Rights Act of 2012, or E.O. 13622, even though Afghanistan currently imports between 33% and 50% of its fuel from Iran. Another 25% comes through Uzbekistan, 25% from Turkmenistan, and an unspecified amount from Kyrgyzstan and Pakistan.

The United States continues to support the Afghan-Pakistan Transit Trade Agreement and is working to expand Afghan trade in Central Asian markets. DoS is hearing anecdotally that Afghan traders are increasing shipments through Iranian ports because shipments through Pakistan have been unreliable in recent months.

International sanctions that may have an impact on Afghanistan’s ability to import Iranian petroleum include:

- United Nations Security Council Resolution 1929, and its predecessor resolutions, which primarily focus on Weapons of Mass Destruction (WMD), but recognize the link between Iranian oil revenues and WMD activity; and
- Various sanctions by the European Union (EU), Australia, Canada, Norway, Japan, and South Korea, such as the EU’s prohibition on new contracts for Iranian oil and oil-related transactions with Iran’s central bank, to restricting energy projects with Iran. These countries have also limited new banking relationships, energy projects, and trade
finance, and joined the sanctions on a number of named Iranian entities, according to Treasury.

DoS continues to encourage the Afghan government to reduce fuel imports from Iran, but recognizes Afghanistan’s difficulty in securing sufficient energy supply to meet demand. Afghanistan has few reliable and predictable non-Iranian import options.\textsuperscript{381}

\section*{MINING}

USAID has allocated $14 million in its FY 2012 operational plan to support extractive industries through the Mining Investment and Development for Afghan Sustainability (MIDAS) project—$1 million less than was reported last quarter. The MIDAS program seeks to support private-sector development by boosting economic activity and jobs, improving government revenue generation, and enhancing participation of women in the economy. No funds, however, have been disbursed in the last two quarters.\textsuperscript{382}

\subsection*{Tenders}

On December 6, 2011, TFBSO, using United States Geological Survey (USGS) data packages, helped the MoM develop mineral exploration packages for tender. As of September 30, four areas of interest received bids:\textsuperscript{383}

\begin{itemize}
  \item Balkhab (Sar-e Pul): copper – 2 bids
  \item Shaida (Herat): copper – 4 bids
  \item Zarkashan (Ghazni): copper and gold – 4 bids
  \item Badakshan (Badakshan): gold – 4 bids
\end{itemize}

To ensure transparency and fair and open competition, bids for each area were opened publicly by junior ministerial officers with bid-company representatives in attendance. The council’s evaluation of bids for Balkhab, Shaida, and Zarkashan were observed by transaction advisors and third-party transparency advisors. The four bids for Badakshan are currently under evaluation. An announcement of the winners for each area of interest is expected by December 31, 2012.\textsuperscript{384}

\subsection*{Attacks Against Mining Interests}

In 2012, a congressionally mandated inter-agency review of economic strategy in Afghanistan emphasized improved security as a basis for sustainable economic growth.\textsuperscript{385} Current levels of violence can limit foreign investment in Afghanistan, according to a member of the CIA’s External Advisory Board. Private investment and mining contributions to Afghan GDP have so far been marginal, in part because investors fear insecurity.\textsuperscript{386}

According to DoS, the China Metallurgical Group Corporation (MCC), the company developing the Aynak copper mine, reported about 10
rocket-propelled-grenade attacks on its personnel compound from April to June 2011. Attacks of one or two rounds each continued up to June 2012, when a rocket grenade landed within the personnel compound. This quarter, Minister of Mines Shahrani announced that landmines had been laid to disrupt operations at Aynak. As of October 1, there have been no reports of personnel injuries or significant damage to MCC buildings or equipment resulting from these attacks.387

Attacks and violent crimes against other extractive industry operations include:388

- **Amu Darya oil**: The Afghan National Security Council is investigating accusations of intimidation against Chinese engineers.
- **Afghan-Tajik oil basin**: An IED killed two employees of an Afghan security contractor patrolling a seismic survey line in March 2012.
- **Chesht-e-Sharif marble quarries**: Quarry owners report that villagers have beaten or kidnapped truck drivers.
- **Qara Zaghan gold mine**: unspecified attacks reported, but not specifically targeting operations.
- **Bamyan and Baghlan coal mines**: unspecified attacks reported, but not specifically targeting operations.

The Afghan government is responsible for security at mining operations. The MoM Protection Unit of 1,500 personnel was established specifically to safeguard the country’s mineral deposits.389 According to DoS, it has not developed as anticipated, so the Ministry of Interior’s Afghan National Police (ANP) has taken over security for extractive industries.390

**Content of New Mining Law Disputed**

Concerned that Afghanistan’s current Minerals Law is hindering private sector investment, Minister Shahrani proposed a revised Minerals Law and an Oil and Gas Law to the Afghan Cabinet on July 18.391 These revisions are meant to better protect Afghan resources, make them more investor-friendly, and align them to international best practices.392 Cabinet members rejected the draft, expressing concerns over thresholds for the bidding/tendering process, conversion of exploration rights, and the role of international firms. MoM is revising its proposal to resubmit it for parliamentary approval by the end of 2012.393

**U.S. Assistance**

The United States continues to build Afghan ministerial capacity to prepare for administering mining projects in a time of diminishing international assistance. USAID is funding five advisors at the MoM through Afghanistan’s Civilian Technical Assistance Program. The U.S. Department of Commerce is establishing a human-capital development project for the marble sector to launch next quarter, and is continuing to support the development of commercial law.394
TFBSO continues to fund USGS efforts to house, analyze, and interpret geological data as part of its support for Afghan resource tenders. The USGS and MoM are negotiating a contract to build capacity at the Afghan Geological Survey (AGS) and to further identify mineral prospects for future tenders. Both USAID and TFBSO are working with Afghan business associations and public-private partnerships to strengthen the gemstone “mines to market” value chain by linking producers to markets, providing training and technology development.

This quarter, TFBSO allocated $34.47 million for its commercial, technical and legal support to the MoM to execute existing tenders and prepare for new ones. The funding breakdown is as follows:

- $3.5 million for drilling in North Aynak area of interest
- $14.64 million for legal and technical support to the MoM
- $10.28 million for Village Stability Operations (VSO) support
- $4.14 million for helicopter support for tender and VSO projects
- $910,000 for the TFBSO-USGS interagency agreement for North Aynak and Afghan Geological Survey training

Extractive Industries Transparency Initiative Update

Afghanistan is working toward membership in the internationally-recognized Extractive Industries Transparency Initiative (EITI). Membership would help Afghanistan improve transparency and accountability in its extractives sector, thereby attracting greater foreign investment. The Afghanistan program to join EITI delivered its first report reconciling revenues paid by extractive-industry companies and revenues received by the Afghan Government. Deliberations over Afghanistan’s EITI-compliant-nation status are scheduled to begin on October 15; validation could be completed by the end of 2012.

EDUCATION

On September 5, the MoF signed a $125 million grant with the World Bank to fund the government’s Education Quality Improvement Project, which began in 2006. Financed through the Afghanistan Reconstruction Trust Fund, the money will offer school grants, teacher and administrator training, and help pay to build and to maintain schools. The goal is to provide equal access to quality basic education, especially for girls. With an estimated 500,000 new students entering each year, the demand for basic quality education is growing, according to the Afghan government. The MoF says that only 57% of the country’s schools have usable buildings.

Also this quarter, four million textbooks published by the U.S. military reached Kabul after being held up at the Pakistani border for almost a year due to Pakistan’s response to a NATO airstrike that mistakenly killed 24 Pakistani soldiers in November 2011.
LABOR

No definitive measure of Afghan unemployment is available, but USAID reports that surveys indicate Afghans consider it to be the second biggest problem after security. Since employed Afghans are less likely to engage in illicit activities such as growing poppies or joining criminal and insurgent networks, increasing job opportunities is a key priority of the U.S. reconstruction effort. Employment also affects health and education outcomes, as well as political stability, according to USAID.401

Labor Market Surveys

SIGAR has previously noted the generally poor quality of Afghanistan’s higher education curriculum. The country’s public-sector technical schools and vocational trainers do not have career-specific goals or targets for numbers of students to meet business or industry requirements.402 To start aligning Afghanistan’s education goals with industry needs, USAID is conducting four labor-market surveys of small and medium enterprises in the six largest urban areas: Kabul, Mazar-e-Sharif, Jalalabad, Herat, Kandahar, and Kunduz.403 These surveys are assessing the needs of industry. The business enterprise samples come from construction, infrastructure and logistics, import/export, retail, agricultural and food manufacturing, telecommunications, non-food manufacturing, and energy provision companies.404 These four surveys are to be repeated at six-month intervals over a two-year period. The first survey was completed in April 2012.405

The first survey found that 36% of small and medium enterprises indicated a demand for skilled employees (workers with technical skills) while 35% indicated a demand for professional employees (workers with advanced training and usually a degree). The textile industry hired the highest percentage of skilled workers (27% of respondents), while the construction industry hired the most professional workers at 23%. Textile businesses also hire the most unskilled labor (22%) and semi-skilled labor (33%), followed by agribusinesses at 21% and 22%, respectively.406 The top five skills desired are shown in Figure 3.34 on the following page.407

USAID concludes that these results reflect the desire of small and medium enterprises for employees trained in general skills that can be used across industries, with the exception of Clothing Production/Tailoring. It is likely among the top five skills demanded because of the high number of respondents from the textiles industry.408

Afghanistan Workforce Development Program

In conjunction with the labor market surveys, USAID’s Afghanistan Workforce Development Program (AWDP) offers access for 25,000 Afghan men and women to labor-market-driven vocational education and training, business-development support, business-management training programs, financial credit, and job-placement services.409 AWDP is trying
to mitigate high unemployment and the scarcity of technically skilled Afghan labor and trained business managers. The goal of the program is to facilitate job creation, develop a skilled and semi-skilled workforce, increase self-employment, and promote economic growth in Afghanistan. The program aims to provide alternatives to illicit economic and insurgent activities.410

AWDP is also supporting efforts to build the capacity of technical/vocational educators and trainers. AWDP seeks to both improve the quality of these training programs through public-private partnerships, and make them more accessible at non-degree and bachelor degree levels. AWDP is being implemented in close collaboration with the Ministry of Education, Ministry of Higher Education, and Ministry of Labor, Social Affairs, Martyrs and Disabled. As of September 16, 2012, $5 million has been obligated to AWDP, and $965,000 disbursed.411

HEALTH
Although most of Afghanistan is polio-free, the disease is still present in 13 districts, primarily in the south.412 This quarter, the Afghan government, with international assistance, continued its polio vaccination program. The World Bank is also conducting a study on HIV/AIDS prevention in Afghanistan.

Polio Eradication
Afghan and Pakistani officials met July 23–24 in Kabul to discuss coordinating efforts to eradicate polio, including vaccinating people moving
across borders and immunizing children in insecure border regions. The UN Secretary-General reported August data showing 17 confirmed cases of polio in Afghanistan this year to date, most in Helmand, Kandahar, and Kunar provinces. SIGAR last reported 10 cases as of June.

In coordination with Pakistan, Afghanistan embarked on its third nationwide polio vaccination campaign. From September 16–18, an estimated eight million Afghan children under the age of five were vaccinated. Service providers and volunteers targeted 13 southern provinces in Kandahar and Helmand where 12 of the 17 new cases have been reported this year. Approximately five million children aged two to five were also administered de-worming tablets.

