

SIGAR

Special Inspector General for
Afghanistan Reconstruction

JAN 30
2017

QUARTERLY REPORT TO THE UNITED STATES CONGRESS





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

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

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

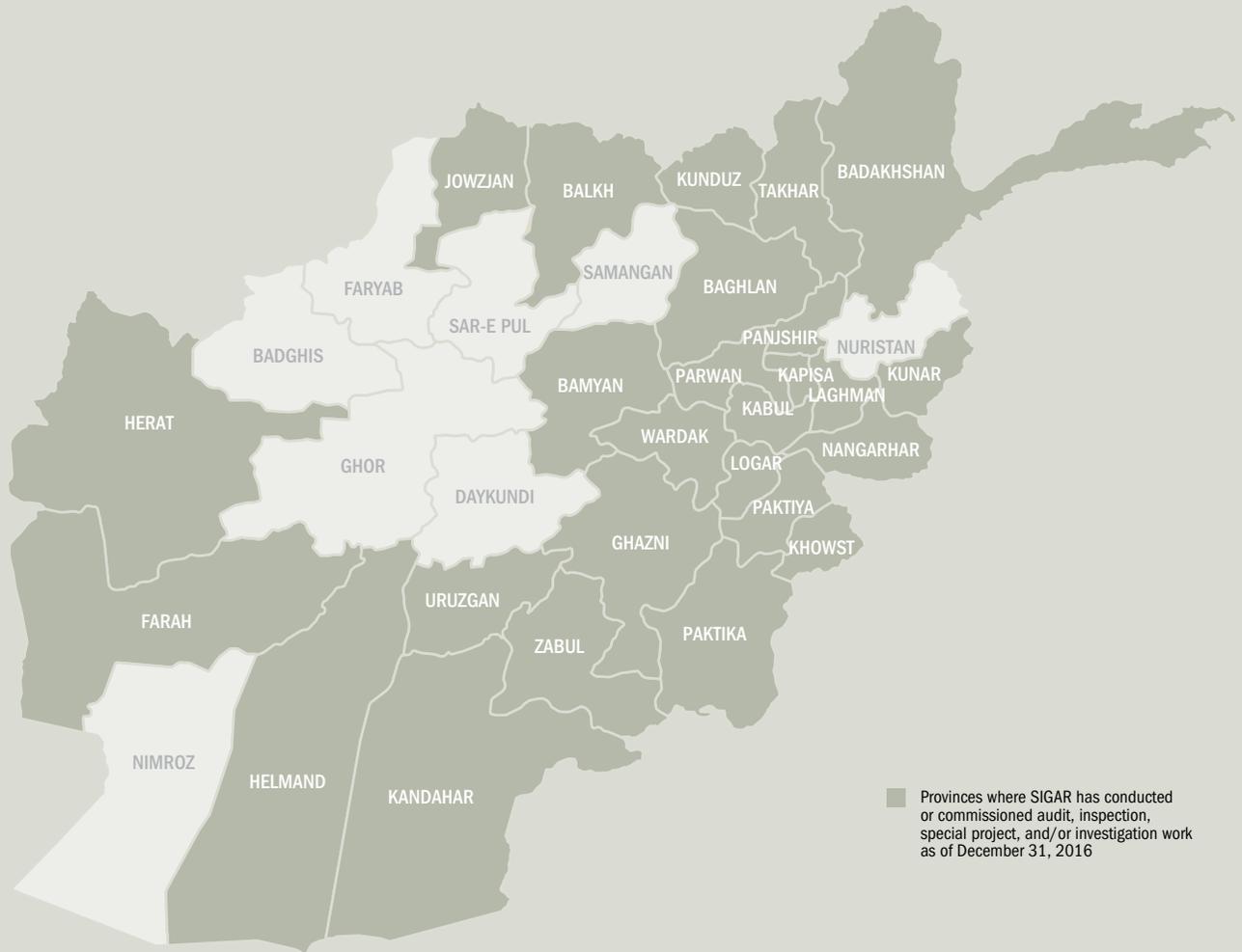
Afghanistan reconstruction includes any major contract, grant, agreement, or other funding mechanism entered into by any department or agency of the U.S. government that involves the use of amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

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

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

Cover photo:

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



■ Provinces where SIGAR has conducted or commissioned audit, inspection, special project, and/or investigation work as of December 31, 2016



SPECIAL INSPECTOR GENERAL FOR
AFGHANISTAN RECONSTRUCTION

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

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

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

John F. Sopko

EXECUTIVE SUMMARY

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

SIGAR OVERVIEW

AUDITS

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

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

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

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

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

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

SPECIAL PROJECTS

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

EXECUTIVE SUMMARY

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

INVESTIGATIONS

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

Investigations highlights include:

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

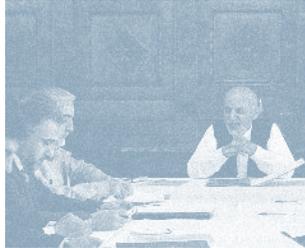
RESEARCH AND ANALYSIS

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

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

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

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

—*The World Bank*

1 AFGHAN PROCUREMENT REFORM



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

THE NEED TO CONTINUE AFGHAN PROCUREMENT REFORM

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

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

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

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

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

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

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Supplies are trucked across Afghanistan. (USAID photo)

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

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

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

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

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

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

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

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

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

PROCUREMENT: NEARLY 50% OF AFGHAN BUDGET

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

On-Budget Assistance

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

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

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

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

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

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

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

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

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

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

SIGAR ASSISTANCE TO AFGHAN PROCUREMENT

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

In 2015, the Afghan Ministry of Public Works (MOPW) used a sole-source selection process to award a contract for building two sections of the

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

Qaisar to Laman Ring Road.¹⁸ The sole-source process selected ASM JV, a joint venture among three companies, for the \$99 million award. The funds were provided by the Asian Development Bank (ADB), to which the United States and Japan are the leading contributors of capital.

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

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

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

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

CREATING AN APPARATUS FOR REFORM

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PROGRESS AND CAVEATS

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

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

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

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

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

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

AFGHAN PROCUREMENT REFORM

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

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

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

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

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

AFGHAN PROCUREMENT REFORM



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

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

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

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

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

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

THE STAKES REMAIN HIGH

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

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

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

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

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

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

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

—*Inspector General John Sopko*

2 SIGAR OVERSIGHT



SIGAR OVERSIGHT ACTIVITIES

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

SIGAR OVERSIGHT ACTIVITIES

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

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

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

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

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

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

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

ALERT LETTERS

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

COMPLETED PERFORMANCE AUDITS

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

COMPLETED FINANCIAL AUDITS

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

COMPLETED INSPECTION REPORTS

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

COMPLETED SPECIAL PROJECT PRODUCTS

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

SIGAR OVERSIGHT ACTIVITIES

COMPLETED SPECIAL PROJECT PRODUCTS

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

OTHER SIGAR OVERSIGHT ACTIVITIES

- High-Risk List 17-25-HRL

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

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

AUDITS

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

Audit Alert Letter

U.S. military and civilian officials have asked SIGAR to provide them with real-time information to prevent waste and increase the effectiveness of U.S. reconstruction programs. One of SIGAR's main goals is to provide implementing agencies and Congress with actionable information while there is still time to make a difference. To achieve that goal, SIGAR sends audit alert letters to highlight concerns.

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

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

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

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

ALERT LETTERS

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

SIGAR OVERSIGHT ACTIVITIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Performance Audit Reports Published

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

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

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

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

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

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

COMPLETED PERFORMANCE AUDITS

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

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

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

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

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

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

SIGAR made three recommendations to USAID. To ensure that government decision makers and the general public have an accurate understanding of progress in the Afghan health care sector and ensure that USAID has more insight into the accuracy and reliability of implementing partners' final performance reports, SIGAR recommended that the USAID Mission Director for Afghanistan: (1) acknowledge in external reporting the limitations associated with surveys and data the agency uses to demonstrate its achievements in the health care sector in Afghanistan; (2) amend mission guidelines for conducting project reviews in Afghanistan to require an explicit discussion of the applicable PMP objectives; and (3) take action to validate the accuracy of final health care project reports submitted by implementing partners in Afghanistan.

Financial Audits

SIGAR launched its financial-audit program in 2012, after Congress and the oversight community expressed concerns about oversight gaps and the growing backlog of incurred-cost audits for contracts and grants awarded in support of overseas contingency operations. SIGAR competitively selects independent accounting firms to conduct the financial audits and ensures that the audit work is performed in accordance with U.S. government auditing standards. Financial audits are coordinated with the federal inspector-general community to maximize financial-audit coverage and avoid duplication of effort.

This quarter, SIGAR completed three financial audits of U.S.-funded contracts, grants, and cooperative agreements to rebuild Afghanistan. The audits question expenditures that cannot be substantiated or are potentially unallowable. The total number of ongoing financial audits is 21 with nearly \$707 million in auditable costs, as shown in Table 2.1.

SIGAR issues each financial-audit report to the funding agency that made the award(s). The funding agency is responsible for making the final determination on **questioned amounts** identified in the report's audit findings. Since the program's inception, SIGAR's financial audits have identified nearly \$380 million in **questioned costs** and \$363,244 in unremitted interest on advanced federal funds or other revenue amounts payable to the government. As of December 31, 2016, funding agencies had disallowed nearly \$16.9 million in questioned amounts, which are subject to collection. It takes time for funding agencies to carefully consider audit findings and

TABLE 2.1

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

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

Source: SIGAR Audits and Inspections Directorate.

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

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

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Special Purpose Financial Statement:

a financial statement that includes all revenues received, costs incurred, and any remaining balance for a given award during a given period.

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

SIGAR's financial audits have four specific objectives:

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

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

Financial Audits Published

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

COMPLETED FINANCIAL AUDITS

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

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

Audit of Costs Incurred by Black & Veatch Special Projects Corporation

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

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

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

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

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

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

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

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

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

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

Audit of Costs Incurred by the Aga Khan Foundation USA

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

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

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

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

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

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

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

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

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

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

Audit of Costs Incurred by Sayara Media and Communications

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

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

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

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

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

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

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

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

COMPLETED INSPECTION REPORTS

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

INSPECTIONS

Inspection Report Published

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

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

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

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

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

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

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

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

Status of SIGAR Recommendations

The Inspector General Act of 1978, as amended, requires SIGAR to report on the status of its recommendations. This quarter, SIGAR closed four recommendations contained in two audit and inspection reports. These reports contained recommendations that resulted in the recovery of \$68,605 in ineligible or unsupported contract costs paid by the U.S. government.

From 2009 through December 2016, SIGAR published 244 audits, alert letters, and inspection reports and made 714 recommendations to recover funds, improve agency oversight, and increase program effectiveness. SIGAR has closed over 82% of these recommendations. Closing a recommendation generally indicates SIGAR's assessment that the audited agency has either implemented the recommendation or otherwise appropriately addressed the issue. In some cases, a closed recommendation will be the subject of follow-up audit work.

The Inspector General Act of 1978, as amended, also requires SIGAR to report on any significant recommendations from prior reports on which corrective action has not been completed. In this quarter, SIGAR continued to monitor agency actions on recommendations in 52 audit and inspection reports. There were no recommendations over 12 months old where the agency had yet to produce a corrective-action plan that SIGAR believes would resolve the identified problem or otherwise respond to the recommendations. However, there are 30 audit and inspection reports over 12 months old for which SIGAR is waiting on the respective agencies to complete their agreed-upon corrective actions.

SPECIAL PROJECTS

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

COMPLETED SPECIAL PROJECTS

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

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

Review 17-12-SP: Schools in Herat Province

Observations from Site Visits at 25 Schools

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

LESSONS LEARNED

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

INVESTIGATIONS

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

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

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

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

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

Investigation Results in \$99 Million Contract Award Termination

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

How it Works

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

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

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



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

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

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

maximizes the number of cases referred for suspension and debarment.

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

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

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

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

Suspension and Debarment in Action

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

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

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

SIGAR Protects the U.S. Taxpayer

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

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

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

SIGAR OVERSIGHT ACTIVITIES

- **Afghan Security Forces Capacity and Capabilities**

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

- **Corruption**

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

- **Sustainability**

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

- **On-budget Support**

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

- **Counternarcotics**

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

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

- **Contract Management**

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

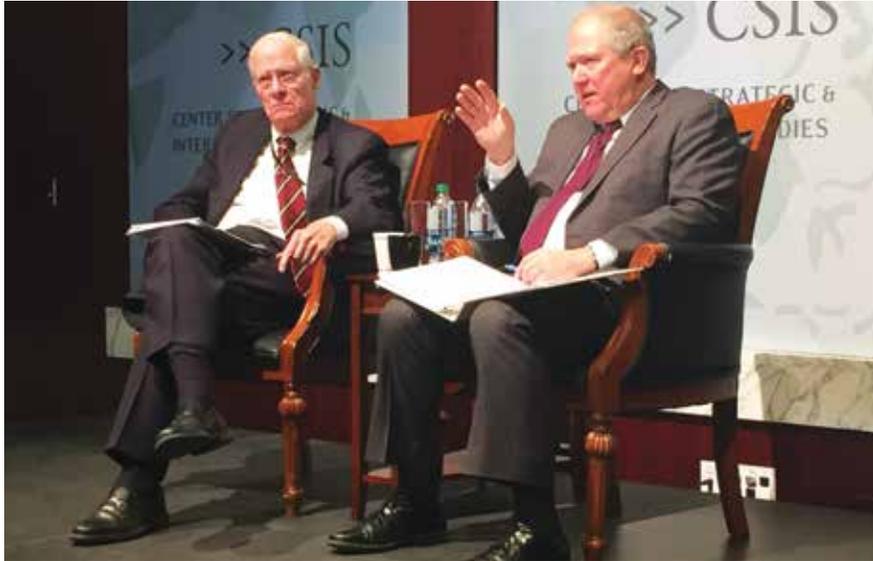
- **Oversight**

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

- **Strategy and Planning**

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

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



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

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

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

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

Deputy Inspector General Aloise Speaks at the National Defense University

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

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

Deputy Inspector General Aloise Speaks at the University of Denver

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

SIGAR BUDGET

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

SIGAR STAFF

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



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

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

—*Secretary John Kerry*

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

RECONSTRUCTION UPDATE

OVERVIEW

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

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

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

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

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

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

RECONSTRUCTION UPDATE



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

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

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

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

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

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

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

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

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

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

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

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

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

AFGHAN NATIONAL POLICE

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

ANP Strength Decreases for the First Time in a Year

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

Patrol personnel represent the largest subset of the ANP this quarter with 69,749 members; noncommissioned officers numbered 50,551, while officer ranks stood at 27,335.³²⁸ Notably, the largest decrease in personnel this quarter occurred within the smallest subset of the ANP, 395 fewer officers, followed by 346 fewer patrol personnel.³²⁹

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

TABLE 3.11

ANP Component	Authorized		6-Month Change	Assigned		6-Month Change
	Q2 2016	Q4 2016		Q2 2016	Q4 2016	
	AUP	88,031	88,014	(17)	86,234	85,188
ABP	25,015	23,322	(1,693)	21,654	20,982	(672)
ANCOP	17,061	17,060	(1)	15,458	15,460	2
MOI HQs & IS	28,593	28,604	11	25,867	26,005	138
ANP Total¹ (as reported)	158,700	157,000	(1,700)	149,213	147,635	(1,578)

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

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

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

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

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

ANP Sustainment

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

According to CSTC-A, \$470.5 million has been provided for ANP sustainment during Afghan FY 1395 (which began in December 2015) through November 20, 2016.³³⁴ Of that amount, \$340.3 million was expended on ANP payroll and incentives.³³⁵ Of the payroll amount, \$85.8 million represents the U.S. contribution to LOTFA to fund salaries and the United Nations Development Programme management fee.³³⁶ In addition to LOTFA, CSTC-A has provided \$155.7 million for ANP incentives and \$43.8 million for ANP salaries and incentives (an increase from the \$32 million reported last quarter) as of late November.³³⁷ CSTC-A reported that aside from salaries, the majority of ASFF ANP sustainment funding for Afghan FY1395 (nearly \$78 million) has been used for vehicle fuel, which comprises 60% of expenditures.³³⁸

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

ANP Equipment and Transportation

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

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

SIGAR AUDIT

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

TABLE 3.12

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

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

^a Vehicle costs include vehicles and parts.

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

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

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

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

ANP Infrastructure

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

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

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



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

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

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

ANP Training and Operations

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

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

WOMEN COMPRISE 1.4% OF ANDSF PERSONNEL

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

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

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

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

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

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

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

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

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

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

ANDSF MEDICAL AND HEALTH CARE

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

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

REMOVING UNEXPLODED ORDNANCE

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

SECURITY

TABLE 3.13

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

Note: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition. Fragments are reported because their clearance requires the same care as for other objects until their nature is determined. There are about 4,047 square meters (m²) to an acre.

* Total area of contaminated land fluctuates as clearance activities reduce hazardous areas while ongoing survey identifies and adds new contaminated land in the Information Management System for Mine Action (IMSMA) database.

Source: PM/WRA, response to SIGAR data call, 12/27/2016; PM/WRA, response to SIGAR vetting, 1/6/2017.

State directly funds five Afghan nongovernmental organizations (NGOs), four international NGOs, and one U.S. government contractor. These funds enable clearing areas contaminated by explosive remnants of war (ERW) and support clearing conventional weapons used by insurgents to construct roadside bombs and other improvised-explosive devices.

As of September 30, 2016, State-funded implementing partners have cleared approximately 205 million square meters of land (approximately 79 square miles) and removed or destroyed approximately 7.8 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and homemade explosives since 2002 (see Table 3.13).³⁷⁵ In addition, survey and clearance are still needed on 63 firing ranges belonging to ISAF/NATO covering an area of 162.3 square kilometers (62.7 square miles). From December 2012 to June 2016, 40 hazards and a total area of 1,109 square kilometers (428.2 square miles) were cleared on ISAF/NATO firing ranges.³⁷⁶

The estimated total area of contaminated land continues to fluctuate as clearance activities reduce hazardous areas, while ongoing survey activities find new contaminated land. At the beginning of this quarter, there were 598 square kilometers (231 square miles) of contaminated minefields and battlefields. During the quarter, six square kilometers (2.3 square miles) were cleared though the discovery of additional hazardous areas brought the known contaminated area to 607 square kilometers (234.4 square miles) by the end of the quarter. PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.³⁷⁷

USAID, in partnership with the UN Mine Action Centre for Afghanistan (UNMACA), provides services for victims and survivors of mines and ERW,

as well as for civilians affected by conflict and persons with disabilities, through the Afghan Civilian Assistance Program (ACAP). The goal of this project is to mitigate the short-term and long-term impact of conflict on civilians, including victims of mines and ERW.³⁷⁸

UNMACA draws on its wider network under the Mine Action Programme of Afghanistan (MAPA), which consists of 50 international and national organizations, to access beneficiaries and communities. One of those organizations, the Mine Action Coordination Centre of Afghanistan (MACCA), collects casualty data on mine/ERW victims to help prioritize its clearance activities. According to USAID, ACAP funding will allow MACCA to expand its victim-assistance activities beyond service provision and data collection to include immediate assistance for individual survivors and their families.³⁷⁹

The number of deminers working in MAPA total around 9,700, of which 99% are Afghan nationals. The high number of individuals involved with demining makes Afghanistan one of the world's largest mine action programs, with the most coverage on the ground. Less than 1% of all security-related incidents targeted the demining community since 2009.³⁸⁰

Between July and September 2016, MAPA reports the over 5,300 civilian victims received assistance and disability support services. The total number of beneficiaries since 2007 is 421,856.³⁸¹ Since January, the UN and mine action partners have provided risk education regarding mines and ERW to over 466,000 returnees from Pakistan.³⁸² The \$30.2 million ACAP program has expended \$19.6 million to date and will conclude in February 2018.³⁸³

According to the UN, the security situation deteriorated significantly between January and October 2016, with incidents reaching the highest level since reporting began in 2007. Of nearly 6,300 security incidents between August 16 and November 17, 2016, 18% were improvised explosive devices (IEDs)—the second most prevalent form of attack after armed attacks.³⁸⁴ Many of the IEDs used by today's insurgents are much more powerful and cause greater bodily harm than previous IEDs. Disabled war victims are more often double rather than single amputees, as was more common a decade ago.³⁸⁵

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GOVERNANCE

KEY ISSUES AND EVENTS

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

In October, First Vice President Dostum publicly accused President Ashraf Ghani and Chief Executive Abdullah Abdullah of nepotism and ethnic bias in government appointments. Both Ghani's and Abdullah's offices condemned Dostum's statement.³⁸⁶

On November 24, Dostum reportedly kidnapped a political rival, a former governor of Jowzjan Province. Once released, the victim accused Dostum on national television of ordering him to be beaten and raped with the muzzle of a rifle while in Dostum's private custody.³⁸⁷ The U.S. Embassy and the European Union called for an investigation.³⁸⁸ On December 17, the Afghan attorney general's office announced it was investigating the matter.³⁸⁹ As of December 22, Dostum refused an attorney-general summons. Claiming the first vice president has the same legal standing as the president, Dostum's chief of staff labeled the summons illegal, arguing that allegations of crimes against the president can only be made by a two-thirds vote by parliament.³⁹⁰ Chief Executive Abdullah's office called the handling of the Dostum investigation a significant test for the unity government.³⁹¹