A fourth round of polio vaccinations was scheduled for October 14–16. This campaign is targeting another eight million children under the age of five. Some 7.4 million children between the ages of six months and five years will also receive vitamin A supplements. Administrators are negotiating with local elders and commanders in insecure areas for better access.

**HIV Prevalence**

As SIGAR has noted previously, HIV rates in Afghanistan are believed to be currently low, but the country is at risk for an outbreak due to rising intravenous drug use and low HIV awareness. A $12 million, World Bank-funded HIV/AIDS Prevention Project is under way in Afghanistan. Its aim is to slow the spread of HIV by building the government’s capacity to respond to an epidemic, helping change behavior patterns among vulnerable populations, and improving knowledge about HIV prevention.

Currently, the study shows HIV prevalence below 0.1% of the population. However, among intravenous drug users, HIV prevalence is 7.11%. The highest number of cases is in Herat where 18% of intravenous drug users are HIV positive. By contrast, 3% of Kabul’s intravenous drug users are infected. Among prisoners, the HIV prevalence is 1.6% in Herat, compared to 0.6% in Kabul.

**REGIONAL COOPERATION AND TRADE**

**New Silk Road Initiative**

The State Department’s “New Silk Road” initiative, a key element of the U.S. development strategy in Afghanistan, seeks greater regional economic integration, including the free movement of goods, services, capital, and people between Afghanistan and its neighbors. It calls for developing roads, rails, electricity transmission networks, pipelines, and other infrastructure as a means to encourage regional integration and private-sector development. SIGAR has noted that the New Silk Road vision is an organizing principle, rather than a master plan, for use in broader

“We recognize that Afghanistan’s destiny is tied to the region that surrounds it …”

_Afghan President Hamid Karzai_

decision making by U.S. Embassy Kabul and the inter-agency Afghanistan Infrastructure Program.\footnote{Source: SIGAR Audit-12-12, accessed 10/11/2012.}

A Center for Strategic and International Studies (CSIS) report issued this quarter cast doubt on the efficacy of the New Silk Road initiative as a development strategy. The report says most of Afghanistan’s neighbors and regional powers have little interest in injecting massive investment into or integrating their economies with Afghanistan.\footnote{Although Chinese and Indian firms have won major mining contracts potentially worth billions in revenue to the Afghan government, neither has made the infrastructure investments required to start breaking ground.} Major regional investment will depend on Afghanistan improving its security, governance, and anti-corruption efforts.\footnote{The report concedes Afghanistan’s economy is likely to improve, but not enough in the near to medium term to alleviate rampant poverty and unemployment, and not on the scale envisioned by the New Silk Road initiative.}

The World Bank projects Afghanistan will still not generate enough revenue by 2021/2022 to pay for its government expenditures. The Bank estimates Afghan government revenues will reach 17.5\% of GDP in 10 years, assuming that two important investments, the Aynak copper and Hajigak iron ore mines, start production in 2016/2017. But the Bank expects government expenditures will reach 43\% of GDP during that same 10-year period.\footnote{Regional Agreements and Meetings

Afghanistan and Iran’s Ministers of Foreign Affairs held a fourth Afghanistan-Iran Joint Commission meeting September 4-5. At its conclusion, both ministers signed a 54-point memorandum of understanding (MoU), which included opening up Iran’s Chabahar Port to Afghan traders. Other areas covered under the MoU were energy, diplomatic affairs, mining, transportation, education, security, and borders.\footnote{Afghanistan participated in the Non-Aligned Movement summit held in Tehran, August 28-29. In the final communiqué, the heads of state recognized peace and security as essential for reconstruction, humanitarian relief, and sustainable development in Afghanistan. They also expressed support for regional economic integration between Afghanistan and its neighbors.} Figure 3.35 shows Afghanistan’s major trading partners.

**Update: World Trade Organization Accession**

Afghanistan applied for membership in the World Trade Organization (WTO) in November 2004, with the goal of joining by the end of 2014. USAID is assisting Afghanistan in this effort through its TAFA program.\footnote{At the Second Working Party Meeting in June 2012, Afghanistan presented a proposal for its commercial codes, trade facilitation, and national representation at the WTO.}
its Offer on Services proposal for trade liberalization. Afghanistan is in the process of submitting its Offer on Goods.\textsuperscript{431}

This quarter, the United States, Australia, India, and other WTO members asked Afghanistan for additional commitments and posed 142 clarifying questions regarding its Services offer. These requests have been sent to the relevant Afghan ministries for analysis and comment. Responses, due October 20, will provide the WTO time to update its Afghan membership application portfolio and forward it to Working Party Members by November 9.\textsuperscript{432}

Afghanistan’s Minister of Commerce and Industry has agreed in principle to an Offer on Goods, but seeks approval from the country’s Economic Committee within the Cabinet. If approved, the offer will be submitted to the WTO in preparation of the Third Working Party Meeting scheduled for December in Geneva.\textsuperscript{433}

**TRANSPORTATION**

Afghanistan’s overall lack of transportation infrastructure continues to hinder trade and economic growth by restricting market access across industries.\textsuperscript{434} Inadequate transportation increases costs, reduces employment opportunities, limits distribution of domestic and international development assistance, and hampers delivery of humanitarian aid.\textsuperscript{435} This quarter, the United States continued its efforts to strengthen Afghanistan’s transportation sector by helping draft transportation laws, develop administrative strategy, build ministry capacity, and comply with international standards.\textsuperscript{436}

**Rail**

Establishing an Afghan Railway Authority is central to the international community’s goal of building a sustainable and profitable rail system.\textsuperscript{437} This quarter, the United States continued to work with the Afghan government and coalition partners to ensure that this Authority would be able to administer and maintain regulatory oversight and enforcement. U.S. assistance includes strategic planning, training, defining staffing needs, and identifying core competency requirements. Also this quarter, U.S. Embassy Kabul helped generate minimum rail development standards and safety requirements, and the U.S. Department of Transportation’s (DoT) rail advisor is working with three members of the U.S. Army rail team to develop a plan and establish milestones for the standup of the Authority and the training of its staff.\textsuperscript{438}

From September 2011 through March 2012, DoT’s rail advisor led an interagency team to develop a framework for the new rail authority, including its roles and responsibilities. The framework was presented to the Ministries of Mines, Transportation and Civil Aviation, Public Works, and Finance, as well as the Senior Economic Advisor to the President last.
quarter. The Council of Ministers, upon whom formal establishment of the Authority depends, approved the framework in September 2012, and presented it to President Karzai to sign into law. Delayed implementation could put ADB and EU funding for the rail authority at risk.

**COMMUNICATIONS**

Afghanistan’s private-sector-led telecommunications sector is growing rapidly, and is one of the country’s economic success stories. In 2010/2011, telecommunications contributed to 45% of total tax revenue. An estimated 30% of Afghans use the Internet, and more than 300,000 actively use social media such as Facebook, Twitter, YouTube, and blogs, according to the country’s Ministry of Communications and Technology (MCIT). Of these social media users, 10% are under 15 years old, 80% are between 15 and 40, and 10% are above 40. Social-media advocates see social media as important to freedom of speech, and as a check on government performance and power.

In the hope of increasing Internet usage to 50% of the population in the next two years, the ministry signed the country’s third 3G license agreement with Roshan, Afghanistan’s leading telecommunications provider, on September 22. The agreement was for $25 million. The first two licenses were issued to Etisalat and MTN Afghanistan earlier this year.

This quarter, Etisalat launched 4G service in both Herat and Kunduz. MCIT also inaugurated a digital telecommunication system in Herat to benefit 12,000 private and commercial subscribers of phone and Internet service. In addition, Minister Sangin attended the Sixth International Turkmen-Tel conference in Ashgabat, where he discussed with his Turkmen counterpart bilateral cooperation in fiber optic, telecommunication, and Internet bandwidth sectors. Finally, MCIT, in conjunction with the U.S. Department of Commerce, held its first workshop on developing a national cybersecurity strategy for Afghanistan.

These efforts are aligned with E-Afghanistan, one of the National Priority Programs approved to help spur private sector development in the country. The program aims to improve telecommunications access across the country; lower costs for services; generate jobs; increase government revenues from telecommunications sector (licenses, taxes, etc.); adopt online-accessible ‘e-Governance’ services (to incorporate efficiency, effectiveness, and transparency); and build fiber optic connections to neighboring countries.
U.S. ASSISTANCE ACCOUNTABILITY

DoS and USAID told SIGAR that they have taken a number of steps to increase accountability for U.S. reconstruction funds. DoS says it uses all available means to help ensure that U.S. assistance funds are used only for intended purposes. It regularly vets contractors and sub-contractors. It also incorporates anti-corruption provisions in agency contracts. DoS cooperates with other U.S. agencies to investigate questionable money flows and possible connections to insurgent or other criminal networks; companies that violate U.S. or Afghan laws are blacklisted.450

USAID reports it has implemented the Accountable Assistance for Afghanistan Initiative, which is designed to ensure that development assistance is used for its intended purposes. Reforms include strengthened financial controls, improved project oversight, limited sub-award tiers, and fraud reporting requirements for host country institutions. USAID also requires that all awards contain a terrorism financing clause designed to ensure that support is not provided to individuals or organizations associated with terrorism.451
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SIGAR’s enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs, and to submit a report to Congress on SIGAR’s oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section contains these updates.

The descriptions appear as submitted, with minor changes to maintain consistency with other sections of this report: acronyms and abbreviations in place of full names; standardized capitalization, hyphenation, punctuation, and preferred spellings; and third-person instead of first-person construction.

These agencies perform oversight activities in Afghanistan and provide results to SIGAR:

- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists eight of the 10 oversight projects related to reconstruction that participating agencies reported as completed this quarter. Two classified GAO reports are not listed here.

Table 4.1

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Project Title</th>
</tr>
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<tbody>
<tr>
<td>DoD OIG</td>
<td>DODIG-2012-141</td>
<td>9/28/2012</td>
<td>Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Field the Afghan Air Force</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>DODIG-2012-135</td>
<td>9/27/2012</td>
<td>Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>DODIG-2012-128</td>
<td>9/19/2012</td>
<td>Fees and Surcharges Assessed on Afghanistan Security Forces Fund Orders Need Improved Cost Accounting</td>
</tr>
</tbody>
</table>
During this quarter, DoD OIG issued four reports related to Afghanistan reconstruction.

**Assessment of U.S. Government and Coalition Efforts to Train, Equip, and Field the Afghan Air Force**  
(Report No. DODIG-2012-141, Issued September 28, 2012)  
This report is classified.

**Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays**  
(Report No. DODIG-2012-135, Issued September 27, 2012)  
This is the second in a planned series of reports on Counter Narcoterrorism Technology Program Office Indefinite Quantity Indefinite Delivery (IDIQ) contracts. The first report issued in this series was DODIG-2012-006, “Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees, and the Army Was Incorrectly Billed,” November 1, 2011.

**Fees and Surcharges Assessed on Afghanistan Security Forces Fund Orders Need Improved Cost Accounting**  
(Report No. DODIG-2012-128, Issued September 19, 2012)  
The U.S. Army Corps of Engineers and the Air Force Center for Engineering and the Environment generally had appropriate cost accounting procedures; however, the Defense Security Cooperation Agency (DSCA) did not maintain adequate cost accounting records that showed whether three surcharge rates represented reasonable estimates of actual costs on Foreign Military Sales cases funded by Afghan Security Forces Fund appropriations (ASFF cases). Specifically, DSCA collected the following surcharges:  
- Administrative: over $848 million from cases funded by FY 2005 through FY 2011 ASFF appropriations, but DSCA's cost records did not support the surcharge rate.
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• Contract administration services (CAS): an unknown amount and it could not compare actual expenses to surcharges collected.

• Transportation expense: an unknown amount and it could not identify the expenses for each ASFF case.

This occurred because DSCA did not have adequate policies and procedures that required preparation of detailed cost accounting records to support surcharge rates with actual cost data or to use available cost data when reviewing the CAS and transportation-expense surcharge rates. Also, DSCA did not have policies to determine whether it properly used ASFF appropriations when it made transfers between the administrative and transportation expense surcharge accounts.

As a result, it was unclear whether DSCA assessed appropriate surcharges to pay for the actual expenses for ASFF cases or how much of the $2.8 billion balance in the three surcharge accounts resulted from high rates for ASFF cases. Further, a DSCA transfer of $130 million from the administrative account to clear deficits in the transportation account may have subsidized sales of military equipment and services to foreign governments with ASFF appropriations.

Improved cost accounting and a DoD working group would facilitate cost-saving measures, such as those advocated by the Secretary of Defense. Such measures could reduce future estimated administrative surcharges DSCA expects to collect on ASFF cases (DSCA expected to collect $185 million on FY 2012 appropriations), which would help free up funds for operations in Afghanistan.

Assessment of the U.S. Government and Coalition Efforts to Develop the Afghan Local Police

(Report No. DODIG-2012-109, Issued July 9, 2012)

Although much work remains to be accomplished, and there have been isolated setbacks, several noteworthy areas of progress were identified by the assessment team including: success operating in difficult areas; partnering with Afghan National Army Special Operations Forces; use of Afghan District Judges and Prosecutors; effectiveness of the COIN Advisory and Assistance Team; and repeat rotations of U.S. Special Operations Forces Teams. DoD IG reported the following planning and execution areas where work remains.

Planning: Given the early successes of the Afghan Local Police (ALP) program, the International Security Assistance Force (ISAF) had begun to consider establishment of an enduring program, in place of the current Afghan government planning perspective for a two- to five-year effort. ISAF, some district leaders, and village elders believed that the ALP initiative has been effective in expelling insurgents from the district/village levels and preventing them from returning. In addition, from ISAF’s perspective, the ALP program is relatively inexpensive, compared to funding additional
full-time ANP over the long-term. However, GIRoA/MoI leaders were ambivalent regarding the future of ALP beyond two to five years and this has led to uncertainty within the Coalition, MoI, and the ANP as ISAF staff and leadership consider the merits of either approach. No ISAF plan for making ALP an enduring program had been presented yet to the MoI. A belated decision by ISAF and/or Afghan government on the “enduring or not” issue could diminish the current effectiveness of the program and result in inefficiency and wasted resources, or failure to provide for an enduring ALP role and realize its security benefits.

Execution: Communication and coordination between ISAF, Combined Forced Special Operations Component Command-Afghanistan (CFSOCC-A), and NATO Training Mission-Afghanistan (NTM-A) and Combined Security Transition Command-Afghanistan (CSTC-A) regarding implementation of the ALP program has not always been effective. This has created confusion and disruption at the district and village ALP levels, most notably in the areas of logistics and pay. It has also hampered visibility of MoI payment records necessary to enable CFSOCC-A, the Executive Agent, to manage the program and reconcile financial and personnel discrepancies at the district level.

**U.S. Department of State Office of Inspector General—Middle East Regional Office**

During this quarter, DoS OIG issued no reports related to Afghanistan reconstruction.

**Government Accountability Office**

During this quarter, GAO issued five reports, including two classified reports, related to Afghanistan reconstruction.

**Iraq and Afghanistan: Agencies Are Taking Steps to Improve Data on Contracting but Need to Standardize Reporting**

(Report No. GAO-12-977R, Issued September 12, 2012)

Although the Synchronized Predeployment and Operational Tracker (SPOT) was designated as the common database for the statutorily required information on contracts, assistance instruments, and related personnel in Iraq and Afghanistan, officials from Departments of Defense (DoD), State (DoS), and U.S. Agency for International Development (USAID) generally relied on other data sources they regarded as more reliable to prepare the 2011 joint report. For example, only DoS relied directly on SPOT for contractor and assistance personnel information, while none of the three agencies used SPOT to identify the number of contractor and assistance personnel killed or wounded in the two countries. The agencies used a variety of sources
to prepare the 2011 joint report and, in some cases, used different data sources or changed their methodologies from what was used for the 2010 joint report. This was generally done in an effort to provide better information or address limitations identified in their prior reports.

While the agencies’ changes in sources and methodologies could result in more reliable data, they limit the comparability of agency-specific information to identify trends from the 2010 joint report to the 2011 joint report. Additionally, the agencies did not use consistent methodologies to obtain and present the data contained in the 2011 joint report, limiting comparability of data across the agencies. For example, based on information presented by each agency, it is not possible to obtain an accurate number for the total value of new contracts awarded in Afghanistan because the agencies used different measures for contract values and one agency did not break out values by country. As a result of the differences from year to year and among the agencies, information in the joint report should not be used to draw conclusions across the three agencies about contracts, assistance instruments, and associated personnel in Iraq or Afghanistan for fiscal year 2011 or to identify trends over time.

DoD and DoS have taken some steps to improve their contractor personnel data in SPOT and recent system changes may also help to improve the system’s functionality. DoD and DoS officials explained that they are continuing to verify that data in an effort to improve the reliability of personnel data, while USAID did not identify any effort to improve the data, citing its limited use of the system. In addition, the SPOT program office implemented changes to the system that may improve functionality as well as address limitations previously identified. For example, contractor personnel job titles have been standardized to make it easier to identify related jobs such as security functions. These changes were not in place in time to facilitate the agencies’ efforts to prepare the 2011 joint report, but according to agency officials, they may help with the preparation of future reports. However, some DoS and USAID officials have questioned whether continued investments should be made in SPOT’s development, given that other systems can provide them with information on contracts, assistance instruments, and associated personnel that better meet their mission needs.

DoD, DoS, and USAID generally do not use SPOT to help manage, oversee, and coordinate contracting in Iraq and Afghanistan. The three agencies have primarily used the system to generate authorizations for contractor personnel to use U.S. government services. Officials from the three agencies identified the use of systems and mechanisms other than SPOT to facilitate contract management and coordination. For example, each agency has its own systems to manage its contracts.
Iraq and Afghanistan: State and DoD Should Ensure Interagency Acquisitions are Effectively Managed and Comply with Fiscal Law
(Report No. GAO-12-750, Issued August 2, 2012)

To help DoS meet its requirements for critical goods and services in Iraq and Afghanistan, DoD supported DoS on 22 acquisitions. On DoS's behalf, DoD awarded and manages 20 acquisitions, known as assisted interagency acquisitions, under the authority of the Economy Act with an estimated value of almost $1 billion for basic support goods and services and security services. DoD also supported two of DoS's acquisitions for medical services and unmanned aerial vehicles. Across the 22 acquisitions, DoD has been involved in one or more aspects of the acquisition cycle, including planning, award, management, and oversight. GAO identified at least 128 DoD personnel with contracting and subject matter expertise who provided support for these acquisitions.

In justifying requests in 2010 for DoD’s acquisition assistance, DoS officials cited the urgency of ensuring requirements were met as the two departments prepared for U.S. military forces to withdraw from Iraq at the end of 2011. Underlying that sense of urgency was the insufficient capacity and expertise of State’s acquisition workforce. Specifically, DoS and DoD concluded that DoS lacked sufficient personnel, both in numbers and expertise, to conduct acquisition activities and that it did not have the requisite time to increase its workforce to the capacity required to have contracts in place following the transition to a DoS-led presence in Iraq. DoS has taken some steps to address the acquisition workforce gaps that prompted it to seek DoD’s help. However, DoS has not fully assessed whether its effort to increase its workforce is sufficient to meet requirements; whether it has the proper skill and government/contractor mix; or whether it has sufficient numbers of qualified oversight personnel to support its own acquisition efforts in Iraq and Afghanistan in the future.

DoS and DoD did not comply with requirements for use and management of assisted acquisitions. For 12 of the 20 assisted acquisitions GAO reviewed, DoS did not comply with Office of Management and Budget and Federal Acquisition Regulation requirements for determining that using DoD contracts was the best procurement approach. For example, DoS did not assess the cost-effectiveness of using DoD’s contracts for five of the interagency acquisitions. Further, DoS and DoD did not meet requirements for interagency acquisition agreements in 13 cases, resulting in confusion regarding oversight responsibilities and payment for DoD’s assistance. Accordingly, the departments’ positions regarding DoS’s payment of DoD’s costs prior to 2012 in connection with the award and administration of some acquisitions remain unresolved and the departments risk noncompliance with fiscal law. Some lessons have been learned since DoS’s 2010 requests for DoD’s acquisition assistance in Iraq. However, poor compliance
with interagency acquisition requirements and missed opportunities to fully understand costs and needs for goods and services continue to limit State’s ability to conduct acquisition planning. Over the next 18 months, as key contracts for Iraq are set to expire and the U.S. presence in Afghanistan evolves, the departments’ opportunity is shrinking to determine whether continued reliance is appropriate or DoS should develop its own capacity. Otherwise, DoS risks again relying on assisted acquisitions with DoD by default rather than through sound business decisions.

**Contingency Contracting: Agency Actions to Address Recommendations by the Commission on Wartime Contracting in Iraq and Afghanistan**

(Report No. GAO-12-854R, Issued August 1, 2012)

In summary, DoD reported having taken or planned actions that directly align with about half of the Commission on Wartime Contracting in Iraq and Afghanistan (CWC) recommendations applicable to it, and DoS and USAID each reported having taken or planned actions that directly align with about one-third of the recommendations applicable to each of them. Officials from the three agencies explained that for the remaining recommendations no actions were taken or planned that directly aligned with the specific recommendation. This was because, for example, the agencies had determined that existing policies or practices already meet the intent of the recommendations or had disagreed with the recommendations. The following are examples of actions that DoD, DoS, and USAID have taken or planned that directly align with specific CWC recommendations:

- **DoD** issued a final rule to amend the Defense Federal Acquisition Regulation Supplement (DFARS) in February 2012 to improve the oversight of contractor business systems, including the ability to withhold a percentage of payments on certain covered contracts when a contractor’s business systems contain significant deficiencies. This action aligns with the CWC’s recommendation to strengthen authority to withhold contract payments for inadequate business systems.

- **DoS** issued guidance in October 2011 describing a process for drafting a determination memorandum each time the potential need to suspend or debar a contractor arises, including for those cases in which no action against the contractor is ultimately recommended. This guidance aligns with a CWC recommendation to strengthen enforcement tools by requiring a written rationale for not pursuing a proposed suspension and debarment.