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers after they were summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). Four of the seven ministers sanctioned by parliament were Ghani nominees, while the remaining three had been nominated by Abdullah. Parliament considers those who received votes of no confidence dismissed. The Minister of Foreign Affairs, an Abdullah nominee and head of a major political party that backed Abdullah in the presidential election, was among those who received a vote of no confidence; however, the Ministry of Foreign Affairs insists it spent 73% of its development budget.³⁹²

In December, the Asia Foundation released their 2016 *Survey of the Afghan People*. The survey found that in 2016, 29.3% of respondents nationwide say their country is moving in the right direction, down from 36.7% in 2015. This represents the lowest level of optimism recorded since the survey began in 2004. Of the 65.9% of Afghans who say their country is moving in the wrong direction, the most frequently cited reason is insecurity (48.8%), followed by unemployment (27.5%), corruption (14.6%), a bad economy (10.4%), and bad government (8.7%).³⁹³

Despite government efforts to curb corruption, 89.2% of Afghans say that corruption is a problem in their daily lives, with 61% saying it is a major problem and 28.2% saying it is a minor problem. Among Afghans who had contact with police within the past year, 48% say they paid a bribe, down from 53% in 2015. Instances of respondents paying bribes to officials in the municipality/district office (59%), judiciary and courts (60%), customs office (55%), provincial governor's office (55%), state electricity supply (50%), public health services (46%), and the Afghan National Army (38%); when applying for a job (56%); and for admissions to school/university (39%) all decreased compared to the 2015 responses, but were higher than the results from 2014.³⁹⁴

Respondents who reported frequent bribe paying did not always rate the offending government authority poorly. For example, of the 604 respondents (representing 19% of those asked the question) who reported that in their interactions with municipal officials they had to pay a bribe all or most of the time, 43% rated the municipal officials as either very good or somewhat good at their job, while 44.4% rated municipal officials as either very bad or somewhat bad. Similarly, of the 1,631 respondents (representing 12.9% of those surveyed) who reported that in their interactions with Afghan police they had to pay a bribe all or most of the time, 75.5% strongly or somewhat agreed that the police are honest and fair, while only 24.3% strongly or somewhat disagreed.³⁹⁵

Also in December, Integrity Watch Afghanistan (IWA) issued the results of their biennial national corruption survey, funded in part by SIGAR. The majority of those surveyed (71%) felt corruption has worsened in the past two years. More than 26% of those interviewed reported having paid a bribe in the previous 12 months, an increase from the 21% who reported having paid a bribe in 2014. Extrapolating from the survey findings, IWA estimated that Afghans paid \$2.9 billion in bribes in 2016, an increase from the \$1.9 billion estimate for 2014. While a majority (51%) of IWA respondents nationwide agreed with the statement that corruption facilitates the expansion of the Taliban, majorities in the south (63%) and northeast (53%) disagreed with this statement, an interesting result given the strength of the insurgency in these regions.³⁹⁶

U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE

As of December 31, 2016, the United States had provided nearly \$32.8 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$19.4 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department (State) and the U.S. Agency for International Development (USAID).

MUTUAL ACCOUNTABILITY UPDATES

At the Senior Officials Meeting (SOM) in September 2015, the international community and the Afghan government agreed to the Self-Reliance through Mutual Accountability Framework (SMAF) to guide their activities at least to the end of the present government's term.³⁹⁷

The SMAF covers six areas: (1) improving security and political stability (with three associated indicators); (2) anticorruption, governance, rule of law, and human rights (14 indicators); (3) restoring fiscal sustainability and integrity of public finance and commercial banking (nine indicators); (4) reforming development planning and management, and ensuring citizens' development rights (three indicators); (5) private-sector development and inclusive growth and development (four indicators); and (6) development partnerships and aid effectiveness (eight indicators).³⁹⁸ At the October 2016 Brussels Conference, international donors and the Afghan government also agreed to 24 new "SMART" (Specific, Measurable, Achievable, Realistic, and Time-bound) deliverables for 2017 and 2018.³⁹⁹

According to USAID, there were no notable updates for SMAF deliverable progress this quarter.⁴⁰⁰

Electoral Reform Challenges

Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his former election rival, now Chief Executive Abdullah, after the troubled 2014 presidential elections. The September 2014 agreement that led to forming the national-unity government called for immediate establishment of a special commission for election reform. The intent was to implement reform before the 2015 parliamentary elections and to distribute electronic identity cards to all Afghan citizens as quickly as possible.⁴⁰¹

At the October Brussels Conference, the Afghan government agreed to take concrete steps toward electoral reform and preparations in 2017.⁴⁰²

In November, the chief justice of the Afghan Supreme Court swore in a new slate of election commissioners including seven Independent Election Commission (IEC) commissioners—down from the previous nine commissioners—and five Independent Election Complaints Commission (IECC) commissioners. According to State, replacing the discredited incumbent commissioners is seen as the first step toward

electoral reform. The new election commissioners will be responsible for determining election schedules, identifying and implementing necessary reforms, and overseeing the hiring processes for hundreds of vacant electoral commission positions.⁴⁰³

On December 5, the IEC held its first working meeting following the new commissioners' short meeting to select their administrative board members on November 27. In a press statement, the IEC said it discussed expanding the number of polling centers, preventing the use of personal property as polling sites, ensuring equal voting rights, and other election-related issues.⁴⁰⁴ In late December, an IEC commissioner told local media that the IEC had budget difficulties while donors continue to suspend their funding.⁴⁰⁵ State reported last quarter that donors are waiting for a realistic elections timeline and Afghan government budget before making any determinations regarding election support.⁴⁰⁶

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

Summary of Assistance Agreements

At the Brussels Conference in October 2016, the United States and other international participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities.⁴⁰⁷ Although the United States did not commit to a specific amount, then-Secretary of State John Kerry promised to work with Congress to provide civilian assistance at or near the 2016 levels through 2020.⁴⁰⁸

At the 2010 Kabul Conference, the United States and other international donors supported an increase to 50% the proportion of civilian development aid delivered **on-budget** through the Afghan government to improve governance, cut costs, and align development efforts with Afghan priorities.⁴⁰⁹ Donors, including the United States, reaffirmed this commitment at the July 2012 Tokyo Conference and again at both the December 2014 London Conference and the September 2015 SOM.⁴¹⁰ As of December 2016, USAID had not yet achieved the 50% on-budget target.⁴¹¹ At the October 2016 Brussels Conference, the United States and other donors committed to channel a "higher share" of their development assistance via on-budget modalities in 2017 and 2018, but did not commit to a particular percentage of their overall assistance.⁴¹² As shown in Table 3.14, USAID expected to spend \$842 million on direct bilateral-assistance programs that were active during the quarter. It also expects to contribute \$2.7 billion to the Afghanistan Reconstruction Trust Fund (ARTF) through 2020, in addition to \$1.37 billion disbursed under the previous grant agreement between USAID and the World Bank. USAID has disbursed \$113 million to the Afghanistan Infrastructure Trust Fund (AITF).⁴¹³

On-budget assistance: encompasses donor funds that are aligned with Afghan government plans, included in Afghan government budget documents, and included in the budget approved by the parliament and managed by the Afghan treasury system. On-budget assistance is primarily delivered either through direct bilateral agreements between the donor and Afghan government entities, or through multidonor trust funds.

Off-budget assistance: encompasses donor funds that are excluded from the Afghan national budget and not managed through Afghan government systems.

Source: SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 130; Ministry of Finance, "Aid Management Policy for Transition and Beyond," 12/10/2012, p. 8; State, response to SIGAR vetting, 1/14/2016.

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TABLE 3.14

USAID ON-BUDGET PROGRAMS						
Project/Trust Fund Title	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Bilateral Government-to-Government Projects						
Power Transmission Expansion and Connectivity Project (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	Yes	1/1/2013	12/31/2018	\$725,000,000	\$124,878,220
Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	DABS	Yes	4/22/2013	12/31/2016	75,000,000	56,714,535
Afghanistan Workforce Development Project (AWDP)	Ministry of Education (MOE)	Yes	9/18/2013	12/31/2016	11,500,000	4,832,843
Basic Education, Learning, and Training (BELT) - Textbooks Printing and Distribution	MOE	Yes	11/16/2011	12/31/2016	26,996,813	24,970,742
E-Government Resource Center (EGRC)	Ministry of Communications and Information Technology (MOCIT)	Yes	8/28/2013	12/1/2017	3,900,000	1,205,000
Multi-Donor Trust Funds						
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	3/31/2017	2,700,000,000	1,470,169,080
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	No	3/7/2013	3/6/2018	153,670,184	113,000,000

Note: * USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards is currently \$2,842,160,275.

Source: USAID, response to SIGAR data calls, 1/17/2017, and 1/18/2017.

The U.S. government announced in March 2015 that it intended to seek funding to support the Afghan National Defense and Security Forces (ANDSF), including the army and police, at the level of 352,000 personnel through at least 2017.⁴¹⁴ The Department of Defense (DOD) was authorized \$4.26 billion to support the ANDSF for fiscal year (FY) 2017 (though the appropriation was not finalized before this report went to press).⁴¹⁵

At the 2012 Chicago Conference, the United States and its allies affirmed commitments to support the Afghan security forces with an estimated annual budget of \$4.1 billion, to be reviewed regularly against the changing security environment.⁴¹⁶ At the September 2014 Wales Summit, NATO allies and partners reaffirmed their commitment to financial sustainment of the ANDSF through the end of 2017. The international community pledged an additional amount of almost €1 billion, or approximately \$1.29 billion, annually to sustain the ANDSF for 2015 through the end of 2017.⁴¹⁷

In July 2016, NATO allies and partners met in Warsaw and committed to extend the financial commitments made at the 2012 NATO Summit in Chicago. Some 30 nations renewed pledges to sustain the Afghan security forces through 2020 at or near current levels. The international community has so far pledged more than \$800 million annually for 2018–2020. President Obama also pledged that he would recommend to his successor that the



USAID Mission Director Herbie Smith and the Afghan Minister of Finance discuss continued U.S. civilian assistance to Afghanistan. (USAID photo)

United States continue to seek funding for the ANDSF at or near current levels through 2020.⁴¹⁸

As of mid-January, DOD had not yet finalized the agreements governing their Afghan FY 1396 (FY 1396 runs from December 22, 2016, to December 21, 2017) on-budget contributions for police salaries to the Ministry of Interior (MOI) through the United Nations Development Programme's (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA), nor their direct on-budget contributions to the Ministry of Defense (MOD) or MOI.⁴¹⁹

SIGAR AUDIT

SIGAR has an ongoing audit of the ARTF. In July 2011, SIGAR found that the World Bank and the Afghan government had established mechanisms to monitor and account for ARTF contributions, but that several limitations and challenges should be addressed. This new audit will assess the extent to which the World Bank and the Afghan government (1) monitor and account for U.S. contributions to the ARTF, (2) evaluate whether ARTF-funded projects have achieved their stated goals and objectives, and (3) utilize and enforce any conditionality on ARTF funding.

Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) contributions to two multidonor trust funds, the ARTF and the AITF.⁴²⁰ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance for each program.⁴²¹

The ARTF, administered by the World Bank, provides funds to both the Afghan government's operating and development budgets in support of Afghan government operations, policy reforms, and national-priority programs.⁴²² The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁴²³ According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.⁴²⁴

As of November, the United States remains the largest donor to the ARTF (30.2% in actual contributions) with the next largest donor being the United Kingdom (17.8% in actual contributions).⁴²⁵ According to the World Bank,

the ARTF is the largest single source of support for the Afghan government budget at \$9.1 billion as of September 2016.⁴²⁶ The ARTF recurrent-cost window supports operating costs, such as Afghan government non-security salaries. The recurrent-cost window pays 16–20% of the Afghan government's non-security operating budget.⁴²⁷

On-Budget Assistance to the ANDSF

A large portion of total U.S. on-budget assistance goes toward the Afghan security forces. DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Afghan government to fund MOD and MOI requirements, and (2) ASFF contributions to the multidonor LOTFA.⁴²⁸ Administered by the UNDP, LOTFA primarily funds Afghan National Police salaries and incentives.⁴²⁹ Direct-contribution funding is provided to the Ministry of Finance, which allots it incrementally to the MOD and MOI, as required.⁴³⁰

In February 2011, the Under Secretary of Defense Comptroller authorized the U.S. military's Combined Security Transition Command–Afghanistan (CSTC-A) to provide direct contributions to the Afghanistan government from ASFF to develop ministerial capacity and capability in the areas of budget development and execution, acquisition planning, and procurement. CSTC-A administers all contributions of ASFF resources to the Afghan government to fund MOD and MOI requirements, subject to certain conditions that the ministries must meet for the use of the funds.⁴³¹ CSTC-A monitors and formally audits the execution of those funds to assess ministerial capability and ensure proper controls and compliance with documented accounting procedures and provisions of the annual commitment letters.⁴³² Most of the on-budget funds provided by CSTC-A support salaries, with most of the limited amounts for local procurement used for services such as facility-maintenance contracts.⁴³³

As of November 2016, CSTC-A provided \$1 billion to the MOD, \$278 million to the MOI, and \$85.8 million to LOTFA for the current Afghan fiscal year.⁴³⁴

In December 2015, the UNDP planned to support Afghan police salary payments using LOTFA through December 31, 2016. After this date, it was planned for the Afghan government to take responsibility for Afghan police payroll.⁴³⁵ This quarter, a public accounting firm found that the MOI is expected to meet only 50% of the conditions necessary to transition Afghan police payroll management from UNDP to MOI.⁴³⁶ In December 2016, the LOTFA project board approved a one-year extension of LOTFA's support for MOI payroll.⁴³⁷

In September 2016, CSTC-A approved a change in the use of \$233 million in ASFF originally intended as on-budget contributions for MOD to instead pay for priority unfunded requirements, including an aviation maintenance



NATO partner countries approved about \$390 million for projects to support Afghan forces in December. (DOD photo)

contract, 453 High-Mobility Multipurpose Wheeled Vehicles, medical consumables, and communications equipment.⁴³⁸

According to CSTC-A, the Afghan government's procurement process is hindering the execution of ASFF funds provided as direct contributions. As of September 2016, the execution rate was only 37%.⁴³⁹ DOD has observed the Afghan government making changes to their process that will hopefully increase the execution rate. CSTC-A officials believe Afghan government procurement reforms—particularly the establishment of the National Procurement Commission that is chaired by President Ghani and reviews all operations and maintenance contracts above \$300,000 and construction contracts over \$1.5 million before contract award—has enforced contracting standards and reduced corruption. However, the Department of Defense Inspector General (DOD IG) found that CSTC-A does not have any metrics to determine the National Planning Commission's effectiveness in this regard.⁴⁴⁰

A senior CSTC-A official told SIGAR that CSTC-A has decided to conduct future fuel procurements for the ANDSF off-budget. CSTC-A concluded that poor Afghan government fuel-contract administration created opportunities for contractors to substitute lower-quality fuel and sell fuel meant for the security forces on the open market. CSTC-A plans to administer the fuel procurements off-budget and conduct spot checks of fuel delivery.⁴⁴¹

MOD and MOI Had Mixed Results in Meeting Conditions for U.S. Funding

In November, DOD found that while the MOD and MOI made satisfactory progress in meeting the majority of agreed-upon conditions for U.S. funding assistance, both ministries had a significant number of deficiencies.

Of 59 conditions defined in the commitment letter, CSTC-A determined that the MOD made satisfactory progress toward meeting 35 conditions and insufficient progress toward meeting 24. This quarter, CSTC-A provided no incentive funding to the MOD for satisfactory progress. CSTC-A determined that the MOD failed to conduct capital asset inventory assessments for 10 MOD installations, prompting CSTC-A to withhold 20% of conditional funds available for construction of MOD buildings. CSTC-A also found that the MOD failed to provide the required 100% accounting of night-vision devices, prompting CSTC-A to continue withholding future deliveries of night-vision devices to three mobile strike force battalions that were deficient. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOD has yet to provide such a list.⁴⁴²

Additionally, the MOD reported 835 lost weapons but provided insufficient documentation for these losses. Because of this, CSTC-A will not issue small arms until MOD provides a full accounting by unit. CSTC-A will also not replace any lost weapons until sufficient documentation is received. CSTC-A stopped penalizing the MOD for ammunition accountability deficiencies following MOD-implemented corrective actions including the suspension of 111th Capital Division's ammunition officer, the submittal of missing ammunition consumption data by 215th Corps, and the uploading of ammunition data by 111th Capital Division and the Afghan Air Force. While the two mobile strike force brigades were delinquent in ammunition reporting, CSTC-A decided to provide additional capacity assistance in lieu of applying penalties since these brigades are fairly new organizations. CSTC-A identified a further 16 conditions with insufficient progress, but imposed no additional penalties on the MOD; however, DOD says that penalties may be assessed following the next quarterly review.⁴⁴³

Of 74 MOI conditions defined in the commitment letter, CSTC-A determined that the MOI made satisfactory progress on 37 conditions, while 37 had insufficient progress. This quarter, CSTC-A provided no incentive funding to the MOI for satisfactory progress. CSTC-A found that the MOI has not sufficiently investigated cases of gross violation of human rights (GVHR). In response, CSTC-A will continue to withhold MOI's travel budget for all but gender-related trainings and deny raises to the MOI offices that compose the MOI's GVHR Committee.⁴⁴⁴

The MOI was required to provide a 100% inventory of Afghan Local Police equipment by July 31, 2016. However, CSTC-A found that only 123 of 179 ALP districts met this goal. As a result, CSTC-A withheld \$833,000 for military tools and equipment as a one-time penalty. The MOI had a similar problem with providing a 100% inventory of General Command Police Support Unit (GCPSU) equipment. As of the June 30, 2016, deadline, 80% of GCPSU units reported their full inventories. In response, CSTC-A levied a

one-time penalty of \$833,000 from the MOI's budget for items such as mattresses, pillows, and laundry.⁴⁴⁵

The MOI also failed to fully account for night-vision devices, prompting CSTC-A to withhold future deliveries to two Afghan National Civil Order Police brigades. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOI has yet to provide such a list. Because of this, CSTC-A will not issue small arms or replace lost weapons until MOI provides a full accounting of small arms by police zone. CSTC-A identified a further 30 conditions with insufficient progress but imposed no additional penalties on the MOI; however, DOD says that penalties may be assessed following the next quarterly review.⁴⁴⁶

In December, DOD IG found that while CSTC-A did begin imposing limited penalties on the Afghan government for failure to comply with commitment letters, CSTC-A did not impose these penalties consistently. DOD IG concluded that CSTC-A does not have a formal process in place to determine and enforce penalties for violations. According to CSTC-A officials, they were reluctant to assess penalties because the excess enforcement of penalties could inhibit the Afghans' ability to conduct security operations. DOD, however, disagrees with DOD IG's finding, arguing that Resolute Support advisors assess conditions either monthly or quarterly and make recommendations to either impose or waive penalties.⁴⁴⁷

CSTC-A commented that the current Afghan fiscal year commitment letters had only mixed success in achieving conditions. According to CSTC-A, some of the lessons learned include: conditions must be enforceable, unachievable conditions can be counterproductive, overlooking missed conditions undermines credibility, and strategic patience is required to see sustainable effects. As CSTC-A develops the next fiscal year commitment letters, they will focus on the highest-priority conditions, plan to impose fines rather than percentage decreases for specific budget lines, look to provide more incentive clauses rather than penalties, and reduce the overall number of conditions.⁴⁴⁸

NATIONAL GOVERNANCE

Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries' ability to prepare, manage, and account for on-budget assistance. These programs also provide general assistance to support broader human and institutional capacity building of Afghan government entities.⁴⁴⁹ USAID also seeks to increase civil-society capacity through the Afghan Civic Engagement Program (ACEP). As shown in Table 3.15, active programs include the Ministry of Women's Affairs' Organizational Restructuring and

GOVERNANCE

TABLE 3.15

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$40,226,038
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	18,710,629
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2016	14,182,944	10,576,100

Source: USAID, response to SIGAR data call, 1/18/2017.