- **USAID** issued guidance in January 2012 that requires sustainability analysis for all projects and developed a tool that contains questions, issues, and examples to help USAID project design teams think through project sustainability objectives and maximize sustainable outcomes. This guidance aligns with a CWC recommendation related to project
sustainability (i.e., ensuring that host nations will be able to operate and maintain U.S.-funded projects on their own).

The following are examples of instances in which DoD, DoS, and USAID reported not having taken or planned actions that directly align with specific CWC recommendations:

- The three agencies generally have not and do not plan to elevate the positions and expand the authority of officials responsible for contingency contracting as recommended by the CWC. Officials from DoD, State, and USAID explained that they regard existing organizational structures as meeting the recommendations’ intent. For example, DoD officials stated that the CWC’s recommendation to create a new directorate for contingency contracting is not needed because DoD already has a significant amount of senior leadership involvement and support for operational contract support. Similarly, DoS officials stated that there were no plans to establish a separate bureau led by an Assistant Secretary for Acquisition as recommended by the CWC because their current organizational structure, in which contingency contracting is overseen by the Assistant Secretary for Administration in coordination with the Under Secretary for Management, is sufficient to meet the department’s needs. USAID officials stated that there were no plans to make the chief acquisition officer position a non-career appointment as recommended because they believe that having a career foreign service officer in that role provides the necessary knowledge of the agency’s unique mission and acquisition needs.

- None of the three agencies agrees with the recommendation requiring performance incentives and performance assessments as tools for preventing human trafficking by contractors. Officials from each agency explained that contractors should not need incentives to comply with anti-trafficking laws and that other ongoing initiatives, such as training for contract administration personnel, were better tools to help combat human trafficking.

**U.S. Army Audit Agency**

The USAAA did not complete any audits related to Afghanistan reconstruction this quarter.

**U.S. Agency for International Development**

**Office of Inspector General**

During this quarter, USAID OIG issued one report related to Afghanistan reconstruction.
Review of USAID/Afghanistan’s Monitoring and Evaluation System
(Report No. F-306-12-002-S, Issued September 26, 2012)
USAID OIG conducted this audit to determine whether USAID/Afghanistan has a monitoring and evaluation system to manage program activities effectively. The final report includes the following issues:

- Mission did not issue guidance on monitoring. The mission does not have a current mission order addressing monitoring generally or its on-site monitoring program in particular. Further, no mission order details the roles and responsibilities of mission staff members in monitoring on-budget assistance, which is delivered through Afghanistan’s own budgetary, spending, and accounting systems to help the government meet fiscal targets required by the International Monetary Fund and improve budget planning and cash-flow management.

- Technical officers needed assistance with performance management plans (PMP). USAID/Afghanistan requires that its implementing partners develop project-level PMPs that USAID/Afghanistan’s agreement/contracting officer’s representatives (A/CORs) should approve. However, some AORs were not aware of guidance that could assist them in reviewing, and implementing partners in developing, project-level PMPs.

- Technical officers did not complete refresher training. AORs and CORs are required by USAID to maintain their designation through mandatory refresher training. Yet, while most AORs and CORs were aware of the refresher training requirement, some had not completed such training.

- Some implementing partners did not record performance in USAID/Afghanistan’s program database system. Without contributions from all partners, data maintained and reported by the mission is incomplete.

- Mission officials did not consistently validate data reported to them. While determining the accuracy of reported information is important, some A/CORs stated that they did not consistently validate data reported by implementing partners.

The report included 10 recommendations to address these issues.
ONGOING OVERSIGHT ACTIVITIES

As of September 30, 2012, the participating agencies reported 28 ongoing oversight activities related to reconstruction in Afghanistan. The activities reported are listed in Table 4.2 and described in the following sections by agency.

### TABLE 4.2

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoD OIG</td>
<td>D2012-D000JA-0221.000</td>
<td>9/29/2012</td>
<td>Contract Management and Oversight of Military Construction Projects for the Special Operation Forces Complexes at Bagram Airfield, Afghanistan</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D00SP0-0202.000</td>
<td>8/10/2012</td>
<td>Assessment on Equipping the Afghanistan National Security Forces</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D000AT-0170.000</td>
<td>5/11/2012</td>
<td>Availability of Spare Parts for the C-27A/G222</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D00SP0-0163.000</td>
<td>4/25/2012</td>
<td>Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable ANSF Medical Logistics at the Dawood National Military Hospital</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D000AS-0137.000</td>
<td>3/9/2012</td>
<td>Oversight Processes and Procedures for the Afghan National Police Mentoring/Training and Logistics Support Contract</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D000AT-0129.000</td>
<td>3/8/2012</td>
<td>Datron Radio Contracts To Support the Afghan National Security Forces</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D00SP0-0090.000</td>
<td>2/28/2012</td>
<td>U.S. and Coalition Efforts To Develop Leaders in the Afghan National Army</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-DTO1AD-0002.000</td>
<td>2/14/2012</td>
<td>Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan</td>
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<tr>
<td>DoD OIG</td>
<td>D2012-DTO1AD-0001.000</td>
<td>2/14/2012</td>
<td>Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D000JB-0093.000</td>
<td>1/11/2012</td>
<td>Building Institutional Capacity Through the Ministry of Defense Advisors Program</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2012-D00SP0-0085.000</td>
<td>1/6/2012</td>
<td>U.S. Efforts to Develop the Afghan National Security Forces Command and Control System</td>
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<td>DoD OIG</td>
<td>D2012-D000JB-0071.000</td>
<td>12/16/2011</td>
<td>Contract Management and Oversight of Military Construction Projects in Afghanistan</td>
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<td>DoD OIG</td>
<td>D2012-D000AS-0075.000</td>
<td>12/7/2011</td>
<td>Task Orders for Mi-17 Overhauls and Cockpit Modifications</td>
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<td>DoD OIG</td>
<td>D2012-D000AS-0031.000</td>
<td>11/17/2011</td>
<td>Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command</td>
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<td>GAO</td>
<td>351772</td>
<td>9/20/2012</td>
<td>DoD’s Approach to Identifying Post Combat Role of U.S. Forces in Afghanistan</td>
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<td>GAO</td>
<td>320924</td>
<td>7/5/2012</td>
<td>Key Afghan Issues</td>
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<td>GAO</td>
<td>351742</td>
<td>6/11/2012</td>
<td>DoD’s Transition to the Afghan Public Protection Force</td>
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<td>GAO</td>
<td>351743</td>
<td>5/11/2012</td>
<td>Security Force Assistance Roles for DoD Forces</td>
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<td>GAO</td>
<td>351743</td>
<td>5/11/2012</td>
<td>Advisory teams in Afghanistan</td>
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<td>GAO</td>
<td>320889</td>
<td>2/2/2012</td>
<td>Streamlining Aid to Afghanistan</td>
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<tr>
<td>GAO</td>
<td>351688</td>
<td>11/19/2011</td>
<td>DoD’s Preparations for Drawdown of Forces in Afghanistan</td>
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<td>USAID OIG</td>
<td>FF100612</td>
<td>10/9/2011</td>
<td>Review of USAID/Afghanistan’s Management Controls over Premium Pay</td>
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<td>USAID OIG</td>
<td>FF100312</td>
<td>5/1/2012</td>
<td>Audit of USAID/Afghanistan’s Performance Based Governors’ Fund</td>
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<tr>
<td>USAID OIG</td>
<td>FF101112</td>
<td>5/1/2012</td>
<td>Audit of USAID/Afghanistan’s Kandahar Power Initiative</td>
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<tr>
<td>USAID OIG</td>
<td>FF101712</td>
<td>10/25/2011</td>
<td>Review of USAID/Afghanistan’s Use of the Commander’s Emergency Response Program Funds for Selected Projects</td>
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Sources: DoD OIG, response to SIGAR data call, 9/26/2012; DoS OIG, response to SIGAR data call, 9/21/2012; GAO, response to SIGAR data call, 9/20/2012; USAAA, response to SIGAR data call, 9/17/2012; USAID OIG, response to SIGAR data call, 9/21/2012.
Department of Defense Office of Inspector General

The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). The DoD IG has identified priorities based on those challenges and high-risks. For FY 2013, DoD OIG will continue to focus oversight on overseas contingency operations with a majority of resources supporting operations in Afghanistan. The DoD OIG focus in Afghanistan continues in the areas of the management and execution of the Afghanistan Security Forces Fund, military construction, safety of personnel, and the administration and oversight of contracts supporting coalition forces. In addition, DoD OIG oversight in Afghanistan will also address matters pertaining to the drawdown of forces in Afghanistan and shifting of operations.

As billions of dollars continue to be spent in Afghanistan, a top priority will continue to be the monitoring and oversight of acquisition and contracting processes focused on training, equipping, and sustaining Afghanistan Security Forces (ASF). The DoD OIG planned oversight efforts address the administration and oversight of contracts for equipping ASF, such as rotary-wing aircraft, airplanes, ammunition, radios, and night vision devices. The DoD OIG will also continue to review and assess the Department’s efforts in managing and executing contracts to train the Afghan National Police.

As military construction continues in Afghanistan to build or renovate new living areas, dining and recreation facilities, medical clinics, base expansions, and police stations, DoD OIG will continue to provide aggressive oversight of contract administration and military construction projects. DoD OIG will also continue to focus on the accountability of property, such as contractor-managed government-owned property and Army high-demand items; the Department’s efforts to strengthen institutional capacity at the Afghan Ministry of Defense; and financial management controls.

The DoD OIG led Southwest Asia Joint Planning Group coordinates and deconflicts Federal and DoD OCO related oversight activities. The DoD OIG continues to work with the SIGAR as well as fellow Inspectors General and Defense oversight community members to develop a FY 2013 strategic audit plan for the entire IG community working in Afghanistan. This SIGAR-led effort provides the Congress and key stakeholders with more effective oversight of reconstruction programs.

Office of the Deputy Inspector General for Auditing

Ongoing Operation Enduring Freedom-related oversight addresses the safety of personnel with regard to construction efforts; force protection programs for U.S. personnel; accountability of property; improper payments; contract administration and management including construction and on construction projects; oversight of the contract for training the Afghan police; logistical distribution within Afghanistan; health care; and acquisition planning and controls over funding for Afghan security forces.
OTHER AGENCY OVERSIGHT

Contract Management and Oversight of Military Construction Projects for the Special Operation Forces Complexes at Bagram Airfield, Afghanistan
(Project No. D2012-D000JA-0221.000, Initiated September 29, 2012)
The DoD OIG is determining whether DoD is providing effective oversight of military construction projects in Afghanistan. Specifically, the OIG will determine whether the U.S. Army Corps of Engineers is properly monitoring contractor performance and adequately performing quality assurance oversight responsibilities for construction projects for Special Operations Forces at Bagram Airfield.

Assessment on Equipping the Afghanistan National Security Forces
(Project No. D2012-D00SPO-0202.000, Initiated August 10, 2012)
The DoD OIG is determining whether equipment and ammunition for the ANSF, using funding provided by the Afghan Security Forces Fund, have been procured in excess of currently stated requirements. In addition, the OIG will also determine whether NATO Training Mission-Afghanistan/Combined Security Transition Command Afghanistan has developed a plan for ANSF utilization of currently identified excess ANSF equipment/supplies, if any. Also, the OIG will determine whether DoD has prepared a proposal to amend the ASFF legislation to provide Congressional authority, should it be needed, for the disposition or reutilization of identified excess equipment and ammunition, if any. Further, the OIG plans to determine whether DoD has prepared plans for the disposition or reutilization, outside of the ANSF, of identified excess equipment and ammunition procured with funding provided by the ASFF, if any.