Empowerment (MORE) project, a \$14 million project that, among other things, helps the ministry improve its financial management, as required for future on-budget assistance.⁴⁵⁰

MORE closed in December. Before closing, MORE processed one-off payments to enable MORE-supported scholarship recipients to continue their studies beyond the end of the program. MORE staff finalized 10 provincial gender profiles to serve as templates for the Ministry of Women's Affairs in developing profiles for the remaining 24 provinces. These profiles summarize province-level statistics including population estimates, the number of female legal and police personnel, female voter turnout, and the number of violence against women cases.⁴⁵¹

USAID has also provided \$5 million for the \$150 million, ARTF-managed Capacity Building for Results (CBR) program. CBR aims to improve the capacity and performance of Afghan government ministries by providing skilled civil servants to implement ministries' reform programs. CBR provides Afghan government ministries with the opportunity to recruit high-capacity staff into critical posts at salaries closer to market rates. The aim is to increase on-budget service delivery and reduce reliance upon the so-called "second civil service" wherein Afghan consultants, instead of civil servants, perform government functions.⁴⁵²

At the October 2016 Brussels Conference, the Afghan government committed to recruit 1,200 government personnel by December 2017 and to fill the remaining positions by 2018. Previously, the Afghan government had committed to recruit at least 800 of 2,400 planned CBR positions by December 2016. As of September 2016, the Afghan government had issued contracts to 196 persons.⁴⁵³

National Assembly

Between November 12 and 15, the lower house of parliament passed no-confidence votes against seven of 16 ministers summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry's development budget). The parliament considers the following ministers to be dismissed following the no-confidence votes: the Minister of Foreign Affairs; Minister of Public

Works; Minister of Labor, Social Affairs, Martyrs and Disabled; Minister of Education, Minister of Transport and Civil Aviation; Minister of Higher Education; and Minister of Communications and Information Technology.⁴⁵⁴ On November 14, President Ghani ordered the ministers to continue working, referring the legality of the dismissals to the Supreme Court.⁴⁵⁵

On December 22, the start of the new Afghan fiscal year, the lower house of parliament rejected the draft budget submitted by the executive. Among the reasons cited, parliament argued that project funds were not well balanced between provinces.⁴⁵⁶ On the same day last year, parliament rejected the draft budget with the same critique.⁴⁵⁷ On January 15, 2017, the parliament passed the budget on its third attempt with only 57% of lower house members participating in the vote.⁴⁵⁸

According to State, the parliament continues to face difficulties achieving quorum, though this occurs less often when sessions relate to the elections, official nominations, or key legislation with broad constituent interest. Parliament suspended six members for being absent and threatened to suspend an additional three members. Parliament has also been declaring sessions quorate despite having only a minority of members present.⁴⁵⁹

USAID funds the \$25 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body.⁴⁶⁰ In December, the parliament approved an anti-harassment bill that had received ALBA support since its inception as a member-proposed bill. The new law defines jail terms and cash fines for those convicted of harassing women and children. Following the bill's passage, ALBA supported a press conference on the bill and briefed the audience on its main themes.⁴⁶¹

Following the publication of an ALBA mid-year report that found low development-budget execution by the Afghan government, ALBA has received regular requests from parliamentary commissions for regular budget updates. In November, the lower house of parliament held hearings for—officially—low execution of ministry development budgets. Following parliament's votes of no confidence for seven ministers, the Parliamentary Anti-Corruption Caucus requested that ALBA prepare information on the laws and regulations that relate to the dismissal of ministers.⁴⁶²

Civil Society

The Afghan Civic Engagement Program's goal is to promote civil-society and media engagement that enables Afghan citizens to influence policy, monitor government accountability, and serve as advocates for political reform. ACEP aims to achieve this goal through five program areas: (1) regular civil-society organization (CSO) engagement with the Afghan government, (2) increased CSO and media expertise in democracy and governance, (3) expanded civic engagement, (4) improved access to

independent news and public affairs information, and (5) increased CSO organizational capacity.⁴⁶³

This quarter, ACEP sponsored a two-day conference that brought together over 400 civil-society, media, and government representatives from all 34 Afghan provinces. According to USAID, the conference was an opportunity to discuss current engagement among CSOs, media organizations, and government agencies, and foster improved future coordination and cooperation. ACEP also sponsored 34 emerging Afghan civil-society leaders for a 10-day study tour to Sri Lanka to expose the participants to youth activities carried out by other organizations and governments. ACEP sponsored a three-day training for ACEP-supported CSOs that focused on results-based monitoring, management, and development of logical frameworks to assist with reporting outcomes.⁴⁶⁴

ACEP recently released a baseline study on the enabling environment for CSOs in Afghanistan. The study focused on the legal framework, the socio-cultural environment, governance, and financial viability that influence CSO development and activities. Using interviews and case studies, the data were used to generate factor-specific scores between -1 (wholly unsupportive of CSO activity) and 1 (wholly supportive). Overall, the baseline study found an overall enabling environment score of 0.33 (somewhat supportive). Corruption, insufficient CSO and government capacity and technical expertise, poor CSO interactions with government, rule of law challenges, access to funding, and the tying of donor-driven priorities to funding were cited as the main obstacles to CSO activities. On the positive side, CSOs report they increasingly coordinate with each other (in line with donor priorities) and are able to attract more volunteer support.⁴⁶⁵

The scores for the four main factors were: legal framework (0.31) with ease of CSO registration the highest sub-factor and the extent to which taxes are fair, efficient, and transparent the lowest sub-factor; social-cultural environment (0.65) with the extent to which CSOs successfully influence government the highest sub-factor and the extent to which CSOs are seen as independent and professional the lowest sub-factor; governance (0.17) with the extent to which CSOs collaborate with each other and the government the highest sub-factor and the extent to which the environment supports CSO involvement in service provision and the extent to which corruption does not affect the work of CSOs the lowest sub-factors; and financial viability (0.2) with the extent to which CSOs are financially independent the highest sub-factor and the extent to which CSOs are able to access funding the lowest sub-factor.⁴⁶⁶

There were some discrepancies between quantitative survey results and qualitative data gathered through in-depth interviews and focus group discussions. For example, while CSO respondents gave community support a high score in the survey, CSO members spoke of the hostility they experienced from more conservative elements in society that regarded civil

society as not in line with Islam or as an “imported” Western concept. Many CSOs have, consequently, felt the need to incorporate Islamic rhetoric in order to align their operations with prevalent cultural paradigms.⁴⁶⁷

SUBNATIONAL GOVERNANCE

Provincial and Municipal Programs

USAID has two subnational programs focused on provincial centers and municipalities: the Initiative to Strengthen Local Administrations (ISLA) and Strong Hubs for Afghan Hope and Resilience (SHAHAR) programs. Table 3.16 summarizes total program costs and disbursements to date.

TABLE 3.16

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$73,499,999	\$29,441,104
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	13,468,975

Source: USAID, response to SIGAR data call, 1/18/2017.

Initiative to Strengthen Local Administrations

The \$62 million ISLA program is meant to enable the Afghan government to improve provincial governance in the areas of fiscal and development planning, representation of citizens, and enhanced delivery of public services. ISLA aims to strengthen subnational systems of planning, operations, communication, representation, and citizen engagement, leading to services that more closely respond to all citizens’ needs in health, education, security, justice, and urban services.⁴⁶⁸

During the quarter, ISLA conducted provincial budget training for 45 public financial management committee participants from nine provinces. ISLA advisors finished drafting provincial-governor office guidelines and submitted the draft for review. ISLA also supported a town hall meeting in Badghis Province to discuss the Brussels Conference and the Afghan government’s Citizen Charter. Approximately 204 participants—including 32 women—attended the meeting.⁴⁶⁹

Strong Hubs for Afghan Hope and Resilience

The objective of the \$73 million SHAHAR program is to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a growing urban population. The urban portion of Afghanistan’s population has risen from 22% in 2004 to an estimated 25% in 2016/2017. Targeted support to municipal governments, as well as to the deputy

ministry of municipal affairs and municipal advisory boards, aims to improve municipal financial management, urban service delivery, and citizen consultation.⁴⁷⁰

As of the end of October, SHAHAR-supported municipalities collected \$27,073,939 in revenues for the current Afghan fiscal year. This represents an 8% increase in revenues collected in the previous year, but only 42% of the expected revenue for the current fiscal year that ends December 21. Only two SHAHAR-supported municipalities are on track to achieve their revenue targets. SHAHAR-supported municipalities executed \$22,301,207 of their budgets, representing 77% of expenditures compared to the previous fiscal year, but only 30% of the current fiscal year's budget.⁴⁷¹ As of December 31, 2016, SHAHAR-supported municipalities collected an additional \$5 million in revenue for 2016 as compared to 2015, a 21% increase.⁴⁷²

RECONCILIATION AND REINTEGRATION

The U.S. and Afghan governments agree that the best way to ensure lasting peace and security in Afghanistan is reconciliation and a political settlement with the Taliban.⁴⁷³

According to the United Nations Secretary-General, there was no substantive movement towards a peace process between the Afghan government and the Taliban this quarter.⁴⁷⁴ Taliban leaders reportedly believe that the 2016 fighting season was a success and, for the time being, there is no incentive to enter into a strategic negotiation process.⁴⁷⁵ On December 23, the Taliban again publicly rejected peace talks, reiterating their long-held stance that talk of peace and reconciliation is “meaningless” as long as foreign forces remain in Afghanistan.⁴⁷⁶

On December 2, General John Nicholson, the commander of U.S. and NATO forces in Afghanistan, labeled Russia, Pakistan, and Iran as malign actors that enable insurgent or terrorist groups in Afghanistan. Nicholson said that Russia lends public legitimacy to the Taliban, which undermines the Afghan government and NATO efforts to stabilize Afghanistan.⁴⁷⁷ On December 10, Russia's ambassador to Afghanistan testified before Afghanistan's upper house of parliament that Russia maintained contact with the Taliban to ensure the safety of Russian nationals and encourage the Taliban to engage in peace talks with the Afghan government. He expressed annoyance with Afghanistan's critique of Russia's approach, arguing that other countries have similar relations with the Taliban.⁴⁷⁸ The Afghan government maintains that any outside contact with the Taliban, without the prior knowledge and approval of the Afghan government, is a legitimization of terror and a breach of Afghanistan's sovereignty.⁴⁷⁹

On December 27, the governments of Russia, China, and Pakistan met in Moscow to discuss the security situation in Afghanistan. The three countries agreed to a “flexible approach” to remove certain Taliban members

from sanctions lists to foster dialogue between the Afghan government and the Taliban. This is contrary to Afghanistan's recent request to include more Taliban leaders on international sanctions lists. The Afghan government expressed its displeasure at not being invited to the meeting.⁴⁸⁰ A representative of the Taliban's political office in Qatar welcomed the suggestion to remove Taliban members from sanctions lists.⁴⁸¹

During a Heart of Asia Conference held in December, President Ghani accused Pakistan of not doing enough to help stabilize Afghanistan, saying, "As a Taliban figure said recently, if they had no sanctuary in Pakistan, they wouldn't last a month." The Heart of Asia process was established in November 2011 to provide a platform to strengthen security and economic and political cooperation among Afghanistan and its neighbors. Pakistan responded that Afghanistan should avoid blaming Pakistan for its domestic problems.⁴⁸²

After the conference, the Pakistani foreign secretary said in a television interview that some Taliban and Haqqani members reside in Pakistan. He insisted, however, that the Pakistan government has told these militants that they are not allowed to attack Afghanistan and that Pakistan is applying "incremental pressure" to persuade these groups to participate in peace talks. He also said that Pakistan has told Afghan authorities that Pakistan will not use its military to fight these insurgents for fear that this would bring Afghanistan's conflict to Pakistan.⁴⁸³

In what DOD sees as a potential sign of rapprochement, the powerful Kandahar police chief General Abdul Raziq—who in 2014 said that he ordered his troops to kill militants rather than refer them to potentially corrupt courts—suggested in December that an area be designated where Taliban fighters and their families can live in Afghanistan, calling the Taliban "sons of the country."⁴⁸⁴

Last quarter, the Afghan government finalized a peace agreement with the Hezb-e Islami Gulbuddin (HIG) insurgent group.⁴⁸⁵ In the peace deal, the Afghan government committed to several actions, including requesting the removal of HIG leaders from UN and other sanctions lists.⁴⁸⁶ According to the UN Secretary-General, as of December 13, the United Nations has yet to receive a formal request for the removal of HIG's leader—Gulbuddin Hekmatyar—from the sanctions list of either Afghanistan or the United States (as the original listing state).⁴⁸⁷ The day prior, a spokesman for the Afghan National Security Council said that Afghanistan's Ministry of Foreign Affairs submitted a request to the UN to remove Hekmatyar from the sanctions list.⁴⁸⁸

In December, the United Kingdom deported Faryadi Sarwar Zardad, who was convicted of torture in 2005 for his actions while a Hezb-e Islami commander in the 1990s.⁴⁸⁹ The Afghanistan Independent Human Rights Commission called for the prosecution of war criminals, including Faryadi, and warned of a culture of impunity in Afghanistan.⁴⁹⁰

In January, the *Wall Street Journal* reported that Russia was hindering the removal of Hekmatyar's name from the UN sanctions list. As of early January, a Russian spokesperson confirmed that Russia had put a hold on the delisting but not blocked it.⁴⁹¹ By mid-January, however, it was DOD's understanding that the delisting request was being processed.⁴⁹²

Afghanistan Peace and Reintegration Program

On March 31, 2016, the Afghanistan Peace and Reintegration Program (APRP) closed following a decision by APRP donors, the Afghan government, and UNDP.⁴⁹³ The APRP was an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.⁴⁹⁴ The APRP was the only institutional mechanism within the Afghan government with the capacity to pursue both high-level reconciliation negotiations and provincial-level reintegration of insurgent fighters.⁴⁹⁵

In early 2017, the Afghan government plans to launch a successor to the APRP in the form of a five-year Afghanistan National Peace and Reconciliation (ANPR) strategy, pending approval from President Ghani. According to State, the ANPR is expected to shift from the disarmament, demobilization, and reintegration focus of the APRP to negotiating political settlements with armed opposition groups, forging national and international consensus on a peace process, and promoting and institutionalizing a culture of peace.⁴⁹⁶

In December 2016, State provided \$1.1 million to support the ANPR. State intends to disburse another \$3.9 million in early 2017. The ANPR process has not yet launched as the Afghan government is in the process of finalizing the ANPR strategy.⁴⁹⁷

RULE OF LAW AND ANTICORRUPTION

In late October, the World Justice Project released its 2016 *Rule of Law Index*. This year, Afghanistan was ranked 111 out of 113 countries assessed. Overall, Afghanistan scored 0.35 (on a scale of 0 to 1 with one being the highest possible score). Afghanistan scored the highest on constraints on government powers (0.43) and open government and fundamental rights (both 0.40). Afghanistan's worst scores were in absence of corruption (0.23) and criminal justice (0.28). The scores are derived from a poll of 1,000 respondents in the country's three largest cities (Kabul, Kandahar, and Herat in Afghanistan's case) and a questionnaire of legal and public-health experts.⁴⁹⁸

On January 2, 2017, President Ghani suspended the Minister of Communications and Information Technology following an audit into the collection of a 10% tax on mobile phone minute top-ups. Ghani reportedly was not satisfied with the level of cooperation the ministry provided during an investigation into alleged corruption associated with the tax.⁴⁹⁹

Project Summary

The United States has assisted the formal and informal justice sectors through several mechanisms. These include State's Justice Sector Support Program (JSSP) and Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.17.

USAID has a cooperation arrangement with the United Kingdom's Department for International Development to fund the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID support funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.⁵⁰⁰ This quarter, USAID provided the MEC an additional \$500,000 to fund a ministry-wide vulnerability-to-corruption assessment of the Ministry of Education (MOE), follow-up activities for both this assessment, and follow-up activities for a previously completed Ministry of Public Health assessment. The MOE, recognizing the political imperative to address corruption challenges in their ministry, requested the assessment.⁵⁰¹

USAID aims to improve public services by reducing corruption opportunities in the Afghan government's administrative and business processes. In November 2015, USAID modified the existing Advancing Effective Reforms for Civic Accountability (AERCA) project—previously the Afghanistan Electoral Reform and Civic Advocacy project—to address immediately identifiable corrupt practices.⁵⁰²

AERCA had identified 10 services that are important to Afghans but are perceived as not working as well as expected: (1, 2) disability and martyr payments by the Ministry of Labor, Social Affairs, Martyrs and Disabled; (3, 4, 5) driver's license issuance, vehicle registration, and national identification by the MOI; (6, 7) issuance of diplomas and transcripts by the Ministry of Higher Education; (8) small business license registration by the Kabul Municipality; (9) property registration by the Supreme Court; and (10) high-school diploma issuance by the MOE.⁵⁰³ In August, USAID and AERCA decided to suspend AERCA's assistance to the driver's license service after determining that there was insufficient political will for reform in the MOI's traffic department to enable worthwhile collaboration.⁵⁰⁴

This quarter, USAID signed a memorandum of understanding with the MOE to support the MOE's ability to issue high school certificates. USAID, via AERCA, intends to equip all 35 MOE provincial certification units with information technology infrastructure and training to facilitate remote data entry of student performance records into the MOE's Certificate Management Information System. The system intends to assure compliance with graduation procedures, print high school certificates centrally, and allow for efficient distribution.⁵⁰⁵ AERCA's service reform efforts, other than the new high school diploma initiative, are largely restricted to Kabul.⁵⁰⁶

In November, AERCA reported that the Kabul Municipality approved AERCA's proposed business license simplification and improvement

At the October Brussels Conference, the Afghan government committed to simplify 15 to 25 public services, integrate these services into a one-stop shop by 2017, and expand this model to three additional locations in Kabul by 2018.

Source: Brussels Conference on Afghanistan, "Self-Reliance through Mutual Accountability Framework: SMART Deliverables 2017/2018," 10/5/2016, p. 2.

GOVERNANCE

TABLE 3.17

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	2/28/2017	\$270,142,052	\$265,694,800
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	68,163,468	2,808,579
Electoral Reform and Civic Advocacy (AERCA)*	7/13/2009	6/30/2017	51,302,682	43,401,166
Corrections System Support Program (CSSP IV)**	3/1/2016	2/28/2017	15,000,000	10,358,392
Justice Training Transition Program (JTTP) Follow On***	4/1/2016	11/30/2017	47,759,796	47,759,796
Delegated Cooperation Agreement (DCAR) with the Department for International Development (DFID) for Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)	5/19/2015	8/31/2020	3,000,000	2,000,000

Note:
 *On November 1, 2015, USAID extended the AERCA award beyond the planned December 31, 2015 end date, added \$12.6 million in estimated costs, and incorporated additional anticorruption activities into the program description. The information in the table refers to the entire award, not simply the new anticorruption portion covered by the modification.
 **Disbursements as of 11/30/2016
 ***The follow on project is a no-cost extension with funds having already been disbursed.

Source: State, INL, response to SIGAR data call, 12/20/2016; USAID, response to SIGAR data call, 1/18/2017.

process. AERCA plans to conduct a census and registration of businesses in Kabul's 22 municipal districts. AERCA's surveyors will present themselves to the surveyed businesses as Kabul Municipality staff.⁵⁰⁷

AERCA has awarded grants to a number of civil-society organizations for public accountability and outreach efforts to support Afghan government service reforms. This quarter, AERCA grantees held outreach events in Kabul, Kunduz, Wardak, Nangarhar, and Logar Provinces encouraging participants to use the *GovMeter* website which tracks President Ghani's pre-election commitments and the Afghan government's post-election commitments.⁵⁰⁸ Managed by ToloNews, this website showed the Afghan government as having achieved 8% of their total commitments in December. Additionally, 32% of commitments were registered as being under way, 2% were not achieved, and 58% were inactive.⁵⁰⁹

State's JSSP objectives include continuing to develop a case-management system (CMS) to track cases throughout Afghanistan's justice system and to build the capacity and administrative skills of ministry officials.⁵¹⁰ As of November 25, 2016, 22,070 civil cases have been entered into CMS since implementation began in 2014, and 261,653 criminal cases have been entered since 2011.⁵¹¹

This quarter, JSSP participated in a joint meeting of the **Criminal Law Reform Working Group (CLRWG)** and Criminal Procedure Code Working Group (CPCWG) to propose two major changes to current law involving misdemeanor cases where the accused is facing imprisonment of less than five years. JSSP advised that prosecutors should have authority to suspend prosecution upon court approval. Under this JSSP proposal, proceedings will be suspended if the accused agrees in writing to certain conditions

The **Criminal Law Reform Working Group (CLRWG)** assists the Ministry of Justice's Taqin Department to draft and review criminal legislation. The Taqin Department serves as the primary link between the Council of Ministers (COM) and parliament on the implementation of the government legislative work plan. CLRWG membership includes representatives from the MOI, Supreme Court, AGO, and other national and international institutions.