Availability of Spare Parts for the C-27A/G222
(Project No. D2012-D000AT-0170.000, Initiated May 11, 2012)
DoD OIG is determining whether the cost and availability of spare parts for the C-27A/G222 will allow for continued sustainability of the aircraft for the Afghan Air Force.

Oversight of U.S. Military and Coalition Efforts to Improve Healthcare Conditions and to Develop Sustainable ANSF Medical Logistics at the Dawood National Military Hospital
(Project No. D2012-D00SPO-0163.000, Initiated April 25, 2012)
The DoD OIG is periodically reviewing the status of U.S. and Coalition efforts to improve the healthcare management and treatment of patients, and the related sanitation conditions and medical logistics processes, at the Dawood National Military Hospital (NMH), Kabul, Afghanistan. This effort responds specifically to the intent of the Inspector General, DoD to “Conduct a periodic walk-through at NMH and continue oversight of the
development of a sustainable ANSF medical logistics and healthcare capability. That message was communicated in a DoD OIG memorandum to the Commander, Combined Security Transition Command-Afghanistan, dated December 2, 2011.

**Oversight Processes and Procedures for the Afghan National Police Mentoring/Training and Logistics Support Contract**
(Project No. D2012-D000AS-0137.000, Initiated March 9, 2012)
DoD OIG is conducting the second in a series of audits on the ANP Mentoring/Training and Logistics support contract. The overall objective for the series of audits is to determine whether DoD officials are using appropriate contracting processes to satisfy mission requirements and are conducting appropriate oversight of the contract in accordance with federal and DoD policies.

For this audit DoD OIG will determine whether the Army, NTM-A/CSTC-A, and DCMA had adequate oversight processes and procedures for the contract. Additionally, DoD OIG will determine whether the Army, NTM-A/CSTC-A, and DCMA conducted adequate contractor surveillance. The first audit in this series is “Afghan National Police Mentoring/Training and Logistics Support Contract,” report number DODIG-2012-094, issued May 30, 2012.

**Datron Radio Contracts To Support the Afghan National Security Forces**
(Project No. D2012-D000AT-0129.000, Initiated March 8, 2012)
DoD OIG is determining whether the U.S. Army Communications-Electronics Command implemented effective policies and procedures for awarding Datron radio contracts, negotiating fair and reasonable prices, verifying timely deliveries, and establishing quality assurance measures in accordance with applicable requirements.

**Air Force Center for Engineering and the Environment’s Contract Management and Oversight of Military Construction Projects in Afghanistan**
(Project No. D2012-D000JB-0126.000, Initiated March 8, 2012)
DoD OIG is determining whether Air Force Center for Engineering and the Environment officials are providing effective oversight of construction projects in Afghanistan. This is the second in a series of audits on contract management and oversight of military construction projects in Afghanistan. The first project, D2012-D000JB-0071.000, focuses on U.S. Army Corps of Engineers contract management and oversight of military construction projects in Afghanistan.
U.S. and Coalition Efforts To Develop Leaders in the Afghan National Army
(Project No. D2012-D00SP0-0090.000, Initiated February 28, 2012)
DoD OIG is assessing the sufficiency and effectiveness of the coalition’s leader programs for developing ANA officers and non-commissioned officers.

Technical Assessment of Military Construction Compliance with Fire Suppression Standards at Select Facilities in Afghanistan
(Project No. D2012-DT0TAD-0002.000, Initiated February 14, 2012)
DoD OIG is determining whether fire-suppression systems built by military construction in selected U.S.-occupied facilities in Afghanistan are in compliance with the U.S. Central Command Unified Facilities Criteria and National Fire Protection Association standards. DoD OIG will assess U.S.-occupied facilities at Kandahar Airfield, Bagram Airfield, Camp Eggers, and other locations as necessary. The assessment will also report the status of DoD OIG recommended corrective actions from previous fire-suppression system assessments.

Technical Assessment of Military Construction Compliance with Electrical Standards at Select Facilities in Afghanistan
(Project No. D2012-DT0TAD-0001.000, Initiated February 14, 2012)
DoD OIG is determining whether electrical systems built by military construction in selected U.S.-occupied facilities in Afghanistan are in compliance with United States Central Command Unified Facilities Criteria and National Electrical Code standards. DoD OIG will assess U.S.-occupied facilities at Kandahar Airfield, Bagram Airfield, Camp Eggers, and other locations as necessary. DoD OIG will also assess the status of DoD OIG–recommended corrective actions from previous electrical system assessments.

Building Institutional Capacity Through the Ministry of Defense Advisors Program
(Project No. D2012-D000JB-0093.000, Initiated January 11, 2012)
DoD OIG is determining whether the Ministry of Defense Advisors Program is achieving its intended purpose. Specifically, DoD OIG will determine whether the program’s goals, objectives, and resources are being managed effectively and efficiently to achieve its intended results.

U.S. Efforts To Develop the Afghan National Security Forces Command and Control System
(Project No. D2012-D00SP0-0085.000, Initiated January 6, 2012)
DoD OIG is determining whether DoD will complete development of the ANSF Command and Control System by established end-state dates. Specifically, DoD OIG will assess whether U.S. government and coalition strategy, guidance, plans, and resources are adequate for the development
and operational implementation of an effective ANSF Command and Control System.

**Contract Management and Oversight of Military Construction Projects in Afghanistan**  
(Project No. D2012-D000JB-0071.000, Initiated December 16, 2011)  
DoD OIG is determining whether DoD is providing effective oversight of military construction projects in Afghanistan. Specifically, DoD OIG will determine whether DoD is properly monitoring contractor performance during construction and adequately performing quality-assurance oversight responsibilities.

To provide command timely and focused reports, this project has been separated into two projects. The original project will focus on USACE contract management and oversight of military construction projects in Afghanistan. The second project, D2012-D000JB-0126.000, focuses on Air Force Center of Environmental Excellence contract management and oversight of military construction projects in Afghanistan.

**Task Orders for Mi-17 Overhauls and Cockpit Modifications**  
(Project No. D2012-D000AS-0075.000, Initiated December 7, 2011)  
DoD OIG is determining whether DoD officials properly awarded and administered task orders for the overhaul and modification of Mi-17 aircraft in accordance with federal and DoD regulations and policies. Contracting officers issued the task orders under IDIQ contract number W58RGZ-09-D-0130.

**Afghanistan Rotary Wing Transport Contracts for the U.S. Transportation Command**  
(Project No. D2012-D000AS-0031.000, Initiated November 17, 2011)  
DoD OIG plans to conduct a series of audits relating to Afghanistan rotary-wing transportation contracts to determine whether Transportation Command officials are properly managing and administering the contracts in accordance with Federal Acquisition Regulation and DoD guidance while contracting for services performed in a contingency environment. For this first audit in the planned series, DoD OIG will determine whether contracting officials have adequate controls over the transportation of supplies, mail, and passengers in Afghanistan.

**Department of State Office of Inspector General—Middle East Regional Office**  
DoS OIG did not initiate any new projects this quarter related to Afghanistan reconstruction.
Audit of the Bureau of International Narcotics and Law Enforcement Affairs’ Correction System Support Program in Afghanistan

(Project No. 12AUD30, Initiated December 2011)

The audit objective is to evaluate the effectiveness of the INL Correction System Support Program (CSSP) in building a safe, secure, and humane prison system that meets international standards and Afghan cultural requirements. Specifically, OIG will evaluate whether INL is achieving intended and sustainable results through the following CSSP components: training and mentoring; capacity building; Counter-Narcotics Justice Center and Judicial Security Unit compound operations and maintenance; Pol-i-Charkhi management and stabilization team; Central Prison Directorate engagement and reintegration team; and Kandahar expansion and support team.

Evaluation of the Emergency Action Plan–Embassy Kabul

(Project No. 11MERO1875, Initiated June 2011)

The audit objective is to evaluate and assess the status and effectiveness of the Emergency Action Plan for Embassy Kabul to determine the reasonableness and their level of coordination and cooperation with the military commanders in-country.

Government Accountability Office

DoD’s Approach to Identifying Post Combat Role of U.S. Forces in Afghanistan

(Project No. 351772, Initiated September 20, 2012)

GAO will review the nature and extent of planning underway by DoD for the role of the U.S. military and the Department in Afghanistan post 2014, including progress in: (1) developing a framework for making key decisions such as assigning organizational responsibilities and structures within DoD; (2) establishing a planning approach to include identifying: (a) key assumptions about the environment in Afghanistan and role of the Department, the U.S. military, and contractors; (b) how the Department will collaborate with other agencies; and (c) issues to be resolved such as the level of support DoD will provide to other agencies and the disposition of U.S. equipment and assets; (3) identifying key decision points and related milestones for taking actions to implement decisions; and (4) identifying potential risks and mitigation strategies.
Key Afghan Issues
(Project No. 320924, Initiated July 5, 2012)
GAO has issued several recent reports addressing the billions of dollars allocated toward U.S. efforts in Afghanistan. GAO will update and identify key issues the 113th Congress may wish to consider including: transition of security lead to Afghan National Security Forces; the drawdown of U.S. forces; reliance on donor support, oversight of U.S. contracts; preparation for a permanent diplomatic presence in Afghanistan. For each, GAO will: (1) describe the issue; (2) highlight past work; and (3) identify key questions for oversight.

DoD’s Transition to the Afghan Public Protection Force
(Project No. 351747, Initiated June 11, 2012)
The Afghan Public Protection Force (APPF) began assuming security responsibilities in March 2012. Key questions: (1) To what extent has DoD developed cost estimates related to the transition to the APPF and what actions are being taken to minimize costs? (2) To what extent has DoD identified and implemented oversight and management mechanisms to ensure that the APPF and risk management companies are providing services as agreed upon? (3) What impact(s) has the transition of convoy security from private security contractors to the APPF had on DoD operations in Afghanistan, and what actions, if any, has DoD taken to mitigate any negative impacts? (4) To what extent has DoD planned for the transition of static security from private security contractors to the APPF, including the degree to which DoD has developed base-security contingency plans?

Security Force Assistance Roles for DoD Forces
(Project No. 351742, Initiated May 11, 2012)
DoD plans to rely on special-operations forces to conduct security-force assistance activities, while continuing to institutionalize these capabilities within the general-purpose force. Objectives are to determine the extent to which DoD has (1) delineated the roles and responsibilities of general-purpose and special-operations forces; (2) distinguished between the types of situations or environments where the respective types of forces would be used to conduct security-force assistance activities; and (3) identified, synchronized, and prioritized the respective requirements and resource needs for building the capabilities of both types of forces.

Advisory Teams in Afghanistan
(Project No. 351743, Initiated May 11, 2012)
Regarding the use of security-force assistance advisory teams in Afghanistan, GAO is to determine the extent to which (1) DoD has defined intended roles, missions, and command relationships for the advisory teams; (2) the Marine Corps and Army have defined personnel, equipment, and
training requirements; (3) DoD plans to adjust its current use of augmented brigade/regimental combat teams for advisory missions; and (4) the Marine Corps and Army have been able to fill personnel and equipment requirements for the advisory teams, including any impacts on reported readiness.