Source: JSSP "Legislative Support," <http://jsspfghani-stan.com/index.php/wwork/sections/legislativesupport.html>, accessed 12/29/2016; JSSP JSSP Activity Report, 11/25/2016, p. 7.

imposed by the prosecutor, such as completion of drug treatment in a misdemeanor drug case. If the accused commits no additional offenses and completes all conditions, the case will be dismissed. In response to the proposal, a majority of the participants agreed to authorize prosecutors to suspend prosecution in unintentional misdemeanor cases (such as car accidents), but not in other misdemeanor cases. Participants argued that prosecutors can be entrusted with authority to suspend only cases involving minor crimes. JSSP also proposed to allow courts the authority to suspend trial, but this proposal was not taken up.⁵¹²

CLRWG and CPCWG members also agreed that an accused acquitted by the trial court shall be released immediately from pretrial detention, except in cases of terrorism or crimes against internal or external security. This decision, if approved by parliament, will substantially eliminate the practice of holding an acquitted person in detention while the prosecutor appeals the verdict of acquittal.⁵¹³

This quarter, State's \$48 million Justice Training Transition Program, in partnership with the Supreme Court, conducted data collection for an institution-wide learning needs assessment to identify the most prevalent learning needs among judges. The assessment, which will include interviews from a sample of more than 260 judges, was conducted through key informant interviews and self-assessment questionnaires with judges and their supervisors. The results of this assessment should be available next quarter.⁵¹⁴

In April, USAID launched the \$68 million Assistance for the Development of Afghan Legal Access and Transparency (ADALAT) program. ADALAT aims to (1) increase the effectiveness and reach of the formal justice sector, (2) strengthen the linkages between the formal and traditional justice sectors, and (3) increase citizen demand for quality legal services. ADALAT ("justice" in Dari and Pashto) will work closely with Afghan justice institutions to increase the professionalism of justice-sector actors, to improve judicial administrative and management systems, and to strengthen the Ministry of Justice (MOJ) Department of the **Huquq** ("rights") and its interaction with traditional justice on civil-related matters. It also will develop the technical, organizational, and management capacity of USAID civil-society partners operating in the formal and traditional justice sectors, and will support their missions to eliminate practices that violate human rights in traditional dispute resolution within the informal justice sector and to increase citizen awareness of and demand for fair and accessible justice services.⁵¹⁵ This quarter, ADALAT finalized human and institutional capacity-development assessments of the Afghanistan Independent Bar Association, the **Huquq** Department, and the Supreme Court's general directorates of administration/finance and human resources. USAID will conduct follow-up meetings with the assessed organizations to discuss the types of assistance USAID will support.⁵¹⁶

Huquq offices provide an opportunity for citizens to settle civil cases within the formal system before being brought into the court system

Source: Afghanistan Justice Sector Support Program, "Ministry of Justice," 2016.

ADALAT found in the course of their training-needs assessment for sitting judges that the Supreme Court does not have reliable data on the types of cases being heard by judges across the country, including data contained in the Afghanistan Court Administration System (ACAS). In 2012, a previous USAID project reported that ACAS—a paper-based, manual case-management system that enables court personnel to effectively and efficiently track cases—had been extended to 514 of 551 courts. Because of incomplete data, ADALAT will rely on data collected in its review of judicial caseload statistics in the provinces, as well as review the Justice Training Transition Program’s judicial training-needs survey results, to prepare their training needs assessment.⁵¹⁷

Afghan Correctional System

According to State, the inmate population of Afghanistan’s prisons, managed by the General Directorate of Prisons and Detention Centers (GDPDC), increased by an average of 6.15% annually over the past 5 years. As of October 31, the GDPDC incarcerated 26,914 males and 876 females, while the MOJ’s Juvenile Rehabilitation Directorate (JRD) incarcerated 695 male juveniles and 100 female juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to their data.⁵¹⁸

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adults, despite presidential amnesty decrees and the transfer of National Security Threat inmates to the MOD that have reduced the prison population significantly. As of October 31, the total male provincial-prison population was at 186% of capacity, as defined by the International Committee of the Red Cross’s (ICRC) minimum standard of 3.4 square meters per inmate. The total female provincial-prison population was at 127% of the ICRC-recommended capacity. The JRD’s juvenile-rehabilitation centers’ population was at 57% of ICRC-recommended capacity.⁵¹⁹

In December, the UN Assistance Mission in Afghanistan (UNAMA) released an assessment of Afghanistan’s juvenile rehabilitation centers. UNAMA surveyed 31 facilities to ascertain detention conditions. INL’s Corrections System Support Program (CSSP) was named multiple times as a key player in helping to ensure that juveniles were treated humanely and in compliance with the minimum standards for juvenile detention. Seven of the surveyed facilities reported that CSSP provided incarcerated juveniles with winter clothing (additional facilities were serviced by the ICRC).⁵²⁰

One gap noted by UNAMA was the relative scarcity of assistance aimed at prisoner rehabilitation and reintegration, such as vocational programming, shelter assistance, and career assistance. UNAMA highlighted an INL-supported vocation training program in Herat Province and recommended that this assistance be expanded across the country. According

to INL, the report found that the Afghan government was compliant with administrative procedures, accommodation, and other basic needs, a key INL priority.⁵²¹

Anticorruption

At the October 2016 Brussels Conference, the Afghan government agreed to draft and endorse an anticorruption strategy for the whole of government by the first half of 2017. Implementation of this strategy is to occur by the second half of 2017. Additionally, five revenue-generating ministries are to publicly report on implementation progress of their anticorruption action plans in 2017.⁵²²

Anti-Corruption Justice Center

On May 5, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).⁵²³ The ACJC brings together Major Crimes Task Force (MCTF) investigators, Afghan Attorney General's Office (AGO) prosecutors, and judges to combat serious corruption.⁵²⁴ The ACJC's jurisdiction covers major corruption cases committed in any province involving senior officials or substantial monetary losses of a minimum of 5 million afghanis (approximately \$73,000).⁵²⁵

As of December 13, 55 cases have been referred to the ACJC with eight cases that met the ACJC's criteria having been assessed for prosecution. The first ACJC trial was held on November 12 and resulted in the conviction of a bank branch manager for embezzlement of \$152,500. The second trial was completed on November 19 and resulted in a bribery conviction with a two-and-a-half-year sentence with a fine for a high-ranking AGO prosecutor.⁵²⁶ The convicted AGO prosecutor was caught demanding a \$760 bribe to secure the release of a prisoner at the end of his sentence.⁵²⁷ Additionally, on January 9, 2017, the ACJC sentenced an MOI major general—formerly the MOI deputy minister for strategy and planning—to 14 years in jail, a \$150,000 fine, and an 18,000 afghani (approximately \$270) fine for accepting a \$150,000 bribe in exchange for awarding a fuel contract. This case was a result of a joint SIGAR/Major Crimes Task Force investigation. For more information about this investigation and conviction, see page 44 in Section 2 of this report.

In January 2017, the ACJC announced that it had finalized investigations into nine MOD generals and four Ministry of Urban Development officials. The nine generals are accused of collectively embezzling approximately \$1.4 million.⁵²⁸

According to Resolute Support, the international community has demanded that ACJC investigators, prosecutors, and judges be vetted and polygraphed. While the MCTF has complied with this requirement, the AGO and Supreme Court have resisted or refused. Resolute Support fears that

without proper vetting of ACJC personnel, there is a strong likelihood that the ACJC could be captured by corrupt elements due to institutional corruption within the AGO and court system.⁵²⁹

According to State, senior Afghan government officials including President Ghani, Chief Executive Abdullah, the chief justice, and the attorney general have fully endorsed an anticorruption agenda, with the centerpiece being the ACJC.⁵³⁰

Afghan Attorney General's Office

According to Resolute Support, other anticorruption bodies, in particular the MCTF, continue to lack faith in the AGO as they continue to observe anticorruption cases being stymied by the AGO. Resolute Support reports that the AGO suffers from institutional corruption and is not transparent in tracking cases post-investigation into prosecution.⁵³¹ According to State, the anticorruption unit of the AGO continues to face political interference in prosecuting corruption cases. Since April 2016, the anticorruption unit reportedly had 22 prosecutions of low-level corruption.⁵³²

Independent Joint Anti-Corruption Monitoring and Evaluation Committee

A presidential decree established the MEC in March 2010. Its mandate is to develop anticorruption recommendations and benchmarks, to monitor efforts to fight corruption, and to report on these efforts. Its board includes three Afghan members and three international members, and is led by an Afghan executive director. The MEC has approximately 20 staff. USAID notes that the MEC may increase its staff since President Ghani has increasingly sought analytical products from it.⁵³³

This quarter, the MEC published its first quarterly monitoring report on implementation of recommendations contained in their June 2016 vulnerabilities-to-corruption report on the Ministry of Public Health (MOPH). The MEC found that the MOPH was particularly active responding to the recommendations in August and September, but that momentum has dissipated. The MEC reports that a complete implementation plan is still outstanding.⁵³⁴

The MEC also released a pilot report seeking to estimate the relative amount of merit- versus patronage-based appointments to the top 100 government positions in Badakhshan Province. The MEC estimated that 31% of these appointments were based on competence whereas 69% were based on patronage.⁵³⁵

High Office of Oversight and Anticorruption

The High Office of Oversight and Anti-Corruption (HOO) was established in July 2008 by presidential decree to oversee and coordinate implementation of the Afghan government's anticorruption strategy. The HOO collects

corruption complaints through a hotline and complaint boxes installed in several ministries and other public-service delivery institutions, and conducts the initial investigation of corruption allegations that it receives before referring allegations to the AGO for further investigation and possible prosecution. According to USAID, these investigations seldom lead to prosecution. Mutual recrimination between AGO and HOO is common.⁵³⁶ The HOO is also charged with collection and verification of asset declarations submitted by Afghan government officials.⁵³⁷

This quarter, the HOO director said that at least 15 of 34 provincial governors have not registered their assets with the HOO. Additionally, the first vice president, the first deputy chief executive, the chief of the National Directorate of Security, the Minister of Defense, the Minister for Disaster Management and Humanitarian Affairs, two deputies of the land authority, and eight deputy ministers have also not registered their assets.⁵³⁸

Last quarter, SIGAR released a follow-up to a 2009 SIGAR report on the HOO. SIGAR found that the asset declarations that were verified by the HOO contained errors and omissions that would have hindered robust verification efforts. Because the HOO was unable to provide SIGAR with supporting documentation showing how it verified asset declarations and the outcomes of verification efforts, those errors in and omissions from verified declaration forms raised questions regarding the efficacy of the process. Further, SIGAR found there were still no penalties for failing to comply with HOO requests, and that the office lacked authority and enforcement power.⁵³⁹

Security Services

According to Resolute Support, the MOD and MOI have shown increased will to respond to corruption following an October 9, 2016, meeting in which President Ghani demanded action. Shortly after this meeting, the MOD ordered the establishment of corps-, brigade-, and independent-command-level Transparency and Accountability Committees (TAC). These TACs are expected to meet bimonthly and send monthly reports to the General Staff Inspector General (GS IG). The GS IG, in turn, is to analyze these reports and brief the results to a General Staff-level TAC.⁵⁴⁰

In the past, the GS IG would receive and forward reports to the MOD Inspector General without additional action. Resolute Support sees the increased role of the GS IG as a sign of MOD demonstrating greater political will to deal with corruption. However, Resolute Support says it cannot yet assess the effectiveness of this new process.⁵⁴¹

The MOI Inspector General recently established 21 multi-province zonal-level inspector general positions. Of these positions, 19 personnel have deployed but have yet to produce any reports.⁵⁴² While the MOI approved a Counter Administrative Corruption Policy in April 2016, implementation has not yet started. According to Resolute Support, the delay is partially due

to the absence of designated MOI leadership to coordinate the various MOI offices with responsibilities to implement the policy.⁵⁴³

Major Crimes Task Force

Since a January 2016 change in MCTF leadership, the MCTF has opened 276 cases (including 112 corruption investigations), and arrested 148 suspects. This is a significant increase in MCTF efforts compared to the previous seven-month period that saw the MCTF open 25 cases and arrest 36 lower-level personnel.⁵⁴⁴

According to Resolute Support, despite supportive MOI leadership in the form of the MCTF director and his superior, the chief of Afghan Anti-Crime Police, the MCTF continues to face challenges from the broader MOI. For example, the MOI reduced the MCTF operational budget to half of its previous amount. According to Resolute Support, this budget cut appears to coincide with the increase in corruption cases and arrests of significant government officials.⁵⁴⁵ Additionally, the MCTF lacks hiring authority and, in general, must accept inexperienced or brand-new officers assigned by the MOI. The MCTF is more closely reviewing personnel applications and transfer requests to (1) ensure minimum qualification standards are met and (2) guard against potential spies or “plants” being sent to the MCTF by corrupt officials.⁵⁴⁶

The MCTF is currently partnering with SIGAR on several investigations. One recent case resulted in the arrest of a major general for his role in a fuel contract bid-rigging scheme. In late August 2016, SIGAR received information relating to allegations of bid rigging and collusion involving the owners of fuel and logistics companies and MOI Major General Abdul Wase Raoufi, formerly the MOI deputy minister for strategy and planning. The bid rigging was related to the MOI fuel procurement bidding process. At the time, Raoufi was the chair of the fuel evaluation committee charged with the oversight of the fuel bidding and procurement process at MOI. SIGAR initiated an investigation into these allegations in conjunction with the MCTF. Raoufi was arrested for accepting a \$150,000 bribe. The MCTF made this arrest despite political pressure by Afghan government and AGO officials. On January 9, 2017, the ACJC sentenced the major general to 14 years in jail, a \$150,000 fine, and an 18,000 afghani (approximately \$270) fine for forging documents.⁵⁴⁷ For more information about this investigation and conviction, see page 44 in Section 2 of this report.

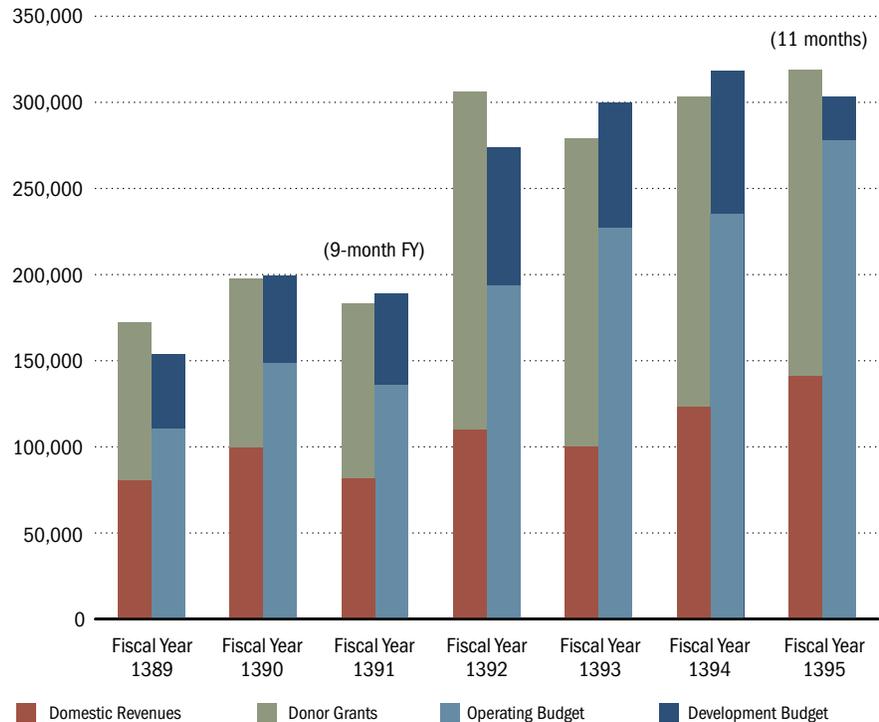
Despite recent progress, Resolute Support reports that the MCTF’s effectiveness against high-level corruption continues to be limited by external factors, such as a lack of AGO transparency and political pressure. Among the pressures, Resolute Support cited the numerous summonses issued by the lower house of parliament for MCTF staff and investigators to respond to allegations against the MCTF. In another instance, a recent MCTF case summary was leaked to the high-profile subject of the investigation.

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FIGURE 3.28

AFGHANISTAN'S DOMESTIC REVENUES AND DONOR GRANTS COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (AFN MILLIONS)



Note: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1389 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for fiscal year 1391 reflect a change in the timing of the Afghan fiscal year. Afghan fiscal years now generally run December 22 through December 21. Grants represent funds received from donors. Donor grants are often for specific projects or activities, but can sometimes be spent at GIROA's discretion. AFN yearly average exchange rates versus one U.S. dollar: FY 1389: 46.63, FY 1390: 47.76, FY 1391: 51.68, FY 1392: 56.53, FY 1393: 57.48, FY 1394: 63.91, FY 1395: 67.61.

Source: MOF, *Aqrab Financial Statements FY 1395*, 12/4/2016; MOF, *Qaws Financial Statements FY 1394*, 2/27/2016; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 1/28/2015; MOF, "1393 National Budget," 2/1/2014; Da Afghanistan Bank, "Currency Hijri Monthly Average USD," accessed 1/10/2017.

revenue collections in FY 1394 (2015) compared to the previous year, and a 32.0% revenue increase in the first 11 months of FY 1395 (year-on-year), the Bank said that it would be unrealistic to expect Afghanistan to cover the current level of expenditures, even if its revenue potential were realized in all sectors. Therefore, the World Bank said the government must also reduce expenditures, especially in the security sector.⁶⁰⁶ This would be a difficult feat, given the continuing insurgency.

Trade

Afghanistan's trade balance was an IMF-estimated negative \$7.2 billion (equivalent to 36.6% of GDP) in 2015 and is projected to be negative

\$7.3 billion (equivalent to 39.6% of GDP) in 2016. Afghanistan's legal exports consist of goods (31.6%) and services (68.4%).⁶⁰⁷ However, about 15–20% of the total value of Afghanistan's trade is said to be unrecorded, generally involving smuggled goods, according to the World Bank.⁶⁰⁸

Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-estimated current-account surplus equivalent to 4.7% of GDP (\$925 million) in 2015. This is projected to fall to 4.5% of GDP (\$825 million) in 2016. Without donor assistance, the IMF estimated Afghanistan to have a current-account deficit equivalent to 33.5% of its GDP in 2015 (\$6.6 billion) and projected it to grow to the equivalent of 36.6% of GDP in 2016 (\$6.7 billion).⁶⁰⁹

During 2013–2015, Afghanistan exported \$2.1 billion to \$4.0 billion worth of goods and services annually, compared to imports ranging between \$8.9 billion and \$11.3 billion a year. The IMF projected Afghanistan's 2016 exports at \$2.1 billion, not including illicit narcotics (valued at \$2.7 billion in 2014). Afghanistan's 2016 imports were projected to be around \$9.0 billion, with more than \$6.7 billion paid for by official donor grants.⁶¹⁰

IMF staff said that Afghanistan needs to increase and diversify its exports, which will stimulate innovation and good management.⁶¹¹ The Afghan government pledged to reduce regulatory and operational barriers to facilitate this.⁶¹² Exports are heavily dependent on agricultural outputs, which the World Bank said can increase if Afghanistan develops supply chains for higher value-added products. However, this will require investments to develop and improve irrigation and extension services, and to build downstream agro-processing capacities.⁶¹³ Weather and rainfall would, of course, continue to exert a significant influence on agricultural output and income potential.

Afghanistan Trade and Revenue Project

USAID's four-year, \$78 million Afghanistan Trade and Revenue (ATAR) project is a trade-facilitation program designed to (1) improve trade-liberalization policies, including support for Afghanistan in implementing its World Trade Organization (WTO) commitments; (2) improve and streamline the government's ability to generate revenue by modernizing Afghanistan's customs institutions and practices; and (3) facilitate bilateral and multilateral regional-trade agreements.⁶¹⁴

This quarter, ATAR helped develop a draft post-WTO-accession strategy framework for interministerial discussion and completed a needs assessment for establishing the Afghan WTO representative office in Geneva. Concurrently, ATAR continued to help the Afghan government amend and draft laws to comply with WTO rules and commitments, including on income tax, consumer protection, customs valuation, anti-dumping,

and anti-subsidies. ATAR also supported the Ministries of Commerce and Industry (MOCI), Agriculture, Irrigation, and Livestock (MAIL), and Public Health (MOPH) in developing procedures and regulations to implement trade laws that have already been enacted. In addition, ATAR is providing technical support to parliament as it considers three WTO-required intellectual-property-rights conventions—the Madrid Protocol, the Paris Convention, and the Singapore Treaty.⁶¹⁵

While no specific progress in modernizing Afghanistan’s customs administration was reported this quarter, ATAR facilitated Afghan industry access to regional markets. It helped about 60 Afghan exporters participate in the annual India International Trade Fair; helped promote high-end Afghan products at an exhibition in the UAE; and worked to organize participation of 10 Afghan marble producers at India Stone Mart 2017 in February.⁶¹⁶

BANKING AND FINANCE

The World Bank said Afghanistan’s financial sector is challenged by the country’s security environment⁶¹⁷ and remains vulnerable with what the IMF called “lingering governance concerns, deteriorating asset quality, and weak profitability.”⁶¹⁸ The banking sector is dominated by 15 banks—three state-owned, nine private-sector-owned, and three foreign-owned branch banks.⁶¹⁹ However, public confidence has not been fully restored in the wake of the 2010 Kabul Bank crisis. Use of bank financing remains low with an average loan-to-deposit ratio of 19.2%. For Afghanistan’s three state-owned banks, that ratio was only 4.6% at the end of 2015.⁶²⁰ In comparison, Pakistan’s commercial loan-to-deposit ratio was 58.7% and India’s was 78.7% (January 2016); the United States’ was 107.3% (February 2016).⁶²¹

According to the IMF, state-owned banks remain strategically and operationally deficient, contributing to significant fiscal risk. While the fiscal positions of these banks are improving, IMF staff noted that Afghanistan must urgently implement a public-policy framework for them, including enhanced governance and regulatory enforcement.⁶²²

In October 2016, the World Bank reported that the quality of commercial and state-owned bank assets continued to deteriorate in the first half of 2016. Commercial-bank loans to the private sector were valued at \$740 million in June 2016, about 8.5% higher than in December 2015. Most loans were U.S. dollar-denominated, largely due to the effect of afghani currency depreciation that inflated the value of assets held by commercial banks.