Streamlining Aid to Afghanistan
(Project No. 320889, Initiated February 2, 2012)
Key questions: (1) To what extent do the development projects administered by U.S. agencies in Afghanistan address similar objectives? (2) What mechanisms do U.S. agencies use to coordinate planning and implementation of these projects? (3) To what extent is there duplication in these projects?

DoD’s Preparations for Drawdown of Forces in Afghanistan
(Project No. 351688, Initiated November 19, 2011)
Key questions: To what extent is DoD (1) prepared to execute drawdown of forces and materiel in Afghanistan and (2) implement lessons learned from Iraq as it prepares for the Afghanistan drawdown?

U.S. Army Audit Agency
This quarter, the USAAA has no ongoing audits related to reconstruction initiatives.

U.S. Agency for International Development Office of Inspector General

Review of USAID/Afghanistan’s Management Controls over Premium Pay
(Project No. FF100612, Initiated October 9, 2012)
Objective: To determine whether USAID/Afghanistan has sufficient internal controls in place to properly approve time charges and pay employees on time.

Audit of USAID/Afghanistan’s Performance-Based Governors’ Fund
(Project No. FF100312, Initiated May 1, 2012)
Objective: Did the design and implementation of the Performance-Based Governors’ Fund provide for capacity improvements so that governors and their teams are better able to (1) meet operational and community outreach needs, (2) enhance relationships with citizens, and (3) improve overall management capacity?
Audit of USAID/Afghanistan’s Kandahar Power Initiative  
(Project No. FF101112, Initiated May 1, 2012)  
Objective: Is the Kandahar Power Initiative meeting its main goals to increase the supply and distribution of electrical power from Afghanistan’s South East Power System, with particular emphasis given to the city of Kandahar, in support of the U.S. government’s counterinsurgency strategy?

Review of USAID/Afghanistan’s Use of the Commander’s Emergency Response Program Funds for Selected Projects  
(Project No. FF101712, Initiated October 25, 2011)  
Objective: To determine whether the Commander’s Emergency Response Program (CERP) funds distributed by U.S. Forces-Afghanistan to USAID for specific projects were used for their intended purposes, were in compliance with applicable laws and regulations, and whether the costs charged to CERP-funded projects were reasonable, allowable, and allocable.

DoD OIG’s Defense Criminal Investigative Service  
The Defense Criminal Investigative Service (DCIS) continues to conduct significant fraud and corruption investigations in Afghanistan and Southwest Asia. Currently, there are six DCIS agents assigned to the International Contract Corruption Task Force in three locations: Kabul, Bagram, and Kandahar airfields. The DCIS continues to assign one special agent to Task Force 2010. The DCIS and SIGAR are in partnership with seven other agencies to conduct major fraud and corruption investigations that affect DoD and Afghanistan reconstruction programs. In addition to these forward-deployed special agents, 112 DCIS agents based in the United States and Europe are currently conducting investigations related to fraud and corruption in Southwest Asia.  

As of September 30, 2012, DCIS has 121 open OCO investigations involving Afghanistan. Of these open investigations, 29 are joint with SIGAR.  

As of September 30, 2012, DCIS has closed 134 OCO investigations involving Afghanistan.
The Official Seal of SIGAR

The Official Seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrase along the top side of the seal’s center is in Dari and means “SIGAR.” The phrase along the bottom side of the seal’s center is in Pashtu and has the same meaning.
APPENDIX A
CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

This appendix cross-references the pages of this report to the quarterly reporting and related requirements under SIGAR’s enabling legislation, the National Defense Authorization Act for Fiscal Year 2008, P.L. No. 110-181, § 1229 (Table A.1), and to the semiannual reporting requirements prescribed for inspectors general more generally under the Inspector General Act of 1978, as amended (5 U.S.C. App. 3) (Table A.2).

### TABLE A.1

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Section 1229(a)(3)</td>
<td>To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress on corrective action.</td>
<td>Ongoing; quarterly report</td>
<td>Full report</td>
</tr>
<tr>
<td><strong>Supervision</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 1229(e)(1)</td>
<td>The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense</td>
<td>Report to the Secretary of State and the Secretary of Defense</td>
<td>Full report</td>
</tr>
<tr>
<td><strong>Duties</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 1229(f)(1)</td>
<td>OVERSIGHT OF AFGHANISTAN RECONSTRUCTION — It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out using such funds, including subsections (A) through (G) below.</td>
<td>Review obligated/available funds</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(1)(A)</td>
<td>The oversight and accounting of the obligation and expenditure of such funds</td>
<td>Review obligations and expenditures of appropriated/available funds</td>
<td>SIGAR Oversight Funding</td>
</tr>
<tr>
<td>Section 1229(f)(1)(B)</td>
<td>The monitoring and review of reconstruction activities funded by such funds</td>
<td>Review reconstruction activities funded by appropriations and donations</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td>Section 1229(f)(1)(C)</td>
<td>The monitoring and review of contracts funded by such funds</td>
<td>Review contracts using appropriated and available funds</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(f)(1)(D)</td>
<td>The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities</td>
<td>Review internal and external transfers of appropriated/available funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(f)(1)(E)</td>
<td>The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]</td>
<td>Maintain audit records</td>
<td>SIGAR Oversight Appendix C Appendix D</td>
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### TABLE A.1 (CONTINUED)

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
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<tr>
<td>Section 1229(f)(1)(F)</td>
<td>The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy</td>
<td>Monitoring and review as described</td>
<td>Audits</td>
</tr>
<tr>
<td>Section 1229(f)(1)(G)</td>
<td>The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.</td>
<td>Conduct and reporting of investigations as described</td>
<td>Investigations</td>
</tr>
<tr>
<td>Section 1229(f)(2)</td>
<td>OTHER DUTIES RELATED TO OVERSIGHT — The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)</td>
<td>Establish, maintain, and oversee systems, procedures, and controls</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978 — In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978</td>
<td>Duties as specified in Inspector General Act</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>COORDINATION OF EFFORTS — The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development</td>
<td>Coordination with the inspectors general of DoD, DoS, and USAID</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td>Federal Support and Other Resources</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Section 1229(h)(5)(A)</td>
<td>ASSISTANCE FROM FEDERAL AGENCIES — Upon request of the Inspector General for information or assistance from any department, agency, or other entity of the Federal Government, the head of such entity shall, insofar as is practicable and not in contravention of any existing law, furnish such information or assistance to the Inspector General, or an authorized designee</td>
<td>Expect support as requested</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(h)(5)(B)</td>
<td>REPORTING OF REFUSED ASSISTANCE — Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.</td>
<td>None reported</td>
<td>N/A</td>
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</table>

**APPENDICES**
<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Report Section</th>
</tr>
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<tbody>
<tr>
<td>Section 1229(i)(1)</td>
<td>QUARTERLY REPORTS — Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>Full report Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(B)</td>
<td>A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program</td>
<td>Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program</td>
<td>Funding Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(1)(C)</td>
<td>Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(D)</td>
<td>Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Funding Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(F)</td>
<td>In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* – (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition</td>
<td>Describe contract details</td>
<td>Note 1</td>
</tr>
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</table>
### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
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<th>SIGAR Action</th>
<th>Report Section</th>
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<tr>
<td>Section 1229(i)(3)</td>
<td>PUBLIC AVAILABILITY — The Inspector General shall publish on a publically-available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan</td>
<td>Publish report as directed at <a href="http://www.sigar.mil">www.sigar.mil</a> Dari and Pashtu translation in process</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(i)(4)</td>
<td>FORM — Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary</td>
<td>Publish report as directed</td>
<td>Full report</td>
</tr>
<tr>
<td>Section 1229(i)(1)</td>
<td>Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense</td>
<td>Submit quarterly report</td>
<td>Full report</td>
</tr>
</tbody>
</table>

Note 1: Although this data is normally made available on SIGAR’s website (www.sigar.mil), the data SIGAR has received is in relatively raw form and is currently being reviewed, analyzed, and organized for all future SIGAR purposes.

* Covered “contracts, grants, agreements, and funding mechanisms” are defined in paragraph (2) of Section 1229(i) of P.L. No. 110-181 as being—

*any major contract, grant, agreement, or other funding mechanism that is entered into by any department or agency of the United States Government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan with any public or private sector entity for any of the following purposes: To build or rebuild physical infrastructure of Afghanistan.

To establish or reestablish a political or societal institution of Afghanistan.

To provide products or services to the people of Afghanistan.*
### CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) (“IG ACT”)

<table>
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<th>SIGAR Action</th>
<th>Section</th>
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</thead>
<tbody>
<tr>
<td>Section 5(a)(1)</td>
<td>Description of significant problems, abuses, and deficiencies</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List problems, abuses, and deficiencies from SIGAR audit reports, investigations, and inspections</td>
<td>See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(2)</td>
<td>Description of recommendations for corrective action...with respect to significant problems, abuses, or deficiencies</td>
<td>Extract pertinent information from SWA/JPG member I reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List recommendations from SIGAR audit reports</td>
<td>See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(3)</td>
<td>Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed</td>
<td>List all instances of incomplete corrective action from previous semiannual reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(4)</td>
<td>A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
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<tr>
<td></td>
<td></td>
<td>List SIGAR investigations that have been referred</td>
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<tr>
<td>Section 5(a)(5)</td>
<td>A summary of each report made to the Secretary of Defense under section 6(b)(2) (instances where information requested was refused or not provided)</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List instances in which information was refused SIGAR auditors, investigators, or inspectors</td>
<td></td>
</tr>
<tr>
<td>Section 5(a)(6)</td>
<td>A listing, subdivided according to subject matter, of each audit report, inspection report and evaluation report issued...showing dollar value of questioned costs and recommendations that funds be put to better use</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List SIGAR reports</td>
<td></td>
</tr>
<tr>
<td>Section 5(a)(7)</td>
<td>A summary of each particularly significant report</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide a synopsis of the significant SIGAR reports</td>
<td>A full list of significant reports can be found at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(8)</td>
<td>Statistical tables showing the total number of audit reports and the total dollar value of questioned costs</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop statistical tables showing dollar value of questioned cost from SIGAR reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(9)</td>
<td>Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop statistical tables showing dollar value of funds put to better use by management from SIGAR reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(10)</td>
<td>A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide a synopsis of SIGAR audit reports in which recommendations by SIGAR are still open</td>
<td>None</td>
</tr>
</tbody>
</table>
## APPENDICES

### TABLE A.2 (CONTINUED)

<table>
<thead>
<tr>
<th>IG Act Section</th>
<th>IG Act Language</th>
<th>SIGAR Action</th>
<th>Section</th>
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</thead>
<tbody>
<tr>
<td>Section 5(a)(11)</td>
<td>A description and explanation of the reasons for any significant revised management decision</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Explain SIGAR audit reports in which significant revisions have been made to management decisions</td>
<td>None</td>
</tr>
<tr>
<td>Section 5(a)(12)</td>
<td>Information concerning any significant management decision with which the Inspector General is in disagreement</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Explain SIGAR audit reports in which SIGAR disagreed with management decision</td>
<td>No disputed decisions during the reporting period</td>
</tr>
<tr>
<td>Section 5(a)(13)</td>
<td>Information described under [Section 804(b)] of the Federal Financial Management Improvement Act of 1996 (instances and reasons when an agency has not met target dates established in a remediation plan)</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide information where management has not met targets from a remediation plan</td>
<td>No disputed decisions during the reporting period</td>
</tr>
<tr>
<td>Section 5(a)(14)(A)</td>
<td>An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or</td>
<td>SIGAR has posted in full the results of, and reports from, SIGAR's most recent peer reviews (completed during March 2012, prior to the current reporting period), on its Web site</td>
<td>Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(14)(B)</td>
<td>If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General</td>
<td>26 March 2012</td>
<td>Posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(15)</td>
<td>A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete</td>
<td>None</td>
<td>Recommendations and related materials posted in full at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(16)</td>
<td>Any peer reviews conducted by SIGAR of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review . . . that remain outstanding or have not been fully implemented</td>
<td>Not applicable (SIGAR did not conduct, or participate in the conduct, of a peer review of another Office of Inspector General during the reporting period)</td>
<td>SIGAR Oversight</td>
</tr>
</tbody>
</table>
### APPENDIX B

#### U.S. FUNDS FOR AFGHANISTAN RECONSTRUCTION ($ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of September 30, 2012.