Net profits of the banking sector increased by AFN 4 billion (about \$60 million in current dollars) from the same period last year, but were derived primarily from customer banking fees.⁶²³ The World Bank previously attributed Afghanistan’s weak commercial lending to its overall economic slowdown, low investor confidence, stricter implementations of

regulations governing foreign-exchange-denominated loans, and banks' risk aversion following the Kabul Bank crisis.⁶²⁴

In 2016, the Afghan government declared a dual strategy for financial sector reform by addressing weaknesses and providing for more robust banking regulation and oversight. This is to include risk-based audits and reviews, establishing a unit to monitor risks from state-owned banks, ensuring government oversight regulations are appropriate and not duplicative, providing incentives for banks to lend to private enterprises, and a financial inclusion strategy to improve customer access to banking services.⁶²⁵

Financial Action Task Force Compliance Update

At its most recent plenary session in Paris, France, on October 19–21, 2016, the **Financial Action Task Force (FATF)** chose to keep Afghanistan on its “Improving Global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Compliance” document, also known as the “gray list.” This means that while Afghanistan has strategic AML/CFT deficiencies, its government has developed an action plan, made a high-level political commitment to address those deficiencies, and is making progress.⁶²⁶ This is the eighth consecutive FATF review in which Afghanistan has maintained this status since being downgraded to the “dark gray” list in February 2014.⁶²⁷

FATF said Afghanistan has improved its AML/CFT administration, and “nearly addressed the technical requirements of its action plan,” but still needs to show progress by providing additional information on its legal framework for identifying, tracing, and freezing terrorist assets. The U.S. Department of Treasury (Treasury) said this includes information on the compliance of Afghanistan's AML/CFT laws by private sector financial institutions. FATF encouraged Afghanistan to further implement its action plan. Treasury said it remains concerned about the government's ability to implement AML/CFT laws and reform, but reported that Afghanistan's financial intelligence unit revoked the licenses of 95 money-service providers in Kabul and imposed \$45,000 in fines for failure to comply with AML laws.⁶²⁸

Kabul Bank Theft Accountability—Reality Check

As of December 19, 2016, Afghanistan's Attorney General's Office (AGO) has not acted on the 114 Kabul Bank-related cases currently referred to it. In a meeting with the U.S. Department of Justice (DOJ), the Afghan attorney general said he was disinclined to enforce or pursue current judgments or investigate the Kabul Bank case any further.⁶²⁹ That statement directly contravened President Ghani's October 2014 decree requiring the AGO to indict and prosecute all those involved in the approximately \$987 million stolen from Kabul Bank, and to monitor enforcement of the courts' decisions.⁶³⁰

The Kabul Bank Receivership (KBR), which is responsible for managing the bad assets (for example, loans that are not being repaid), said that the vague language used in the Special Appellate Court's decision in

Financial Action Task Force: an intergovernmental policy-making body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system. Its 36 members include the United States, United Kingdom, Switzerland, and the European Union; observers include the United Nations and the Asian Development Bank.

Source: Financial Action Task Force website, “Who We Are,” and “Members and Observers,” accessed 1/3/2016.

“Pursuing recovery of Kabul Bank assets and holding perpetrators accountable is a critical priority. This would signal a shift in governance and accountability of the banking sector.”

Source: World Bank, *Afghanistan Country Snapshot*, 10/2016, p. 1.

November 2014 and the Supreme Court's final judgment in December 2014 make enforcement problematic. Much of the property and assets purchased with the stolen Kabul Bank funds are located in the United Arab Emirates (UAE), but the Dubai courts view the language—particularly regarding the identification and seizure of properties and assets—as “conditional” and lacking “legal certainty or legitimacy.” A KBR representative said the entire judgment/decision is not legally enforceable in Afghanistan either. It is therefore unclear how the Afghan government should address violations.⁶³¹

“Sincere efforts to recover funds continue to be impeded by intimidation of those attempting to do their jobs,” according to a U.S. Institute of Peace report.⁶³² In at least one instance this quarter, debt-collection efforts were directly hindered. According to DOJ, the Kabul Bank Court of First Instance, created to address the cases of individuals involved in the scandal, undermined an order of the higher court and tried to preclude attempts to collect assets from identified companies and individuals. DOJ said this will encourage other debtors to also try to undermine their existing judgments by appealing their assessed liabilities to the Special Court.⁶³³

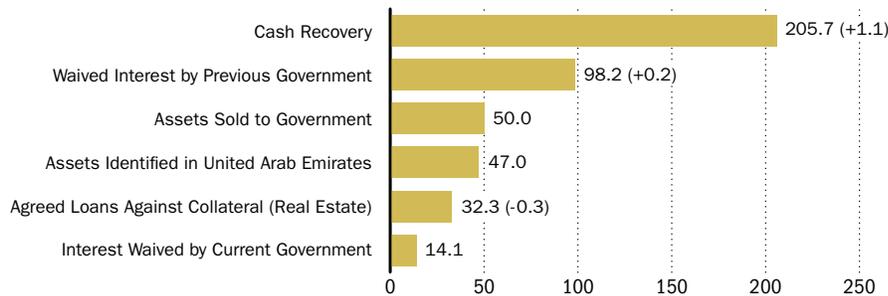
Although President Ghani has asked SIGAR to help detect and retrieve Kabul Bank assets in foreign countries,⁶³⁴ Afghan authorities have not pursued all options for international assistance in their Kabul Bank recovery effort. In April 2015, DOJ received a one-page diplomatic note from the Afghan government requesting its assistance in seizing the U.S. bank accounts of two Afghan debtors. The accounts presumably belonged to ex-Kabul Bank chairman Sherkhani Farnood and CEO Khalilullah Ferozi. In its May 2015 response, DOJ noted several deficiencies in the request, along with the corrective actions needed to move forward. As of December 2016, the Afghan government has not responded or corrected the deficiencies.⁶³⁵

Additionally, since much of the stolen money was laundered to Dubai and subsequently invested in real estate there, the Afghan government prepared and signed an official request to United Arab Emirate authorities in June 2016 to “identify, locate, provide documents and records, and conduct a search and seizure of any and all records and balances associated with the bank accounts listed.” However, it was not delivered until August 2016. It was resubmitted in September 2016 after the UAE said it could not read the original copy. The UAE has not responded to the request, as of November 2016.⁶³⁶

The Afghan government's approach so far has had no apparent consequences, even though the current basis of donor support, the Self-Reliance through Mutual Accountability Framework (SMAF), includes a general “zero-tolerance” corruption policy and calls for transparent and accountable governance.⁶³⁷ Meanwhile, U.S. government officials have said in meetings with Afghan officials that the United States will hold the Kabul government to its promises to address endemic corruption, including taking action against those responsible for Kabul Bank's near collapse.⁶³⁸

FIGURE 3.29

KABUL BANK DEBT RECOVERIES, AS OF DECEMBER 17, 2016 (\$ MILLIONS)



Note: Figures in parantheses represent the change from reported amounts last quarter.

Source: Kabul Bank Receivership, "Kabul Bank's Assets Recovery Brief Report," 12/17/2016 and 9/18/2016.

Cash and Asset Recoveries—A Closer Look

The Kabul Bank Receivership (KBR) informed the State Department that as of December 17, 2016, “total recoveries”—a category introduced in the last quarter of 2015—stand at \$447.3 million, as shown in Figure 3.29. The reported recoveries comprise cash, waived interest, and assets recovered or seized (but not necessarily liquidated), and collateral, as well as amounts still owed by major debtors who signed loan-repayment agreements.⁶³⁹ Amounts owed by 283 debtors have been paid off. Arrangements have yet to be reached with 114 others (individuals and corporations). The KBR reported \$539.7 million remains outstanding from the original theft. Including interest, the total is approximately \$597.1 million.⁶⁴⁰ However, no U.S. government agency has been able to verify these figures.⁶⁴¹

Until October 2014, soon after President Ghani’s presidential decree to hold accountable and recover stolen public money from those responsible for the Kabul Bank theft, a total of \$225.4 million had been recovered or obtained as assets. Since then, only an additional \$30.3 million has been recovered in cash; another \$32.3 million worth of loan-repayment plans have been agreed to.⁶⁴²

If the reported figures are accurate, only \$205.7 million of the \$447.3 million has been truly recovered so far, according to the State Department (State). Upon further examination,

- The \$50 million in bank “assets sold to government entities” that was originally recovered by the KBR were transferred or “loaned” by the Karzai government to various ministries and agencies, but not paid for. The KBR has been unable to reclaim the value of these assets from the government, despite numerous requests.

- The “agreed loans against collateral” merely represents an agreement by an identified group of debtors to repay their loans. Actual repayments have been limited and many have not kept to the agreed-upon schedule. Of the 34 signed repayment agreements, only \$13.3 million of \$45.6 million has been repaid; \$32.3 million remains outstanding.
- “Interest waived” by the previous and current governments (\$112.3 million collectively) represent accounted-for losses, not recoveries. Waivers were given as incentive to enter repayment agreements.
- The \$47 million in total “assets in the United Arab Emirates” were only identified, not recovered. The Dubai courts deem Afghanistan’s court decisions on the Kabul Bank case to have no legal merit.⁶⁴³

No money has been recovered this quarter from convicted ex-Kabul Bank chairman Sherkhan Farnood and CEO Khalilullah Ferozi. Their assets are hidden under other people’s names, according to the DOJ. This follows a pattern of the Afghan government’s being unable to compel full repayment from the main architects of the fraud, both of whom are in jail, as of December 2016. According to the KBR, Farnood still owes \$336.2 million; Ferozi owes \$175.9 million. Both amounts include principle and interest.⁶⁴⁴

The KBR found an increasing number of debtors defaulting on their required payments in 2016, with collections declining significantly.⁶⁴⁵ The IMF recently reported that the collections process was “losing steam” with diminishing chances of success for claims against assets located in foreign jurisdictions.⁶⁴⁶ In December 2016, the KBR reported that 10 major debtors with combined debts of almost \$7.9 million have defaulted on their repayment plans. Four minor debtors owing \$182,142 combined have also defaulted. The cases of these 14 debtors have been referred to the AGO, but again, no action has been taken.⁶⁴⁷

U.S. Treasury Assistance

The U.S. Treasury’s Office of Technical Assistance (OTA) continued implementing its March 2015 agreement with Afghanistan’s Ministry of Finance (MOF) to develop technical-assistance and capacity-building programs.⁶⁴⁸

OTA assistance is focusing on:⁶⁴⁹

- **Budgeting:** developing baseline budgets and out-year estimates, and reviewing fiscal performance-management-improvement plans. In November, OTA completed an in-depth peer review of the MOF’s biannual fiscal performance- and management-improvement plans. As a result, OTA has been asked to organize a meeting with key donors to present its findings and encourage similarly constructive feedback to the MOF’s public financial-management team. There was no technical assistance in developing baseline budgets and forward estimates this

OTA Funding: USAID provided \$2 million in April 2016 to support OTA assistance in budget, banking, and revenue through September 30, 2019. State provided \$178,437 in September 2016 to help combat economic crimes through May 30, 2017.

Source: Treasury, response to SIGAR data call, 12/30/2016.

quarter, but a joint work plan was to be finalized by OTA leadership and Minister of Finance Hakimi in December 2016.

- **Economic crimes:** developing the capacity and effectiveness of Afghanistan's financial-intelligence unit and evaluating the central bank's capability to supervise money-service providers for compliance with measures against money laundering and terror financing. An initial assessment mission took place in March 2015, but technical assistance has not yet begun. OTA plans on-site evaluations of these Afghan entities and subsequent assistance to strengthen analytic capacities, standard operating procedures, and outreach to stakeholders.
- **Banking:** electronic reporting and risk management, and state-bank restructuring (this assistance can be provided from the U.S. Embassy-Kabul and remotely). The assessment mission of September 2015 has not yet been followed by technical assistance.
- **Revenue:** collaborating with the new customs and tax academy in curriculum design, course delivery, and supplying course materials. An assessment mission took place in March 2016; technical assistance has not yet begun.

OTA has carried out six program-assessment missions to Afghanistan, but has been unable to conduct any new missions since March 2016 due to security concerns. OTA assistance to the MOF since then has been carried out remotely. Treasury reported that security conditions continue to be a major constraint on establishing a more sustained presence in Afghanistan. However, once security conditions in Afghanistan allow OTA to reengage in-country, Treasury said the ultimate effectiveness of their efforts will largely depend on a strong and sustained political commitment to reform by those Afghan government entities responsible for public financial management, financial-sector strength, and oversight.

Source: Treasury, response to SIGAR data calls, 4/5/2016, 6/29/2016, 9/27/2016, and 12/30/2016.

Afghanistan Public Financial Management Assistance

USAID's three-year, \$22 million, Afghanistan Public Financial Management (APFM) program is the United States' principal off-budget effort to help strengthen the Afghan government's ability to generate and collect domestic revenue, manage its budget, and become more fiscally sustainable. The program aims to build the government's capacity for forecasting revenue, increasing payment compliance, collection, and transfers to the treasury, as well as budget planning, execution, monitoring, reporting, and coordination.⁶⁵⁰

This quarter, APFM provided training to Afghanistan's revenue department in tax-dispute resolution, and to the MOF budget directorate in government-finance statistics and classification of government functions. APFM began a quantitative assessment of the socioeconomic impact of proposed amendments to the income-tax law, and continued its efforts to

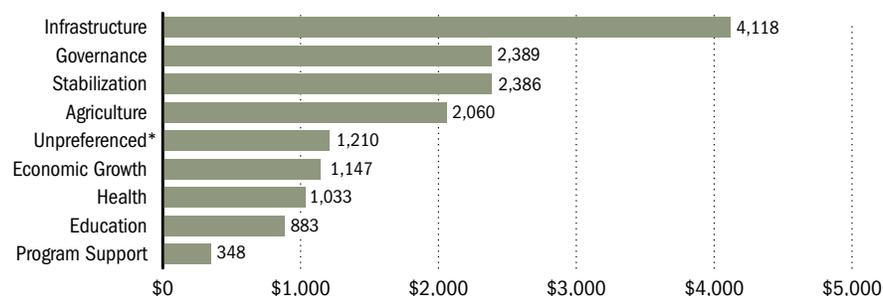
help increase revenues from existing non-tax revenue streams as well as identify new sources of non-tax revenue. APFM managers and advisors also embedded at several Afghan ministries, including the MOF’s provincial-budget unit, where they helped guide the FY 1396 (2017) operations and maintenance (O&M) budget process; the Ministry of Public Health, where they helped expand O&M reform from 13 to 24 provincial hospitals to increase health-service delivery in an additional 21 provinces; and at the Ministry of Agriculture and Livestock, where they helped draft a report used to determine staff levels and resources needed for disaster support for six insecure provinces, and provided technical input for “emergency development packages.”⁶⁵¹

U.S. ECONOMIC AND DEVELOPMENT SUPPORT

Most assistance from the Economic Support Fund goes toward USAID’s development programs. In September 2015, USAID published an updated Performance Management Plan to guide and measure its development objectives, and to articulate its development strategy through 2018. The plan will be reviewed at least annually and updated as necessary.⁶⁵² Figure 3.30 shows USAID assistance by sector.

FIGURE 3.30

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF DECEMBER 31, 2016
(\$ MILLIONS)



Note: Numbers rounded. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and other programs that build health and education facilities. *Unpreferred funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Source: SIGAR analysis of USAID, response to SIGAR data call, 1/18/2017; SIGAR analysis of World Bank, *ARTF Administrator’s Report on Financial Status*, as of November 20, 2016, accessed 1/15/2017.

Development of Natural Resources

Developing Afghanistan’s natural-resources sector and reforming the fiscal administration for its extractives industries are essential to strengthening domestic revenue collection. However, the security environment,

insufficient infrastructure, declining global commodities prices, and inadequate capacity at the Ministry of Mines and Petroleum (MOMP) have all hampered the development of this sector.⁶⁵³ Additionally, the MOMP has lacked a permanent minister since March 2016, leading some to suggest that the national unity government has not prioritized this industry.⁶⁵⁴

USAID cited other issues contributing to investor uncertainty: regulations to support implementation of the new mining law passed in November 2014 are still being developed; amendments to the law and several mineral tenders agreed to in 2010 and 2011 remain unsigned by President Ghani; and a combination of corporate income taxes, export and import duties, production royalties, and other charges that constitute an uncompetitive levy of about 80% on mineral production.⁶⁵⁵

Although geological surveys show that Afghanistan has significant mineral resources, mining has so far contributed only slightly to the country's GDP.⁶⁵⁶ Actual government receipts from minerals activity in FY 1394 (2015) were only about 38% of the budget projection.⁶⁵⁷ In the first 11 months of FY 1395, actual receipts were AFN 1.2 billion (approximately \$18.3 million) largely due to royalty fees and the sale of minerals. This is a 98.5% increase compared to the same period last year.⁶⁵⁸ The Afghan government, however, had set a \$400 million revenue target for the MOMP in 2016.⁶⁵⁹

Illegal Mining

The MOMP contends illegal extraction is taking place at 1,400 mining sites across Afghanistan, but others estimate the country has 2,000–3,000 illegal sites.⁶⁶⁰ Illegal mining steals non-renewable natural resources, damaging Afghanistan's economic development.⁶⁶¹ The Afghan government estimates \$300 million in revenues is lost annually by illegal mining, which not only denies Kabul much-needed funds, but also fuels the insurgency and drives criminality.⁶⁶² This quarter, the UN reported that the Taliban controls many illegal mining sites, particularly those located in Afghanistan's south and east, which provides them a significant income stream. The Taliban are involved in illegal mining in three ways: extraction (control of mining operations), extortion (threatening or committing violence if not paid off), and as service providers (transport and smuggling).⁶⁶³

Hydrocarbons

Afghanistan's efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan.⁶⁶⁴ Afghanistan has only small-scale topping plants—early-stage refineries that can process only limited petroleum components of crude oil—and remains heavily dependent on fuel imports.⁶⁶⁵ Oil and gas represent roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.⁶⁶⁶

USAID's implementing partner for the now-completed Sheberghan gas-development project reported that "sufficient levels of proven reserves

will likely not be available to allow moving forward with large scale power production for at least five to seven years.”⁶⁶⁷ USAID is exploring a follow-on program to help the MOMP develop and exploit Afghanistan’s petroleum and gas resources.⁶⁶⁸

Mining Investment and Development for Afghan Sustainability

USAID’s, four-year, \$38.7 million Mining Investment and Development for Afghan Sustainability (MIDAS) program aims to strengthen the MOMP’s capacity to develop Afghanistan’s natural resources in accordance with international standards. It focuses on legal and policy frameworks for the sector as well as mineral exploration.⁶⁶⁹ USAID said the MOMP currently cannot administer the approximately 488 existing extractives contracts. This caused MIDAS to be rescoped to provide technical assistance and transaction-advisory services to the MOMP in its effort to either cancel or renegotiate some or all of these contracts.⁶⁷⁰

Activities This Quarter

MIDAS consultants provided technical and legal support to help the MOMP move forward on the multi-billion-dollar oil and gas contracts: Amu Darya (signed December 2011), Afghan-Tajik (phase I signed October 2013; phase II awarded March 2014), and Totimaidan (awarded September 2014). Negotiations on Amu Darya and Afghan Tajik are ongoing, but no exploration or production work is taking place. The bidders chosen for the Totimaidan block of the Amu Darya Basin have walked away from negotiations.⁶⁷¹

In addition, MIDAS advisors also completed a rapid assessment of the Afghanistan Petroleum Authority’s (APA) structure, staffing, and roles to help inform two new directorates created by the interim MOMP administration—the General Directorate of Petroleum and the Petroleum Support Unit—that will take over APA responsibilities plus hydrocarbon exploration. MIDAS reported that the General Directorate of Petroleum’s organizational structure is currently flawed, has limited capacity, and inadequate staffing to manage exploration contracts.⁶⁷²

Also this quarter, MIDAS advisors helped draft procedures to help the ministry collect outstanding financial obligations owed to it by mineral-rights owners; continued to draft and revise amendments to the Minerals Law; and helped develop technical, financial, bidding, and contract-oversight regulations.⁶⁷³ MIDAS has disbursed \$32.5 million, as of December 31, 2016.⁶⁷⁴

MOMP Capacity Challenges Remain

USAID’s implementing partner reported “extremely low levels of capacity and motivation of MOMP and Afghan Geological Survey employees.” There

are also over 250 vacant positions in the ministry, with many key departments understaffed by at least half. Twenty-three of 26 director positions were either unfilled or staffed by lower-level employees, as of November 2016. Additionally, there have been two permanent and three acting ministers of mines and petroleum since the MIDAS program began in 2013, each bringing their own sets of policy and priority changes. MOMP efforts and MIDAS programmatic activities are negatively affected absent a permanent minister. USAID said Acting Minister Ghazaal Habiby does not have the authority to set the long-term strategic direction for minerals and natural gas.⁶⁷⁵

Agriculture

Agriculture continues to be the main source of real GDP growth, employment, and subsistence for the Afghan population. It accounts for about 22% of GDP, employs 44% of the population, and affects the 61% of Afghans who depend on agricultural activities for their livelihoods.⁶⁷⁶

The Afghan government said that aside from weather volatility, agricultural growth has been hampered by underinvestment in developing water resources, poor-quality inputs such as seeds and fertilizer, degrading natural resources, and weak domestic- and export-product marketing. It wants to move from an agrarian-subsistent and importing nation to an agro-industrial exporting one. The government said it will focus on promoting agro-industry, increasing quality control, expanding cold-storage facilities, and introducing better packaging to reduce waste and spoilage—areas that show the largest potential to improve economic growth.⁶⁷⁷

USAID's agricultural projects are designed to enhance food security, create jobs and export markets, increase incomes and productivity, and strengthen the government's ability to promote broad-based growth. USAID aims to bolster the Ministry of Agriculture, Irrigation, and Livestock's (MAIL) "farmer-focused" approach through the production and marketing of high-value horticultural crops and livestock products, the rehabilitation of irrigation and drainage systems, and the greater use of new technologies.⁶⁷⁸

Since 2002, USAID has disbursed more than \$2 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.⁶⁷⁹ USAID reported \$157.6 million worth of various Afghan agricultural commodities were sold in FY 2016, and \$531.9 million cumulatively from 2008 to September 2016.⁶⁸⁰ Pages 193–199 of this quarterly report discuss USAID's agriculture alternative-development programs. A list of active USAID agriculture programs is found in Table 3.20 on the next page.

Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project is the technical-assistance/advisory-support component of the conditions-based Agricultural

TABLE 3.20

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 12/31/2016 (\$)
Strengthening Watershed and Irrigation Management (SWIM)	11/15/2016	11/14/2021	\$87,905,437	\$0
Capacity Building and Change Management Program II (CBCMP II)	7/10/2014	7/9/2017	20,874,464	18,079,729
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	20,229,771	15,115,537
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	5,761,252
Strengthening Afghan Agricultural Facilities (SAAF)	3/25/2011	8/31/2017	7,824,209	6,812,590
SERVIR	9/14/2015	9/30/2020	3,100,000	100,000
Texas A&M University's Agrilife Conflict Development	11/8/2012	11/7/2017	133,976	133,976

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see pages 193–199 of this report.

Source: USAID, response to SIGAR data call, 1/18/2017.

Development Fund (ADF) administered by the Ministry of Agriculture, Irrigation, and Livestock. ADF extends agriculture-related credit access to small- and medium-sized farms and agribusinesses in all regional economic zones, particularly to those that add value to agricultural products, such as distributors, producers, processors, and exporters.⁶⁸¹ USAID reported that with ACE II help, ADF has cumulatively provided more than \$82.7 million in credit to over 36,401 beneficiaries.⁶⁸² However, ACE II implementers reported that the continuing deterioration of both security and the economy is reducing demand for agricultural credit and negatively impacting loan repayments.⁶⁸³

This quarter, ACE II began preparations for a national survey of agricultural financial services and began baseline data collection for a loans-impact assessment. ACE II also submitted a plan to reshape the ADF to broaden credit access to more borrowers, which will require a number of strategic and operational changes, including additional credit-delivery channels, and accompanying technical support to stakeholders within each channel. Additionally, ACE II helped identify areas of training to strengthen the capacity of ADF's management team, including executive skills courses, advanced agricultural-credit skills, and loan arrears and collections.⁶⁸⁴

ACE II also continued to engage financial institutions to provide credit financing to the agricultural sector, in part through an Innovation Grant Fund, which supports developing and testing new ways to facilitate agriculture-related financial services. Last quarter, ACE II awarded its first grant under the Innovation Grant Fund to OXUS Afghanistan, a microfinance organization, to support lending to borrowers in remote districts. The AFN 10.5 million grant (approximately \$160,000 in current dollars) will be used to develop 10 OXUS cashless branches inside Roshan provincial offices using the telecommunications provider's mobile-money platform for loan disbursements and repayments.⁶⁸⁵ As of October 2016, 1,450 loan

COUNTERNARCOTICS CONTENTS

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OTHER AGENCY OVERSIGHT

SIGAR's enabling legislation requires it to keep the Secretary of State and the Secretary of Defense fully informed about problems relating to the administration of reconstruction programs, and to submit a report to Congress on SIGAR's oversight work and on the status of the U.S. reconstruction effort no later than 30 days after the end of each fiscal quarter. Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. This section compiles these updates. Publicly available copies of completed reports are posted on the agencies' respective websites.

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

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

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

OTHER AGENCY OVERSIGHT

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the two oversight reports related to reconstruction that participating agencies completed this quarter. The table also lists USAID OIG's 13 financial audits issued during the quarter as one report.

TABLE 4.1

RECENTLY COMPLETED OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF DECEMBER 31, 2016			
Agency	Report Number	Date Issued	Project Title
DOD IG	DODIG-2017-027	12/1/2016	The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding
State OIG	AUD-MERO-17-04	10/4/2016	Management Assistance Report: Contract Management Lessons-Learned From Embassy Kabul, Afghanistan, Operations and Maintenance Contract
USAID OIG	N/A	Q1 FY 2017	USAID OIG issued 13 Financial Audits of USAID/Afghanistan Programs

Source: DOD IG, response to SIGAR data call, 12/22/2016; State OIG, response to SIGAR data call, 12/22/2016; GAO, response to SIGAR data call, 11/22/2016; USAID OIG, response to SIGAR data call, 12/19/2016; USAAA, response to SIGAR data call, 11/21/2016.

U.S. Department of Defense Office of Inspector General

During this quarter, DOD IG released one report related to Afghanistan reconstruction.

The Combined Security Transition Command-Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance Funding

DoD IG determined that the Government of the Islamic Republic of Afghanistan (GIROA) and the Combined Security Transition Command-Afghanistan (CSTC-A) initiated several measures to strengthen the controls over the contract management process. However, GIROA and CSTC-A needed to address continuing shortfalls in the contract process. As a result, U.S. direct assistance funding continues to be vulnerable to fraud, waste, and abuse. In addition, GIROA may not be able to fulfill integral requirements reliably.

U.S. Department of State Office of Inspector General-Middle East Regional Operations

During this quarter, State OIG released one report related to Afghanistan reconstruction.

Management Assistance Report

Contract Management Lessons-learned from Embassy Kabul, Afghanistan, Operations and Maintenance Contract

State OIG issued a Management Assistance Report summarizing lessons learned from its review of the operations and maintenance contract for Embassy Kabul with PAE Government Services. The report highlighted deficiencies in contract performance metrics and contract oversight staff and identified costs that were outside the scope of the contract.

OTHER AGENCY OVERSIGHT

U.S. Department of Defense Office of Inspector General

The Department of Defense continues to face many challenges in executing its Overseas Contingency Operations (OCO). The Department of Defense Office of Inspector General (DOD IG) has identified priorities based on those challenges and high risks. DOD IG oversight focuses on the areas of monitoring and oversight of acquisition and contracting processes that support training, equipping, and sustaining Afghanistan security forces. DOD IG will also continue to review and assess the Department's efforts to train and equip Afghan National Defense and Security Forces.

The DOD IG-led Southwest Asia Joint Planning Group assists in the coordination and deconfliction of federal and DOD OCO-related oversight activities. DOD IG, working with SIGAR as well as fellow Inspectors General and Defense oversight community members, has issued the FY 2017 Comprehensive Oversight Plan for Overseas Contingency Operations (COP-OCO), the second annual joint strategic plan submitted to Congress describing whole-of-government oversight activities in support of the ongoing overseas contingency operations as well as oversight efforts in Southwest Asia. The COP-OCO includes the Joint Strategic Oversight Plans (JSOP) for Operation Inherent Resolve and Afghanistan. The Afghanistan JSOP includes Operation Freedom's Sentinel (OFS), as well as reconstruction and humanitarian assistance programs and activities that are separate from OFS.

DOD IG has six ongoing projects this quarter that relate to reconstruction or security operations in Afghanistan.

Evaluation of Airborne ISR Allocation Process Supporting Counterterrorism Operations in Afghanistan

(D2016-DISPA2-0195.000, Initiated August 11, 2016)

The DOD IG is determining whether US Forces-Afghanistan's airborne Intelligence, Surveillance, and Reconnaissance (ISR) allocation process effectively supports U.S. counterterrorism operations.

Audit of Controls Over Afghanistan Ministry of Defense Fuel Contracts

(D2016-D000JB-0172.000, Initiated July 26, 2016)

This project is part of a series of audits related to Afghanistan contract oversight. The DOD IG is determining whether the Combined Security Transition Command-Afghanistan and the Afghanistan Ministry of Defense have established effective controls for oversight of Ministry of Defense fuel contracts.

Audit of DoD Support for Counternarcotics Requirements

(D2016-D000CG-0163.000, Initiated June 8, 2016)

In response to congressional requests, DOD IG is determining whether DOD effectively supported counternarcotics requirements agreed upon between the Department of Justice and DoD. In addition, DOD IG is determining how DOD used funding to support those requirements.

Assessment of U.S./Coalition Efforts to Enable the Afghan Ministry of Defense to Develop its Oversight and Internal Control Capability

(D2016-D00SP0-0153.000, Initiated May 17, 2016)

DOD IG is determining whether U.S. Government and Coalition Train-Advise-Assist efforts will enable the Afghan Ministry of Defense (MOD) and subordinate organizations to develop a Transparency, Accountability and Oversight capability that helps the MOD to run efficient and effective operations, report reliable information about its operations, and comply with applicable laws and regulations.

Audit of Reliability of Navy Financial Data Reported for Operation Freedom's Sentinel

(D2016-D000JB-0150.000, Initiated May 5, 2016)

DOD IG is determining whether the Navy has adequate accountability of DOD funds supporting Operation Freedom's Sentinel by determining the accuracy of obligations and disbursements, as reported in the Cost of War report, for select Navy appropriations.

Allegations of Child Sexual Abuse by Members of the Afghan National Defense and Security Forces

(D2016-D00SP0-0083.000, Initiated February 19, 2016)

DOD IG is focusing on answering a number of specific questions, including DOD implementation of Title 10 Leahy Laws regarding human rights violations, raised by several members of Congress and congressional staff.

U.S. Department of State Office of Inspector General-Middle East Regional Operations

State OIG has four ongoing projects this quarter related to Afghanistan reconstruction.

OTHER AGENCY OVERSIGHT

Audit of Afghanistan Life Support Services (ALiSS) Contract Planning & Solicitation and Award Process

(Project No. 17AUD031, Initiated September 1, 2016)

Audit to determine whether the Department is planning and implementing the solicitation and award process for the ALiSS contract in accordance with acquisition regulations and Department guidance.

Audit of the Antiterrorism Assistance Program in Countries Under the Department of State Bureaus of Near Eastern Affairs (NEA) and South and Central Asian Affairs (SCA)

(Project No. 16AUD072, Initiated July 1, 2016)

Audit to determine the extent to which the Bureaus of Diplomatic Security (DS) and Counterterrorism (CT) have (1) Developed specific, measurable, and outcome-oriented goals and objectives; (2) Developed and implemented an evaluation process to assess host country performance; and (3) Established letters of agreement with host countries for sustaining the Antiterrorism Assistance (ATA) programs. The audit will also assess DS and CT's contract monitoring and oversight, and invoice review processes.

Audit of Counter Narcotics and Police Reform Program Compliance Follow-up in Pakistan and Afghanistan

(Project No. 16AUD074, Initiated June 1, 2016)

Audit to determine whether INL has: (1) complied with prior OIG recommendations to (a) implement performance measurement plans for its programs in Pakistan and Afghanistan, (b) monitor progress towards its program goals, and (c) fund its programs appropriately; and (2) applied the recommendations to its programs in other countries.

Audit of Embassy Kabul Construction and Commissioning

(Project No. 16AUD044, Initiated October 1, 2015)

Audit to determine whether the Bureau of Overseas Building Operations followed Department policies and guidance governing the affirmation of substantial completion and final acceptance of construction projects at U.S. Embassy Kabul.

Government Accountability Office

GAO has six ongoing projects this quarter related to Afghanistan reconstruction.

Observations on Force Management Levels

(Project No. 101249, Initiated November 14, 2016)

Force management levels limit the number of U.S. military personnel who can be deployed and have been used in the past to shape the drawdown of operations in Afghanistan and Iraq. Currently, in the fight against the Islamic

State of Iraq and the Levant, force management levels set limits on the deployment of forces for Operation Inherent Resolve. In both Afghanistan and Iraq operations force management levels have impacted the type of operation DOD conducts. Managing operations within force management levels has resulted in DOD utilizing other capabilities to accomplish the mission.

The statement will discuss actions DOD has taken to maximize military capabilities when operating under a force management level in its ongoing operations. Among the actions DOD has taken to accomplish these goals in Afghanistan, Iraq, and Syria is increasing the department's reliance on: (1) partner nation security forces, (2) U.S. and Coalition airpower, (3) special operations forces, and (4) contractor and temporary duty personnel.

Iraqi and Afghan Special Immigrant Resettlement (Project No. 101213, Initiated October 31, 2016)

Iraqi and Afghan special immigrant visa (SIV) holders, who either worked as translators or were employed by the U.S. government in Iraq or Afghanistan are eligible for resettlement assistance when they are admitted to the United States. The Department of State's Refugee Admissions Reception and Placement Program provides initial resettlement services to refugees and certain SIVs, working with nine national resettlement agencies and their local affiliates. After the first 90 days from when refugees and SIVs have entered the country, the Department of Health and Human Services' Office of Refugee Resettlement provides resettlement services through state-level or private programs.

The review will address: (1) How do relevant federal agencies ensure that the housing, employment, and other needs of Iraqi and Afghan SIV holders are being met? (2) What do available housing and employment information show regarding Iraqi and Afghan SIV holders' progress in achieving self-sufficiency? And (3) What factors, if any, affect resettlement agencies' ability to serve Iraqi and Afghan SIV holders?

Afghan National Defense and Security Forces' Equipment and Capability

(Project No. 101053, Initiated August 1, 2016)

H. Rpt. 114-537 (passed the House 5/18/16) to Accompany H.R. 4909 National Defense Authorization Act of FY 2017 (Division A-Department of Defense Authorizations-Title XII-Matters Related to Foreign Nations-Assistance to the Afghan National Defense and Security Forces) directs GAO to review major weapon systems and equipment provided to the Afghan National Defense and Security Forces (ANDSF) in light of the deteriorating security situation. The mandate calls for GAO to (1) Outline all major weapon systems and equipment procured for the ANDSF, consistent with the program of record; (2) summarize how such weapon systems and

OTHER AGENCY OVERSIGHT

equipment support the overall strategy for the ANDSF; (3) describe the current capability and capacity of the ANDSF to operate and sustain such weapon systems and equipment; and (4) identify gaps in ANDSF capability given the evolving security situation and overall strategy.

OIG Oversight of US Government's Efforts in Afghanistan **(Project No. 100993, Initiated July 14, 2016)**

GAO is to review the authorities and activities of the OIGs at the Department of State, DOD, USAID, and the Special IG for Afghanistan Reconstruction regarding oversight of the expenditures of U.S. funds in Afghanistan since January 1, 2015. The engagement team will review enabling legislation and directive guidance that outlines the oversight mandate of each IG and identify any overlap or gaps in the oversight among the mandates of each IG. We will also describe the oversight activities and primary areas of focus of each IG and review other matters the engagement team deems relevant.

DOD Deployed Biometrics and Forensics **(Project No. 100914, Initiated June 6, 2016)**

DOD relies on expeditionary biometric and forensic capabilities to identify, target, and disrupt terrorists and enemy combatants globally. For example, in support of operations in Iraq and Afghanistan, DOD trained service members to collect biometric data on persons of interest to identify enemy combatants, and deployed forensic laboratories to analyze evidence collected from the battlefield to aid in the capture and prosecution of enemy combatants. DOD initially established and funded its deployable biometric and forensic capabilities using Overseas Contingency Operations funding, and is now transitioning these capabilities to its base budget to support enduring mission requirements.

To what extent has DOD: (1) Developed a process for determining and validating its future deployable biometrics and forensics requirements? (2) Taken actions to ensure that its deployable biometrics and forensics capabilities—including materiel solutions, trained personnel, and funding—are available to meet validated requirements? (3) Taken actions to address prior GAO recommendations regarding its biometrics and forensics capabilities since 2011?

DOD Use of Overseas Contingency Operations (OCO) Funds **(Project No. 100431, Initiated January 21, 2016)**

Since September 2001, DOD has received more than \$1.5 trillion designated as Overseas Contingency Operations (OCO), Global War on Terror (GWOT), or as emergency funding for the wars in Iraq and Afghanistan, as well as other activities like disaster relief and evacuation efforts. In FY 2015, Congress appropriated \$64 billion in OCO-designated funds as DOD

OTHER AGENCY OVERSIGHT

continues to draw down troops in Afghanistan. Despite a significant reduction in the number of troops deployed to Afghanistan, OCO-designated funding remains proportionally high. In fact, the cost per deployed troop supported by OCO-designated funding has grown from roughly \$1 million per troop in FY 2013 to \$4 Million per troop in FY 2015.

GAO has reported on the need for DOD to improve the reliability of its OCO cost reporting and to become more disciplined in its approach to developing OCO budgets, including moving long-term enduring costs funded by OCO-designated appropriations into the base defense budget to better account for the true costs of its operations and plan for future budget needs. Spending these funds for activities unrelated to war operations hides the true cost of government and inhibits the Congress's ability to knowledgeably set funding levels for government programs.

U.S. Army Audit Agency

This quarter the USAAA has no ongoing audits related to Afghanistan reconstruction.

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

This quarter USAID OIG has two ongoing audits related to reconstruction initiatives.

Audit of USAID/Afghanistan's New Development Partnership (Project No. FF1C0216, Initiated May 11, 2016)

Audit Objectives: Has USAID/Afghanistan adopted internal policies and procedures to adequately verify the achievement of New Development Partnership indicators contained in the July 25, 2015 NDP results framework; and, has USAID/Afghanistan adequately verified the achievement of completed indicators under the New Development Partnership for any payments made to date?

Audit of USAID/Afghanistan's Use of the Afghanistan Reconstruction Trust Fund

(Project No. FF1C0116, Initiated January 19, 2016)

Audit Objective: Has USAID/Afghanistan adopted effective and consistent practices to provide reasonable assurance that activities implemented through the Afghanistan Reconstruction Trust Fund contribute to achieving USAID's objectives in Afghanistan?

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The Official Seal of SIGAR

The official seal of SIGAR represents the coordination of efforts between the United States and Afghanistan to provide accountability and oversight of reconstruction activities. The phrases in Dari (top) and Pashto (bottom) on the seal are translations of SIGAR's name.

APPENDICES AND ENDNOTES



APPENDICES

APPENDIX A

CROSS-REFERENCE OF REPORT TO STATUTORY REQUIREMENTS

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

TABLE A.1

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Purpose			
Section 1229(a)(3)	To provide for an independent and objective means of keeping the Secretary of State and the Secretary of Defense fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress on corrective action.	Ongoing; quarterly report	Full report
Supervision			
Section 1229(e)(1)	The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense.	Report to the Secretary of State and the Secretary of Defense	Full report
Duties			
Section 1229(f)(1)	OVERSIGHT OF AFGHANISTAN RECONSTRUCTION – It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.	Review appropriated/available funds Review programs, operations, contracts using appropriated/available funds	Full report
Section 1229(f)(1)(A)	The oversight and accounting of the obligation and expenditure of such funds	Review obligations and expenditures of appropriated/available funds	SIGAR Oversight Funding
Section 1229(f)(1)(B)	The monitoring and review of reconstruction activities funded by such funds	Review reconstruction activities funded by appropriations and donations	SIGAR Oversight
Section 1229(f)(1)(C)	The monitoring and review of contracts funded by such funds	Review contracts using appropriated and available funds	Note 1
Section 1229(f)(1)(D)	The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities.	Review internal and external transfers of appropriated/available funds	Appendix B
Section 1229(f)(1)(E)	The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]	Maintain audit records	SIGAR Oversight Appendix C Appendix D

Continued on the next page

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(f)(1)(F)	The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy	Monitoring and review as described	Audits
Section 1229(f)(1)(G)	The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies	Conduct and reporting of investigations as described	Investigations
Section 1229(f)(2)	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).	Establish, maintain, and oversee systems, procedures, and controls	Full report
Section 1229(f)(3)	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.	Duties as specified in Inspector General Act	Full report
Section 1229(f)(4)	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.	Coordination with the inspectors general of DOD, DOS, and USAID	Other Agency Oversight
Federal Support and Other Resources			
Section 1229(h)(5)(A)	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.	Expect support as requested	Full report
Section 1229(h)(5)(B)	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.	None reported	N/A

Continued on the next page

APPENDICES

TABLE A.1 (CONTINUED)

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

Continued on the next page

APPENDICES

TABLE A.1 (CONTINUED)

CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER PUB. L. NO. 110-181, § 1229			
Public Law Section	SIGAR Enabling Language	SIGAR Action	Report Section
Section 1229(i)(3)	PUBLIC AVAILABILITY – The Inspector General shall publish on a publicly available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan.	Publish report as directed at www.sigar.mil Dari and Pashto translation in process	Full report
Section 1229(i)(4)	FORM – Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary.	Publish report as directed	Full report
Section 1229(j)(1)	Inspector General shall also submit each report required under subsection (i) to the Secretary of State and the Secretary of Defense.	Submit quarterly report	Full report

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

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

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

To build or rebuild physical infrastructure of Afghanistan.