<table>
<thead>
<tr>
<th>U.S. FUNDING SOURCES</th>
<th>AGENCY</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SECURITY</strong></td>
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<tr>
<td>Afghanistan Security Forces Fund (ASFF)</td>
<td>DoD</td>
<td>49,625.70</td>
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<tr>
<td>Train &amp; Equip (DoD)</td>
<td>DoD</td>
<td>440.00</td>
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<tr>
<td>Foreign Military Financing (FMF)</td>
<td>DoS</td>
<td>1,059.14</td>
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<tr>
<td>International Military Education and Training (IMET)</td>
<td>DoS</td>
<td>11.90</td>
</tr>
<tr>
<td>NDAA Section 1207 Transfer</td>
<td>Other</td>
<td>9.90</td>
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<tr>
<td><strong>Total - Security</strong></td>
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<td>51,146.64</td>
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<tr>
<td><strong>GOVERNANCE &amp; DEVELOPMENT</strong></td>
<td></td>
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</tr>
<tr>
<td>Commander's Emergency Response Program (CERP)</td>
<td>DoD</td>
<td>3,439.00</td>
</tr>
<tr>
<td>Afghanistan Infrastructure Fund (AIF)</td>
<td>DoD</td>
<td>800.00</td>
</tr>
<tr>
<td>Task Force for Business and Stability Operations (TFBSO)</td>
<td>DoD</td>
<td>555.32</td>
</tr>
<tr>
<td>Economic Support Fund (ESF)</td>
<td>USAID</td>
<td>14,953.07</td>
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<tr>
<td>Development Assistance (DA)</td>
<td>USAID</td>
<td>883.34</td>
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<tr>
<td>Afghanistan Freedom Support Act (AFSA)</td>
<td>DoD</td>
<td>550.00</td>
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<td>Child Survival &amp; Health (CSH + GHAI)</td>
<td>USAID</td>
<td>554.28</td>
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<tr>
<td>Commodity Credit Corp (CCC)</td>
<td>USAID</td>
<td>31.65</td>
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<tr>
<td>USAID (other)</td>
<td>USAID</td>
<td>45.86</td>
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<tr>
<td>Non-Proliferation, Antiterrorism, Demining &amp; Related (NADR)</td>
<td>DoS</td>
<td>505.70</td>
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<td>Provincial Reconstruction Team Advisors</td>
<td>USAID</td>
<td>5.70</td>
</tr>
<tr>
<td>Treasury Technical Assistance</td>
<td>Treasury</td>
<td>4.45</td>
</tr>
<tr>
<td><strong>Total - Governance &amp; Development</strong></td>
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<td>22,328.37</td>
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<tr>
<td><strong>COUNTER-NARCOTICS</strong></td>
<td></td>
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<tr>
<td>International Narcotics Control &amp; Law Enforcement (INCLE)</td>
<td>DoS</td>
<td>3,578.24</td>
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<tr>
<td>Drug Interdiction &amp; Counter-Drug Activities (DoD CN)</td>
<td>DoD</td>
<td>2,307.50</td>
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<tr>
<td>Drug Enforcement Administration (DEA)</td>
<td>DoJ</td>
<td>127.37</td>
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<td><strong>Total - Counter-Narcotics</strong></td>
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<td>6,013.12</td>
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<td><strong>HUMANITARIAN</strong></td>
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<tr>
<td>P.L. 480 Title I</td>
<td>USDA</td>
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<td>P.L. 480 Title II</td>
<td>USDA</td>
<td>716.71</td>
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<td>Disaster Assistance (IDA)</td>
<td>USAID</td>
<td>465.93</td>
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<td>Transition Initiatives (TI)</td>
<td>USAID</td>
<td>137.10</td>
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<td>Migration &amp; Refugee Assistance (MRA)</td>
<td>DoS</td>
<td>757.75</td>
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<td>Voluntary Peacekeeping (PKO)</td>
<td>DoS</td>
<td>69.33</td>
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<td>Emergency Refugee &amp; Migration Assistance (ERMA)</td>
<td>DoS</td>
<td>25.20</td>
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<td>Food for Progress</td>
<td>USDA</td>
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<td>416(b) Food Aid</td>
<td>USDA</td>
<td>95.18</td>
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<td>Food for Education</td>
<td>USDA</td>
<td>50.49</td>
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<td>Emerson Trust</td>
<td>USAID</td>
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<td><strong>Total - Humanitarian</strong></td>
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<td><strong>INTERNATIONAL AFFAIRS OPERATIONS</strong></td>
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<td>Oversight</td>
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<td>172.60</td>
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<tr>
<td>Other</td>
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| APPENDICES | 183 |
APPENDIX C

SIGAR WRITTEN PRODUCTS

SIGAR AUDITS

Completed Audits
SIGAR completed two audits during this reporting period:

<table>
<thead>
<tr>
<th>Report Identifier</th>
<th>Report Title</th>
<th>Date Issued</th>
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<tbody>
<tr>
<td>13-1</td>
<td>Afghan National Security Forces Facilities: Concerns with Funding, Oversight, and Sustainability for Operations and Maintenance</td>
<td>10/2012</td>
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</table>

New Audits
SIGAR initiated seven audits during this reporting period:

<table>
<thead>
<tr>
<th>Audit Identifier</th>
<th>Project Title</th>
<th>Date Initiated</th>
</tr>
</thead>
<tbody>
<tr>
<td>SIGAR 071A</td>
<td>$230 Million in Missing Repair Parts</td>
<td>10/2012</td>
</tr>
<tr>
<td>SIGAR 070A</td>
<td>Afghan National Police Petroleum, Oils, and Lubricants</td>
<td>9/2012</td>
</tr>
<tr>
<td>SIGAR 069A</td>
<td>Ongoing Construction Projects for the ANSF</td>
<td>9/2012</td>
</tr>
<tr>
<td>SIGAR 068A</td>
<td>USAID’s Direct Assistance to the Ministry of Public Health</td>
<td>8/2012</td>
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<tr>
<td>SIGAR 067A</td>
<td>Tracking Currency Flows Through the Afghan Economy</td>
<td>8/2012</td>
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<tr>
<td>SIGAR 066A</td>
<td>DoD Compliance with the Prohibition on Contracting with the Enemy</td>
<td>8/2012</td>
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<tr>
<td>SIGAR 065A</td>
<td>DoS’s Financial Audit Coverage of Costs in Afghanistan</td>
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Ongoing Audits
SIGAR had seven audits in progress during this reporting period:

<table>
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<th>Audit Identifier</th>
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<tbody>
<tr>
<td>SIGAR 063A</td>
<td>U.S. Government Efforts to Assist in the Commercialization of the Afghanistan Electricity Utility—Da Afghanistan Breshna Sherkat (DABS)</td>
<td>7/2012</td>
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<tr>
<td>SIGAR 064A</td>
<td>Air Mobility Support for Afghan Drug Intediction Operations</td>
<td>7/2012</td>
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<tr>
<td>SIGAR 060A</td>
<td>Tariffs, Taxes, or Other Fees Imposed by the Government of the Islamic Republic of Afghanistan on U.S. Contractors Conducting Reconstruction Activities in Afghanistan</td>
<td>6/2012</td>
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<tr>
<td>SIGAR 056A</td>
<td>USAID Planning for Sustainability of its Development Programs in Afghanistan</td>
<td>5/2012</td>
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### COMPLETED SIGAR INSPECTIONS AS OF OCTOBER 30, 2012

<table>
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<th>Report Identifier</th>
<th>Report Title</th>
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<tr>
<td>SIGAR Inspection 13-3</td>
<td>Wardak Province National Police Training Center: Contract Requirements Generally Met, But Deficiencies and Maintenance Issues Need to be Addressed</td>
<td>10/2012</td>
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<tr>
<td>SIGAR Inspection 13-2</td>
<td>Gamberi ANA Garrison: Site Grading and Infrastructure Maintenance Problems Put Facilities at Risk</td>
<td>10/2012</td>
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<tr>
<td>SIGAR Inspection 13-1</td>
<td>Kunduz ANA Garrison: Army Corps of Engineers Released DynCorp from All Contractual Obligations Despite Poor Performance and Structural Failures</td>
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### NEW SIGAR INSPECTIONS AS OF OCTOBER 30, 2012

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<td>SIGAR 1007</td>
<td>Incinerator Requirements and Construction Quality</td>
<td>10/2012</td>
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<td>SIGAR 1006</td>
<td>Facilities in Northern Provinces</td>
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<td>SIGAR 1005</td>
<td>Facilities in Kabul</td>
<td>8/2012</td>
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OTHER SIGAR WRITTEN PRODUCTS

SIGAR Testimony
The Special Inspector General for Afghanistan Reconstruction, John F. Sopko, testified before the Congress twice during this reporting period:

NEW SIGAR TESTIMONY AS OF OCTOBER 30, 2012

<table>
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<tr>
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<th>Testimony Title</th>
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<tr>
<td>SIGAR 12-16T</td>
<td>Department of Defense Not Adequately Prepared to Transfer Responsibility for Fuel Management to the Afghan National Army</td>
<td>9/20/2012</td>
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<tr>
<td>SIGAR 12-15T</td>
<td>Department of Defense Cannot Accurately Account for over $1.1 Billion in Fuel for the Afghan National Army</td>
<td>9/13/2012</td>
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SIGAR Alert Letters
SIGAR issued three alert letters during this reporting period:

NEW SIGAR ALERT LETTERS ISSUED AS OF OCTOBER 30, 2012

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<tbody>
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<td>Fraud Investigation of Road Contractor</td>
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<tr>
<td>Lack of Culvert Denial Systems on a Major Highway in Afghanistan</td>
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<td>Destruction of Financial Documents</td>
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SIGAR Investigative Reports
SIGAR issued one investigative report during this reporting period:

NEW SIGAR INVESTIGATIVE REPORT ISSUED AS OF OCTOBER 30, 2012

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<td>Contracting with the Enemy</td>
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APPENDIX D

SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations
This quarter, SIGAR opened 55 new investigations and closed 28, bringing the total number of open investigations to 215. Of the new investigations, most involved public corruption, bribery, and procurement fraud, as shown in Figure D.1. Of the closed investigations, most were closed due to unsubstantiated allegations or following debarment, as shown in Figure D.2.

SIGAR Hotline
Of the 38 Hotline complaints received this quarter, most were received electronically, as shown in Figure D.3. Of these complaints, most were closed, as shown in Figure D.4.
SUSPENSIONS AND DEBARMENTS AS OF OCTOBER 1, 2012

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<th>Debarments</th>
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<td>Brophy, Kenneth</td>
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<td>Naqibullah, Nadeem</td>
<td>Lodin, Rohullah Farooqi</td>
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<td>Rahman, Obaidur</td>
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<td>Brandon, Gary</td>
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<td>Borcata, Raul A.</td>
<td>KS Global</td>
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<td>Close, Jarred Lee</td>
<td>Ahmad, Noor</td>
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<td>Logistical Operations Worldwide</td>
<td>Noor Ahmad Yousufzai Construction Company</td>
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<td>Robinson, Franz Martin</td>
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<td>Yousef, Najeebullah</td>
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<td>Moore, Robert G.</td>
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## APPENDIX E

### ABBREVIATIONS AND ACRONYMS

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<tr>
<td>ABP</td>
<td>Afghan Border Police</td>
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>AGO</td>
<td>Attorney General’s Office</td>
</tr>
<tr>
<td>AIF</td>
<td>Afghanistan Infrastructure Fund</td>
</tr>
<tr>
<td>AIHRC</td>
<td>Afghanistan Independent Human Rights Commission</td>
</tr>
<tr>
<td>AIP</td>
<td>Afghanistan Infrastructure Program</td>
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<td>ALP</td>
<td>Afghan Local Police</td>
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<td>ANA</td>
<td>Afghan National Army</td>
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<td>ANCP</td>
<td>Afghan National Civil Order of Police</td>
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<tr>
<td>ANP</td>
<td>Afghan National Police</td>
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<td>ANSF</td>
<td>Afghan National Security Forces</td>
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<td>APAP</td>
<td>Afghanistan Parliamentary Assistance Program</td>
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<td>APPF</td>
<td>Afghan Public Protection Force</td>
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<td>APRP</td>
<td>Afghan Peace and Reintegration Plan</td>
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<td>ARFL</td>
<td>Afghan Royal First Logistics</td>
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<td>ARTF</td>
<td>Afghanistan Reconstruction Trust Fund</td>
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<td>ASFF</td>
<td>Afghanistan Security Forces Fund</td>
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<td>ASI</td>
<td>Afghanistan Stabilization Initiative</td>
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<td>ASYCUDA</td>
<td>Automated System for Customs Data</td>
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<td>A-TEMP</td>
<td>Afghanistan-Technical Equipment Maintenance Program</td>
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<td>AUP</td>
<td>Afghan Uniform Police</td>
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<td>AWCC</td>
<td>Afghan Wireless Communications Co.</td>
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<td>AWDP</td>
<td>Afghanistan Workforce Development Program</td>
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<td>CAA</td>
<td>Civil Aviation Authority (Afghan)</td>
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<td>CAAT</td>
<td>ISAF Commander’s Advisory and Assistance Team</td>
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<td>CENTCOM</td>
<td>U.S. Central Command</td>
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<tr>
<td>CERP</td>
<td>Commander’s Emergency Response Program</td>
</tr>
<tr>
<td>CIA</td>
<td>Central Intelligence Agency (U.S.)</td>
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<tr>
<td>CID</td>
<td>Criminal Investigative Command (formerly Division) (U.S. Army)</td>
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<tr>
<td>CIGIE</td>
<td>Council of Inspectors General on Integrity and Efficiency</td>
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<tr>
<td>CJATF</td>
<td>Combined Joint Interagency Task Force</td>
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<td>C.JTSCCC</td>
<td>CENTCOM Joint Theater Support Contracting Command</td>
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<td>CM</td>
<td>Capability Milestone</td>
</tr>
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<td>CMS</td>
<td>case management system</td>
</tr>
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<td>CNPA</td>
<td>Counter-Narcotics Police of Afghanistan</td>
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<tr>
<td>COIN</td>
<td>counter-insurgency</td>
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<td>CPD</td>
<td>Central Prison Directorate (Afghan)</td>
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<td>CSIS</td>
<td>Center for Strategic and International Studies</td>
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<tr>
<td>ACRONYM OR ABBREVIATION</td>
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<td>Correctional System Support Program</td>
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<td>CSTC-A</td>
<td>Combined Security Transition Command-Afghanistan</td>
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<td>CUAT</td>
<td>Commander’s Unit Assessment Tool</td>
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<td>DAB</td>
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<td>DABS</td>
<td>Afghan national utility company</td>
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<td>DCAA</td>
<td>Defense Contract Audit Agency</td>
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<td>DCIS</td>
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<td>DoD CN</td>
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<td>DSCA</td>
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<td>DST</td>
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<td>ECF</td>
<td>Extended Credit Facility</td>
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<td>enemy initiated attack</td>
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<td>ESF</td>
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<td>IDEA-NEW</td>
<td>Incentives Driving Economic Alternatives for North, East, and West</td>
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<td>IDLG</td>
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<td>Independent Election Commission (Afghan)</td>
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<td>IED</td>
<td>improvised explosive device</td>
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<td>inspector general</td>
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<td>International Security Assistance Force Joint Command</td>
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<td>International Monetary Fund</td>
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<td>IRD</td>
<td>International Relief and Development, Inc.</td>
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<td>ISAF</td>
<td>International Security Assistance Force</td>
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## APPENDICES

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<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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<tbody>
<tr>
<td>JCMB</td>
<td>Joint Coordination and Monitoring Board</td>
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<td>JSSP</td>
<td>Justice Sector Support Program</td>
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<td>KCI</td>
<td>Kabul City Initiative</td>
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<td>LOTFA</td>
<td>Law and Order Trust Fund for Afghanistan</td>
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<td>MCC</td>
<td>China Metallurgical Group Corporation</td>
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<tr>
<td>MCIT</td>
<td>Ministry of Communications and Information Technology (Afghan)</td>
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<td>MCN</td>
<td>Ministry of Counter Narcotics (Afghan)</td>
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<td>MCTF</td>
<td>Major Crimes Task Force (Afghan)</td>
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<td>MEC</td>
<td>Monitoring and Evaluation Committee (Afghan)</td>
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<td>MIDAS</td>
<td>Mining Investment and Development for Afghan Sustainability</td>
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<td>MMC-A</td>
<td>Materials Management Center-Army (Afghan)</td>
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<td>MNNA</td>
<td>Major Non-NATO Ally</td>
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<td>MoD</td>
<td>Ministry of Defense (Afghan)</td>
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<td>MoF</td>
<td>Ministry of Finance (Afghan)</td>
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<td>Ministry of Interior (Afghan)</td>
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<td>Ministry of Justice (Afghan)</td>
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<td>Ministry of Mines (Afghan)</td>
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<td>MoPH</td>
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<td>MoRR</td>
<td>Ministry of Refugees and Repatriation (Afghan)</td>
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<td>MoTCA</td>
<td>Ministry of Transportation and Civil Aviation (Afghan)</td>
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<td>MOU</td>
<td>memorandum of understanding</td>
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<td>Ministry of Women's Affairs (Afghan)</td>
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<td>MRRD</td>
<td>Ministry of Rural Rehabilitation and Development (Afghan)</td>
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<td>North Atlantic Treaty Organization</td>
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<td>NCIS</td>
<td>Naval Criminal Investigative Service (U.S. Navy)</td>
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<td>NDS</td>
<td>National Directorate of Security (Afghan)</td>
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<td>NGO</td>
<td>non-governmental organization</td>
</tr>
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<td>NIU</td>
<td>National Interdiction Unit (Afghan)</td>
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<td>NKB</td>
<td>New Kabul Bank</td>
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<td>NMMA</td>
<td>National Military Academy of Afghanistan</td>
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<td>NPP</td>
<td>National Priority Program</td>
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<td>NPTC</td>
<td>National Police Training Center</td>
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<td>NSC</td>
<td>National Security Council</td>
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<td>NTM-A</td>
<td>NATO Training Mission-Afghanistan</td>
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<td>O&amp;M</td>
<td>operations and maintenance</td>
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<td>Overseas Contingency Operations</td>
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<td>OMB</td>
<td>Office of Management and Budget (U.S.)</td>
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<td>OSI</td>
<td>U.S. Air Force Office of Special Investigations</td>
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<td>OTA</td>
<td>Office of Technical Assistance (U.S. Treasury)</td>
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<td>OTI</td>
<td>Office of Transition Initiatives</td>
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<td>OTSG</td>
<td>Office of the Surgeon General (Afghan)</td>
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<td>PL</td>
<td>Public Law</td>
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<td>PJST</td>
<td>Provincial Joint Secretariat Team (Afghan)</td>
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<tr>
<td>ACRONYM OR ABBREVIATION</td>
<td>DEFINITION</td>
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<td>-------------------------</td>
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<tr>
<td>PM/WRA</td>
<td>Bureau of Political-Military Affairs - Office of Weapons Removal and Abatement</td>
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<td>POL</td>
<td>petroleum, oil, and lubricants</td>
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<tr>
<td>PPC</td>
<td>Provincial Peace Council</td>
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<tr>
<td>PRT</td>
<td>Provincial Reconstruction Team</td>
</tr>
<tr>
<td>PSC</td>
<td>private security contractor</td>
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<tr>
<td>PTEC</td>
<td>Power Transmission Expansion and Connectivity</td>
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<td>RAMP-UP</td>
<td>USAID Regional Afghan Municipalities Program for Urban Populations</td>
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<td>RC</td>
<td>Regional Command (ISAF)</td>
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<td>RC Window</td>
<td>Recurrent Cost Window</td>
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<td>SCC</td>
<td>Special Cases Committee (Afghan)</td>
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<td>SIGAR</td>
<td>Special Inspector General for Afghanistan Reconstruction</td>
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<tr>
<td>SY</td>
<td>solar year</td>
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<tr>
<td>TAPI</td>
<td>Turkmenistan-Afghanistan-Pakistan-India Pipeline</td>
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<td>TFBSO</td>
<td>Task Force for Business and Stability Operations in Afghanistan</td>
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<td>TMR</td>
<td>transportation movement request</td>
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<tr>
<td>UN</td>
<td>United Nations</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNHCR</td>
<td>UN High Commissioner for Refugees</td>
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<td>UNODC</td>
<td>UN Office on Drugs and Crime</td>
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<td>USAAA</td>
<td>U.S. Army Audit Agency</td>
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<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
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<td>U.S. Army Corps of Engineers-Transatlantic Afghanistan North</td>
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<td>U.S. Agency for International Development</td>
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<td>U.S. Department of Agriculture</td>
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<td>USFOR-A</td>
<td>U.S. Forces-Afghanistan</td>
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<td>United States Geological Survey</td>
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<td>unexploded ordnance</td>
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<td>VSO</td>
<td>Village Stability Operations</td>
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<td>WFP</td>
<td>World Food Program</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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384. TFBSO, response to SIGAR data call, 10/3/2012.
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388. DoS, response to SIGAR data call, 10/1/2012.
390. DoS, response to SIGAR data call, 10/1/2012.
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393. DoS, response to SIGAR data call, 10/1/2012.
394. DoS, response to SIGAR data call, 10/1/2012.
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SIGAR’s oversight mission, as defined by the legislation, is to provide for the independent and objective:

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

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


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