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

To provide products or services to the people of Afghanistan."

APPENDICES

TABLE A.2

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

APPENDICES

TABLE A.2 (CONTINUED)

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”)			
IG Act Section	IG Act Language	SIGAR Action	Section
Section 5(a)(11)	A description and explanation of the reasons for any significant revised management decision	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which significant revisions have been made to management decisions	None
Section 5(a)(12)	Information concerning any significant management decision with which the Inspector General is in disagreement	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Explain SIGAR audit reports in which SIGAR disagreed with management decision	No disputed decisions during the reporting period
Section 5(a)(13)	Information described under [Section 804(b)] of the Federal Financial Management Improvement Act of 1996 (instances and reasons when an agency has not met target dates established in a remediation plan)	Extract pertinent information from SWA/JPG member reports	See reports of SWA/JPG members
		Provide information where management has not met targets from a remediation plan	No disputed decisions during the reporting period
Section 5(a)(14)(A)	An Appendix containing the results of any peer review conducted by another Office of Inspector General during the reporting period; or	SIGAR has posted in full the results of, and reports from, SIGAR’s most recent peer reviews (completed during July 2010, prior to the current reporting period), on its website	Posted in full at www.sigar.mil
Section 5(a)(14)(B)	If no peer review was conducted within that reporting period, a statement identifying the date of the last peer review conducted by another Office of Inspector General	A peer review was conducted in the reporting period	Posted in full at www.sigar.mil
Section 5(a)(15)	A list of any outstanding recommendations from any peer review conducted by another Office of Inspector General that have not been fully implemented, including a statement describing the status of the implementation and why implementation is not complete	None – all peer review recommendations effectively addressed, and remedial measures implemented, by 9/30/2015	Recommendations and related materials posted in full at www.sigar.mil
Section 5(a)(16)	Any peer reviews conducted by SIGAR of another IG Office during the reporting period, including a list of any outstanding recommendations made from any previous peer review . . . that remain outstanding or have not been fully implemented	Not applicable (SIGAR did not conduct, or participate in the conduct, of a peer review of another Office of Inspector General during the reporting period)	SIGAR Oversight

APPENDICES

APPENDIX C

SIGAR WRITTEN PRODUCTS*

SIGAR Audits

Completed Alert Letters

SIGAR completed one alert letter during this reporting period.

COMPLETED SIGAR ALERT LETTERS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Issued
SIGAR 17-14 AL	Response to Congressional Request for Information about TFBSO Villas	12/2016

Completed Performance Audits

SIGAR completed one performance audit during this reporting period.

COMPLETED SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Issued
SIGAR 17-22-AR	USAID's Use of Unreliable Data Presents Challenges in Assessing Health Care Program Performance and the Extent of Progress	1/2017

New Performance Audits

SIGAR initiated three performance audits during this reporting period.

NEW SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Project Identifier	Project Title	Date Initiated
SIGAR 118A	Department of Defense's Efforts to Advise the Afghan Ministries of Defense and Interior	1/2017
SIGAR 117A	U.S. Agency for International Development's Regional Agricultural Development Program	12/2016
SIGAR 116A	Promoting Gender Equity in National Priority Programs (Promote)	11/2016

Ongoing Performance Audits

SIGAR had 10 performance audits in progress during this reporting period.

ONGOING SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Project Identifier	Project Title	Date Initiated
SIGAR 115A	U.S. Government Efforts to Increase the Supply, Quantity, and Distribution of Electric Power from the Kajaki Dam	4/2016

Continued on the next page

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

APPENDICES

ONGOING SIGAR PERFORMANCE AUDITS AS OF DECEMBER 31, 2016

Project Identifier	Project Title	Date Initiated
SIGAR 114A	Task Force for Business and Stability Operations' Programs and Activities in Afghanistan from 2010 through 2014	3/2016
SIGAR 112A	Administration, Monitoring, and Reporting of the Afghanistan Reconstruction Trust Fund	12/2015
SIGAR 111A	Award, Administration, and Performance of Legacy Research Contracts	8/2015
SIGAR 110A	Effectiveness of the Commander's Emergency Response Program in Afghanistan	8/2015
SIGAR 109A	U.S. Salary Supplements for Afghan Government Employees and Technical Advisors	6/2015
SIGAR 108A	USAID's Efforts to Support Land Reform in Afghanistan	5/2015
SIGAR 106A	Accountability for ANSF Organizational Clothing and Individual Equipment	4/2015
SIGAR 102A	Afghanistan Infrastructure Fund Follow-Up	11/2014
SIGAR 100A	DOD Oversight of Infrastructure Projects Transferred to the Afghan Government	8/2014

Completed Financial Audits

SIGAR completed three financial audits during this reporting period.

COMPLETED SIGAR FINANCIAL AUDITS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Issued
SIGAR 17-20 FA	USAID Contract with Black & Veatch Special Projects Corporation for the Kandahar-Helmand Power Program	1/2017
SIGAR 17-23 FA	State Grant with Aga Khan Foundation USA for the Strengthening Afghan Governance and Alternative Livelihoods (SAGAL) Program	1/2017
SIGAR 17-24 FA	State Grant with Sayara Media and Communications for Afghanistan Counternarcotic Program	1/2017

New Financial Audits

SIGAR initiated seven financial audits during this reporting period.

NEW SIGAR FINANCIAL AUDITS AS OF DECEMBER 31, 2016

Report Identifier	Report Title	Date Initiated
F-110	DOD Contract with Friends of the American University of Afghanistan for Village Stability Operations Project Subject Matter Experts	11/2016
F-109	DOD Contract with Alion Science and Technology Corporation for Kabul Business Incubator	11/2016
F-108	DOD Contract with Development Alternatives Inc. for Professional Business Analysis, Advisory and Assistance Support Services	11/2016
F-107	DOD Contract with SRK Consulting Inc. for Mineral Tender Development and Geological Services	11/2016
F-106	DOD Contract with Leidos Inc. (previously SAIC) for Economic Impact Assessment	11/2016
F-105	DOD Contract with aXseum Solutions LLC for Banking and Financial Infrastructure Development	11/2016
F-104	DOD Contract with Curtis, Mallet-Prevost, Colt & Mosle LLP for Advisory Services and International Hydrocarbons Sector	11/2016

APPENDICES

Ongoing Financial Audits

SIGAR had 14 financial audits in progress during this reporting period.

ONGOING SIGAR FINANCIAL AUDITS AS OF DECEMBER 31, 2016		
Project Identifier	Project Title	Date Initiated
F-103	DOD Contract with AAR Parts Trading Inc.; AAR Defense Systems and Logistics Subsidiary for C-130H Contractor Logistic Support for the Afghan Air Force	6/2016
F-102	DOD Contract with Sierra Nevada Corp. for Afghan National Army Special Operations Forces Contractor Logistics Support for PC-12 Fixed Wing Aircraft	6/2016
F-101	DOD Contract with Lockheed Martin Integrated Systems Inc. for Afghan Air Force Spare Parts Surge Buy in Support of the Afghan Security Forces	6/2016
F-100	DOD Contract with Textron Inc. for Training and Logistics Support with the Afghan National Army Mobile Strike Force Vehicle Program	6/2016
F-099	DOD Contract with Textron Inc. for Mobile Strike Force Vehicle Interim Contractor Training Support for the Afghan National Army	6/2016
F-098	State Grant with Sesame Street for Media Programs	5/2016
F-096	USAID Cooperative Agreement with International Relief and Development (IRD) for the Kandahar Food Zone (KFZ) Program	3/2016
F-095	USAID Cooperative Agreement with Volunteers for Economic Growth Alliance (VEGA) for Assistance in Building Afghanistan by Developing Enterprise (ABADE)	3/2016
F-094	USAID Cooperative Agreement with Roots of Peace for Commercial Horticulture and Agriculture Marketing Program (CHAMP)	3/2016
F-093	USAID Cooperative Agreement with Management Sciences for Health (MSH) for Strengthening Pharmaceutical Systems (SPS)	3/2016
F-092	USAID Contract with Chemonics International Inc. for Financial Access for Investing in the Development of Afghanistan (FAIDA)	3/2016
F-091	USAID Implementation Letter with Da Afghanistan Breshna Sherkat (DABS) for Kajaki Dam Unit 2	3/2016
F-090	USAID Contract with Checchi and Company Consulting Inc (CCCI) for Services Under Program Project Offices for Results Tracking (SUPPORT II)	3/2016
F-089	DOD Contract with Sterling Global Operations for Afghanistan-wide Mine, Battle Area, and Range Clearance-Phase II	11/2015

SIGAR Inspections

Completed Inspections

SIGAR completed one inspection report this reporting period.

COMPLETED SIGAR INSPECTIONS AS OF DECEMBER 31, 2016		
Product Identifier	Product Title	Date Issued
SIGAR 17-19-IP	Sheberghan Teacher Training Facility	12/2016

SIGAR Special Projects Completed Special Projects

SIGAR completed six Special Project products this reporting period.

COMPLETED SIGAR SPECIAL PROJECTS AS OF DECEMBER 31, 2016

Product Identifier	Product Title	Date Issued
SIGAR 17-21-SP	Nonpayment to Afghan Subcontractors Update	1/2017
SIGAR 17-18-SP	USAID-Supported Health Facilities in Baghlan	12/2016
SIGAR 17-17-SP	Women's Cricket Leadership Exchange Grant: Efforts to Increase Women's Participation in Cricket Hindered by a Lack of Support from Afghanistan Cricket Board	12/2016
SIGAR 17-16-SP	USAID Implementation and Oversight of the Promoting Gender Equity in National Priority Programs (Promote) Initiative	12/2016
SIGAR 17-13-SP	Abandonment of OPIC Projects in Kabul	11/2016
SIGAR 17-12-SP	Schools in Herat Province: Observations from Site Visits at 25 Schools	11/2016

SIGAR Lessons Learned Projects Ongoing Lessons Learned Projects

SIGAR has six ongoing Lessons Learned projects this reporting period.

ONGOING SIGAR LESSONS LEARNED PROJECTS AS OF DECEMBER 31, 2016

Product Identifier	Product Title	Date Initiated
SIGAR LL-07	Stabilization	2/2016
SIGAR LL-06	Security Sector Reconstruction	2/2016
SIGAR LL-05	Private Sector Development and Economic Growth	10/2015
SIGAR LL-04	Counternarcotics in Afghanistan Reconstruction	4/2015
SIGAR LL-02	U.S. Coordination with External Partners in Administering Aid	12/2014
SIGAR LL-01	Interagency Coordination on Strategy and Planning	12/2014

Other SIGAR Written Products

SIGAR completed one other written product this reporting period.

OTHER COMPLETED SIGAR WRITTEN PRODUCTS AS OF DECEMBER 31, 2016

Product Identifier	Product Title	Date Issued
SIGAR-17-25-HRL	High-Risk List	1/2017

APPENDIX D

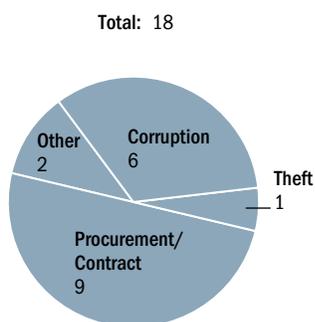
SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations

This quarter, SIGAR opened 18 new investigations and closed 13, bringing the total number of ongoing investigations to 259. Of the new investigations, most were related to corruption and procurement/contract fraud, as shown in Figure D.1. Of the closed investigations, most were closed due to lack of investigative merit, as shown in Figure D.2.

FIGURE D.1

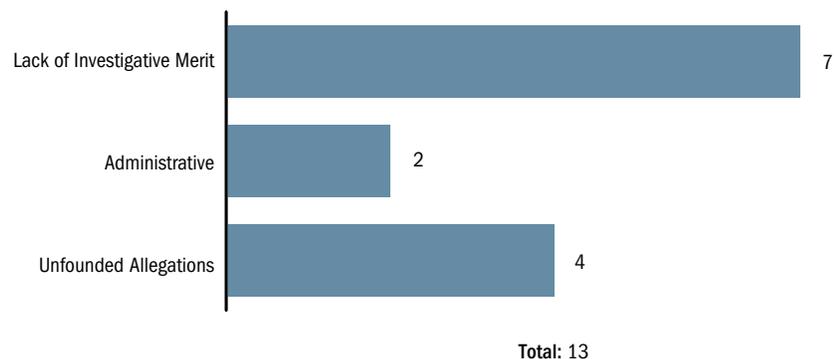
**SIGAR NEW INVESTIAGIONS,
OCTOBER 1-DECEMBER 31, 2016**



Source: SIGAR Investigations Directorate, 01/05/2017.

FIGURE D.2

SIGAR INVESTIGATIONS: CLOSED INVESTIGATIONS, OCTOBER 1-DECEMBER 31, 2016



Source: SIGAR Investigations Directorate, 01/06/2017.

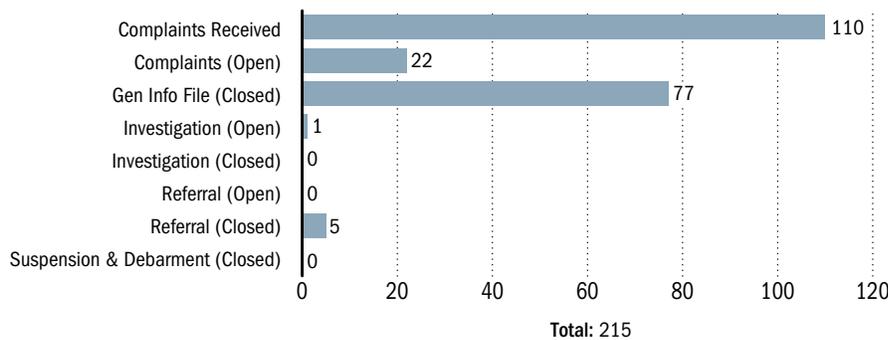
APPENDICES

SIGAR Hotline

The Investigations directorate continued its work this quarter on complaints received prior to December 31, 2016. This quarter, the directorate processed 215 complaints, most of which are under review or were closed, as shown in Figure D.3. The SIGAR Hotline received 110 complaints this quarter. As shown in Figure D.4, most were received electronically.

FIGURE D.3

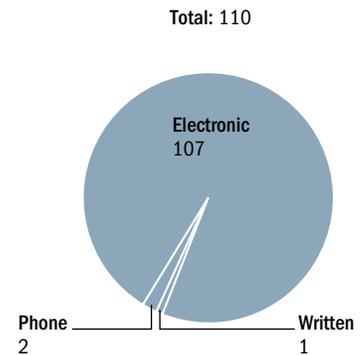
STATUS OF SIGAR HOTLINE COMPLAINTS: OCTOBER 1-DECEMBER 31, 2016



Note: 110 complaints received during quarter; total includes status changes for complaints made in earlier periods.

FIGURE D.4

SOURCE OF SIGAR HOTLINE COMPLAINTS, OCTOBER 1-DECEMBER 31, 2016



Source: SIGAR Investigations Directorate, 1/13/2017.

SIGAR SUSPENSIONS AND DEBARMENTS

Table D.1 is a comprehensive list of finalized suspensions, debarments, and special entity designations relating to SIGAR's work in Afghanistan as of December 31, 2016. SIGAR *lists its suspensions, debarments and special entity designations for historical purposes only*. For the current status of any individual or entity listed herein as previously suspended, debarred or listed as a special entity designation, please consult the System for Award Management, www.sam.gov.

Entries appearing in both the suspension and debarment sections are based upon their placement in suspended status following criminal indictment or determination of non-responsibility by agency suspension and debarment official. Final debarment was imposed following criminal conviction in U.S. Federal District Court and/or final determination by agency suspension and debarment official regarding term of debarment.

APPENDICES

TABLE D.1

SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016		
Special Entity Designations		
Arvin Kam Construction Company	Khan, Haji Mohammad Almas	Saadat, Wakil
Arvin Kam Group LLC, d.b.a. "Arvin Kam Group Security," d.b.a. "Arvin Kam Group Foundation," d.b.a. "Arvin Global Logistics Services Company"	Noh-E Safi Mining Company Noor Rahman Company Noor Rahman Construction Company	Triangle Technologies Wasim, Abdul Wakil Zaland, Yousef
Ayub, Mohammad	Nur Rahman Group, d.b.a. "NUCCL Construction Company," d.b.a. "RUCCL Rahman Umar Construction Company," d.b.a. "Rahman Trading and General Logistics Company LLC	Zurmat Construction Company Zurmat Foundation Zurmat General Trading
Fruzi, Haji Khalil	Rahman, Nur, a.k.a. "Noor Rahman," a.k.a. "Noor Rahman Safa"	Zurmat Group of Companies, d.b.a. "Zurmat LLC"
Haji Amir Muhammad	Rhaman, Mohammad	Zurmat Material Testing Laboratory
Haji Dhost Mohammad Zurmat Construction Company		
Jan, Nurullah		
Suspensions		
Al-Watan Construction Company	Yousef, Najeebullah	Everest Faizy Logistics Services
Basirat Construction Firm	Rahimi, Mohammad Edris	Faizy Elham Brothers Ltd.
Brophy, Kenneth	Wooten, Philip Steven	Faizy, Rohullah
Naqibullah, Nadeem	Domineck, Lavette Kaye	Hekmat Shadman General Trading LLC
Rahman, Obaidur	Markwith, James	Hekmat Shadman Ltd., d.b.a. "Hikmat Shadman Ltd."
Campbell, Neil Patrick	All Points International Distributors Inc.	Hikmat Shadman Construction and Supply Company
Borcata, Raul A.	Cipolla, James	Hikmat Shadman Logistics Services Company, d.b.a. "Hikmat Shadman Commerce Construction and Supply Company," d.b.a. "Hikmat Shadman Commerce Construction Services"
Close, Jarred Lee	Hercules Global Logistics	Saif Hikmat Construction Logistic Services and Supply Co.
Logistical Operations Worldwide	Schroeder, Robert	Shadman, Hikmatullah, a.k.a. "Hikmat Shadman," a.k.a. "Haji Hikmatullah Shadman," a.k.a. "Hikmatullah Saadulah"
Robinson, Franz Martin	AISC LLC	Travis, James Edward
Taylor, Zachery Dustin	American International Security Corporation	Sherzai, Akbar Ahmed
Aaria Group Construction Company	Brothers, Richard S.	Bertolini, Robert L.
Aaria Group	David A Young Construction & Renovation Inc.	Kahn, Haroon Shams, a.k.a. "Haroon Shams"
Aaria Herai General Trading	Force Direct Solutions LLC	Shams Constructions Limited
Aaria M.E. General Trading LLC	Harris, Christopher	Shams General Services and Logistics Unlimited
Aaria Middle East	Hernando County Holdings LLC	Shams Group International, d.b.a. "Shams Group International FZE"
Aaria Middle East Company LLC	Hide-A-Wreck LLC	Shams London Academy
Aaria Middle East Company Ltd. - Heart	Panthers LLC	Shams Production
Aaria Supplies Company Ltd	Paper Mill Village, Inc	Shams Welfare Foundation
Aaria Supply Services and Consultancy	Shroud Line LLC	Autry, Cleo Brian
Aftech International	Spada, Carol	Chamberlain, William Todd
Aftech International Pvt. Ltd.	Taylor, Michael	Cook, Jeffrey Arthur
Alam, Ahmed Farzad	Welventure LLC	Harper, Deric Tyrone
Albahar Logistics	World Wide Trainers LLC	Swim, Alexander
American Aaria Company LLC	Young, David	Walls, Barry Lee, Jr.
American Aaria LLC	Espinoza, Mauricio	
Barakzai, Nangialai	Long, Tonya	
Formid Supply and Services	Brophy, Kenneth Michael	
Greenlight General Trading	Rivera-Medina, Franklin Delano	
Kabul Hackle Logistics Company	Peace Thru Business	
Sharpway Logistics	Pudenz, Adam Jeff Julias	
United States California Logistics Company	Elham, Yaser, a.k.a. "Najibullah Saadullah"	

APPENDICES

TABLE D.1 (CONTINUED)

SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016 (CONTINUED)		
Debarments (continued)		
Yousef, Najeebullah	Luqman Engineering Construction Company, d.b.a. "Luqman Engineering"	Abdul Haq Foundation
Aaria Group	Safiullah, a.k.a. "Mr. Safiullah"	Adajar, Adonis
Aaria Group Construction Company	Sarfarez, a.k.a. "Mr. Sarfarez"	Calhoun, Josh W.
Aaria Supplies Company Ltd.	Wazir, Khan	Clark Logistic Services Company, d.b.a. "Clark Construction Company"
Rahimi, Mohammad Edris	Akbar, Ali	Farkas, Janos
All Points International Distributors Inc.	Crystal Construction Company, d.b.a. "Samiullah Road Construction Company"	Flordeliz, Alex F.
Hercules Global Logistics	Samiullah (Individual uses only one name)	Knight, Michael T., II
Schroeder, Robert	Ashna, Mohammad Ibrahim, a.k.a. "Ibrahim"	Lozado, Gary
Helmand Twinkle Construction Company	Gurvinder, Singh	Mijares, Armando N., Jr.
Waziri, Heward Omar	Jahan, Shah	Mullakhiel, Wadir Abdullahmatin
Zadran, Mohammad	Shahim, Zakirullah a.k.a. "Zakrullah Shahim", a.k.a. "Zikrullah Shahim"	Rainbow Construction Company
Afghan Mercury Construction Company, d.b.a. "Afghan Mercury Construction & Logistics Company"	Alyas, Maiwand Ansunullah a.k.a. "Engineer Maiwand Alyas"	Sardar, Hassan, a.k.a. "Hassan Sardar Inqilab"
Mirzali Naseeb Construction Company	BMCSC	Shah, Mohammad Nadir, a.k.a. "Nader Shah"
Montes, Diyana	Maiwand Haqmal Construction and Supply Company	Tito, Regor
Naseeb, Mirzali	New Riders Construction Company, d.b.a. "Riders Construction Company," d.b.a. "New Riders Construction and Services Company"	Brown, Charles Phillip
Robinson, Franz Martin	Riders Constructions, Services, Logistics and Transportation Company	Sheren, Fasela, a.k.a. "Sheren Fasela"
Smith, Nancy	Riders Group of Companies	Anderson, Jesse Montel
Sultani, Abdul Anas a.k.a. "Abdul Anas"	Domineck, Lavette Kaye	Charboneau, Stephanie, a.k.a. "Stephanie Shankel"
Faqiri, Shir	Markwith, James	Hightower, Jonathan
Hosmat, Haji	Martinez, Rene	Khan, Noor Zali, a.k.a. "Wali Kahn Noor"
Jim Black Construction Company	Maroof, Abdul	Saheed, a.k.a. "Mr. Saheed;" a.k.a. "Sahill;" a.k.a. "Ghazi-Rahman"
Arya Ariana Aryayee Logistics, d.b.a. "AAA Logistics," d.b.a. "Somo Logistics"	Qara, Yousef	Weaver, Christopher
Garst, Donald	Royal Palace Construction Company	Al Kaheel Oasis Services
Mukhtar, Abdul a.k.a. "Abdul Kubar"	Bradshaw, Christopher Chase	Al Kaheel Technical Service
Noori Mahgir Construction Company	Zuhra Productions	CLC Construction Company
Noori, Sherin Agha	Zuhra, Niazzai	CLC Consulting LLC
Long, Tonya	Boulware, Candice a.k.a. "Candice Joy Dawkins"	Complete Manpower Solutions
Isranuddin, Burhanuddin	Dawkins, John	Mohammed, Masiuddin, a.k.a. "Masi Mohammed"
Matun, Navidullah, a.k.a. "Javid Ahmad"	Mesopotamia Group LLC	Rhoden, Bradley L., a.k.a. "Brad L. Rhoden"
Matun, Wahidullah	Nordloh, Geoffrey	Rhoden, Lorraine Serena
Navid Basir Construction Company	Kieffer, Jerry	Royal Super Jet General Trading LLC
Navid Basir JV Gaghar Baba Construction Company	Johnson, Angela	Super Jet Construction Company
NBCC & GBCC JV	Johnson, Keith	Super Jet Fuel Services
Noori, Navid	Military Logistic Support LLC	Super Jet Group
Asmatullah, Mahmood, a.k.a. "Mahmood"	Eisner, John	Super Jet Tours LLC, d.b.a. "Super Jet Travel and Holidays LLC"
Khan, Gul	Taurus Holdings LLC	Super Solutions LLC
Khan, Solomon Sherdad, a.k.a. "Solomon"	Brophy, Kenneth Michael	Abdullah, Bilal
Mursalin, Ikramullah, a.k.a. "Ikramullah"		Farmer, Robert Scott
Musafer, Naseem, a.k.a. "Naseem"		Mudiyanselage, Oliver
Ali, Esrar		Kelly, Albert, III
Gul, Ghanzi		Ethridge, James

APPENDICES

TABLE D.1 (CONTINUED)

SPECIAL ENTITY DESIGNATIONS, SUSPENSIONS, AND DEBARMENTS AS OF DECEMBER 31, 2016 (CONTINUED)

Debarments (continued)

Dennis, Jimmy W.	Top Techno Concrete Batch	Haq, Fazal
Timor, Karim	Albright, Timothy H.	Jahangir, Son of Abdul Qadir
Wardak, Khalid	Insurance Group of Afghanistan	Kaka, Son of Ismail
Rahmat Siddiqi Transportation Company	Ratib, Ahmad, a.k.a. "Nazari"	Khalil, Son of Mohammad Ajan
Siddiqi, Rahmat	Jamil, Omar K.	Khan, Mirullah
Siddiqi, Sayed Attaullah	Rawat, Ashita	Khan, Mukamal
Umbrella Insurance Limited Company	Casellas, Luis Ramon	Khoshal, Son of Sayed Hasan
Taylor, Michael	Saber, Mohammad a.k.a. "Saber," a.k.a. "Sabir"	Malang, Son of Qand
Gardazi, Syed	Zahir, Shafiullah Mohammad a.k.a. "Shafiullah," a.k.a. "Shafie"	Masom, Son of Asad Gul
Smarasinghage, Sagara	Achiever's International Ministries Inc., d.b.a. "Center for Achievement and Development LLC"	Mateen, Abdul
Security Assistance Group LLC	Bickersteth, Diana	Mohammad, Asghar
Bailly, Louis Matthew	Bonview Consulting Group Inc.	Mohammad, Baqi
Kumar, Krishan	Fagbenro, Oyetayo Ayoola, a.k.a. "Tayo Ayoola Fagbenro"	Mohammad, Khial
Raj, Janak	Global Vision Consulting LLC	Mohammad, Sayed
Singh, Roop	HUDA Development Organization	Mujahid, Son of Abdul Qadir
Masraq Engineering and Construction Company	Strategic Impact Consulting, d.b.a. "Strategic Impact KarKon Afghanistan Material Testing Laboratory"	Nangiali, Son of Alem Jan
Miakhil, Azizullah	Davies, Simon	Nawid, Son of Mashoq
Stratton, William G	Gannon, Robert, W.	Noorullah, Son of Noor Mohammad
Umeer Star Construction Company	Gillam, Robert	Qayoum, Abdul
Zahir, Mohammad Ayub	Mondial Defence Systems Ltd.	Roz, Gul
Marshal Afghan American Construction Company	Mondial Defense Systems USA LLC	Shafiq, Mohammad
Marshal, Sayed Abbas Shah	Mondial Logistics	Shah, Ahmad
Peace Thru Business	Khan, Adam	Shah, Mohammad
Pudenz, Adam Jeff Julius	Khan, Amir, a.k.a. "Amir Khan Sahel"	Shah, Rahim
Green, Robert Warren	Sharq Afghan Logistics Company, d.b.a. "East Afghan Logistics Company"	Sharif, Mohammad
Mayberry, Teresa	Hafizullah, Sayed; a.k.a. "Sadat Sayed Hafizullah"; a.k.a. "Sayed Hafizullah Delsooz"	Waheedullah, Son of Sardar Mohammad
Addas, James	Sadat Zohori Construction and Road Building Company; d.b.a. "Sadat Zohori Cons Co."	Wahid, Abdul
Advanced Ability for U-PVC	Abdullah, Son of Lal Gul	Wais, Gul
Al Bait Al Amer	Ahmad, Aziz	Wali, Khair
Al Iraq Al Waed	Ahmad, Zubir	Wali, Sayed
Al Quraishi Bureau	Aimal, Son of Masom	Wali, Taj
Al Zakoura Company	Ajmal, Son of Mohammad Anwar	Yaseen, Mohammad
Al-Amir Group LLC	Fareed, Son of Shir	Yaseen, Son of Mohammad Aajan
Al-Noor Contracting Company	Fayaz Afghan Logistics Services	Zakir, Mohammad
Al-Noor Industrial Technologies Company	Fayaz, Afghan, a.k.a. "Fayaz Alimi," a.k.a. "Fayaz, Son of Mohammad"	Zamir, Son of Kabir
California for Project Company	Gul, Khuja	Rogers, Sean
Civilian Technologies Limited Company	Habibullah, Son of Ainuddin	Slade, Justin
Industrial Techniques Engineering Electromechanically Company	Hamidullah, Son of Abdul Rashid	Morgan, Sheldon J.
Pena, Ramiro		Dixon, Reginald
Pulsars Company		Emmons, Larry
San Francisco for Housing Company		Epps, Willis

APPENDIX E

ABBREVIATIONS AND ACRONYMS

ACRONYM OR ABBREVIATION	DEFINITION
AABIS	Afghan Automated Biometric Identification System
AAEP	Afghanistan Agriculture Extension Project
AAF	Afghan Air Force
AAN	Afghan Analysts Network
ABADE	Assistance Building in Afghanistan by Developing Enterprises
ABP	Afghan Border Police
ACAP	Afghan Civilian Assistance Program
ACAS	Afghanistan Court Administration System
ACB	Afghanistan Cricket Board
ACE	Agricultural Credit Enhancement
ACEP	Afghan Civil Engagement Program
ACJC	Anti-Corruption Justice Center
AD	alternative-development
ADALAT	Afghanistan Development Assistance for Legal Access and Transparency
ADB	Asian Development Bank
ADF	Agricultural Development Fund
AERCA	Afghanistan Electoral Reform and Civic Advocacy Program
AFN	afghani (currency)
AFOSI	Air Force Office of Special Investigations
AGO	Attorney General's Office
AHRIMS	Afghan Human Resource Information Management System
AIF	Afghanistan Infrastructure Fund
AITF	Afghanistan Infrastructure Trust Fund
AKF	Aga Khan Foundation
ALBA	Assistance to Legislative Bodies of Afghanistan
ALP	Afghan Local Police
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ANA	Afghan National Army
ANASOC	ANA Special Command
ANCOP	Afghan National Civil Order Police
ANDSF	Afghan National Defense and Security Forces
ANP	Afghan National Police
ANPR	Afghanistan National Peace and Reconciliation Strategy
AO	abandoned ordinance
APA	Afghanistan Petroleum Authority

Continued on the next page

APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
APFM	Afghanistan Public Financial Management program
APPF	Afghan Public Protection Force
APPS	Afghan Personnel Pay System
APRP	Afghan Peace and Reintegration Plan
AROC	Afghanistan Resources Oversight Council
ARP	Afghans Read Program
ARTF	Afghanistan Reconstruction Trust Fund
ASFF	Afghanistan Security Forces Fund
ASSF	Afghan Special Security Forces
ATAR	Afghanistan Trade and Revenue Project
AUP	Afghan Uniform Police
AUW	Asian University for Women
AWDP	Afghanistan Workforce Development Program
BELT	Basic Education, Literacy, and Technical-Vocational Education and Training
BPHS	Basic Package of Health Services
BSB	Bridgade Support Battalion
BVSPC	Black & Veatch Special Projects Corporation
CBARD	Community-Based Agriculture and Rural Development Project
CBCMP	Capacity Building and Change Management Program
CBR	Capacity Building for Results Program
CERP	Commander's Emergency Response Program
CHAMP	Commercial Horticulture and Agricultural Marketing Program
CHW	community health worker
C-IED	counter-improvised-explosive device
CLRWG	Criminal Law Reform Working Group
CMS	case-management system
CN	Counternarcotics
CNCE	Counter Narcotics Community Engagement
CNPA	Counternarcotics Police of Afghanistan
COM	Council of Ministers
CoreIMS	Core Information Management System
CPCWG	Criminal Procedure Code Working Group
CPD	Central Prison's Directorate
CPMD	Construction and Properties Management Department
CSIS	Center for Strategic and International Studies
CSO	civil-society organization
CSSP	Corrections System Support Program
CSTC-A	Combined Security Transition Command-Afghanistan
CTA	Central Transfer Account
DABS	Da Afghanistan Breshna Sherkat

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APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
DAP	Drug Advisory Programme
DCA	Development Credit Authority
DCAR	Delegated Cooperation Agreement
DCIS	Defense Criminal Investigative Service
DDM SEC	Deputy, Deputy Minister for Security
DEA	Drug Enforcement Administration (U.S.)
DEWS Plus	Disease Early Warning System Plus
DFID	Department for International Development
DIG	Deputy Inspector General
DOD	Department of Defense (U.S.)
DOD CN	Department of Defense Drug Interdiction and Counter-Drug Activities fund (U.S.)
DOD IG	Department of Defense Office of Inspector General
DOJ	Department of Justice (U.S.)
EF	essential function
EFT	electronic funds-transfer
EGRC	E-Government Resource Center
eMAT	expeditionary medical advising team
EMIS	Education Management Information System (Afghan)
EPHS	Essential Package of Hospital Services
EQUIP	Education Quality Improvement Project
ERW	Explosive Remnants of War
eSAT	expeditionary sustainment advisory team
ESF	Economic Support Fund
FAIDA	Financial Access for Investing in the Development of Afghanistan
FATF	Financial Action Task Force
FBI	Federal Bureau of Investigation
FMS	foreign military sales
FOB	Forward Operating Base
FY	fiscal year
GAO	Government Accountability Office (U.S.)
GCPSU	General Command of Police Special Units
GCPSU	General Command Police Support Unit
GDP	gross domestic product
GDPDC	General Directorate of Prisons and Detention Centers
GEC	Girls' Education Challenge Program
GIROA	Government of the Islamic Republic of Afghanistan
GIS	geographic information system
GLE	Governor-Led Eradication
GPI	Good Performer's Initiative
GPS	global positioning system

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ACRONYM OR ABBREVIATION	DEFINITION
GS IG	MOD General Staff Inspector General (Afghan)
GVHR	gross violations of human rights
HEDP	Higher Education Development Project
HEMAYAT	Helping Mothers and Children Thrive
HEMTTs	Heavy Equipment Mobility Tactical Trucks
HIG	Hezb-e Islami Gulbuddin
HMIS	(MoPH) Health Management Information System
HOO	High Office of Oversight for Anti-Corruption (aka "HOOAC") (Afghan)
HSR	Health Sector Resiliency
ICRC	International Committee of the Red Cross
ID	ANDSF Identification Card System
IDP	Internally Displaced Persons
IEC	Independent Election Commission (Afghan)
IECC	Independent Election Complaints Commission
IED	Improvised-Explosive Devices
IG	inspector general
IHSAN	Initiative for Hygiene, Sanitation, and Nutrition
IIU	Intelligence Investigation Unit
IMF	International Monetary Fund
IMSMA	Information Management System for Mine Action
INCLE	International Narcotics Control and Law Enforcement (U.S)
INL	Bureau of International Narcotics and Law Enforcement Affairs (U.S.)
IRD	International Relief and Development Inc.
IRS	Internal Revenue Service
ISAF	International Security Assistance Force
ISIL	Islamic State in Iraq and the Levant
ISLA	Initiative to Strengthen Local Administrations
ISR	intelligence, surveillance, and reconnaissance
IWA	Integrity Watch Afghanistan
JRD	Juvenile Rehabilitation Directorate
JSSP	Justice Sector Support Program (State)
JTTP	Justice Training Transition Program (State)
JWIP	Judicial Wire-Intercept Unit
KBR	Kabul Bank Receivership Organization
KFZ	Kandahar Food Zone
KHPP	Kandahar Helmand Power Project
KKA	Ktah Khas Counterterrorism Unit
LLP	Lessons Learned Program
LOTFA	Law and Order Trust Fund for Afghanistan
MACCA	Mine Action Coordination Centre of Afghanistan

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APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
MAIL	Ministry of Agriculture, Irrigation and Livestock (Afghan)
MAPA	Mine Action Programme of Afghanistan
MCN	Ministry of Counter-Narcotics (Afghan)
MCTF	Major Crimes Task Force
MEC	Monitoring and Evaluation Committee (Afghan)
MEDCOM	(ANA) Medical Command
MEW	Ministry of Energy and Water (Afghan)
MFNDU	Marshal Fahim National Defense University
MIDAS	Mining Investment and Development for Afghan Sustainability
MOCI	Ministry of Commerce and Industry (Afghan)
MOCIT	Ministry of Communications and Information Technology (Afghan)
MOD	Ministry of Defense (Afghan)
MOE	Minister of Education (Afghan)
MOF	Ministry of Finance (Afghan)
MOI	Ministry of Interior (Afghan)
MOI HQ & IS	Ministry of Interior Headquarters and Institutional Support (Afghan)
MOI IG	Ministry of Interior Inspector General (Afghan)
MOJ	Ministry of Justice (Afghan)
MOLSAMD	Ministry of Labor, Social Affairs, Martyrs, and Disabled
MOMP	Ministry of Mines and Petroleum (Afghan)
MOPH	Ministry of Public Health (Afghan)
MOPW	Ministry of Public Works (Afghan)
MORE	Ministry of Women's Affairs Organizational Restructuring and Empowerment project
MPD	Ministry of Interior and Police Development Project
MUNCH	Mothers Under-Five Nutrition and Child Health Program
NATO	North Atlantic Treaty Organization
NDAP	National Drug Action Plan
NEI	Northern Electrical Interconnect
NEPS	Northeast Power System
NGO	nongovernmental organization
NISTA	Not In Service for Training
NIU	National Interdiction Unit
NPA	National Procurement Authority
NPC	National Procurement Commission
NSOCC-A	NATO Special Operations Component Command-Afghanistan
NSRWA	Non-Standard Rotary Wing Aircraft
O&M	operations and maintenance
OBA	On-Budget Assistance
OCC	operational-coordinational center
OCHA	Office for the Coordination of Humanitarian Affairs

Continued on the next page

APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
OCO	overseas contingency operations
OFS	Operation Freedom's Sentinel
OIG	Office of the Inspector General
OPIC	Overseas Private Investment Corporation
OPPD	Office of Program and Project Development (USAID)
OR	operational readiness
OSD	Office of the Secretary of Defense (U.S.)
OTA	Office of Technical Assistance (U.S. Treasury)
PAI	Personnel Asset Inventory
PAS	Public Affairs Section (U.S. Embassy Kabul)
PCH	Partnership Contracts for Health
PFM	Public Financial Management
PICC	Presidential Information Coordination Center
PM/WRA	Bureau of Political-Military Affairs-Office of Weapons Removal and Abatement (U.S.)
PMP	Performance-Measurement Plan
POAM	Plan of Action and Milestones
POR	Proof of Residency
PPA	Public-Private Alliance
PTEC	Power Transmission Expansion and Connectivity
RADP	Regional Agriculture Development Program
RC	recurrent cost
RFP	request for proposal
RNIFC	regional narcotics interagency fusion cell
RS	Resolute Support
RSSP	Road Sector Sustainability Program
SAAF	Strengthening Afghan Agricultural Facilities
SAGAL	Strengthening Afghan Governance and Alternative Livelihoods
SASC	Senate Armed Services Committee
SCIP	Security Cooperation Information Portal
SEA	Strengthen Education in Afghanistan
SEHAT	System Enhancing for Health Actions in Transition Program
SEPS	Southeast Power System
SGDP	Sheberghan Gas Development Program
SHAHAR	Strong Hubs for Afghan Hope and Resilience
SHOPS Plus	Sustaining Health Outcomes through the Private Sector
SIU	Sensitive Investigation Unit
SMAF	Self-Reliance through Mutual Accountability Framework
SMART	specific, measurable, achievable, realistic, and time-bound
SME	Small-to-Medium Enterprise
SMW	Special Mission Wing (Afghan)

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APPENDICES

ACRONYM OR ABBREVIATION	DEFINITION
SOM	Senior Officials Meeting
SPFS	Special Purpose Financial Statement
SPM	Support to Payroll Management
State OIG	Department of State Office of the Inspector General
TAA	train-advise-assist
TAAC	Train, Advise, Assist Command
TAC	Transparency and Accountability Committees
TA-MOPW	Technical Assistance for the Ministry of Public Works Project
TF	task force
TFBSO	Task Force for Business and Stability Operations in Afghanistan
TMR	transportation movement request
TTHS	Trainee, Transient, Holdee, and Students
UAE	United Arab Emirates
UN	United Nations
UNAMA	UN Assistance Mission in Afghanistan
UNDP	UN Development Programme
UNHCR	UN High Commissioner for Refugees
UNMACA	UN Mine Action Centre for Afghanistan
UNODC	UN Office on Drugs and Crime
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USACID MPFU	U.S. Army Criminal Investigation Command Major Procurement Fraud Unit
USAID	U.S. Agency for International Development
USAID OIG	USAID Office of the Inspector General
USCID	U.S. Army Criminal Investigation Command
USFOR-A	U.S. Forces-Afghanistan
UXO	unexploded ordnance
WIE	Women in the Economy Project
WIG	Women in Government Program
WTO	World Trade Organization

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A worker looks down on an Afghan valley where coal is mined. The country also has reserves of copper, gold, and iron. (UN Assistance Mission in Afghanistan photo by Eric Kanalstein)

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