Cover Captions (clockwise from left):

U.S. Marine combat engineers use heavy equipment to rebuild a bridge that was destroyed after a local dispute over water rights. The new Trakh Nawa bridge will facilitate transportation for local Afghans and military units operating in the area. (USMC photo, CPL Daniel H. Woodall)

An 11-year-old Afghan student reads a comic book about the rule of law at Abu Herera School in Paktika province on March 27, 2011. The school has operated continuously since 2002, even though the building has been vandalized and teachers have been threatened. The Paktika PRT has been mentoring school officials in sustaining their education infrastructure. (USAF photo, SRA Ashley N. Averilla, Paktika PRT Public Affairs)

An Afghan farmer demonstrates a new two-wheel tractor at a ceremony in Kabul on February 8, 2011. Fifty tractors were sold to farmers of mid-sized Afghan farms at a subsidized cost to help farmers plant and harvest multiple crops per year. The U.S.-funded program was designed to get 6,000 tractors into the hands of farmers in 18 provinces. (US Air National Guard photo, SSgt Jordan Jones)

Afghan soldiers and police officers welcome a new commander at Regional Command-West in Herat on April 4, 2011. The Afghan National Security Forces and the Italian-led command are working as partners to secure and develop western Afghanistan. (U.S. Army photo, SSG Brandon Ponrrenke)

More than 3,500 Afghans gather to celebrate the Persian New Year at the Shah Maqsud Shrine in Kandahar province on March 21, 2011. The celebrations included a concert from Kandahar musicians, a play by local actors, and public addresses by provincial leaders, including the governor of Kandahar. (U.S. Army photo, SGT Benjamin Watson)

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.

SIGAR RESULTS TO DATE

AUDITS
- 39 completed audit reports, including more than 100 recommendations
- 72 audit recommendations made in FY 2009 and 2010; 35 closed, based on actions taken by U.S. agencies
- 40 audit recommendations made in FY 2011
- 3 forensic audits underway to analyze more than $39 billion of reconstruction contract data; completed preliminary audit of $7.4 billion in USAID disbursements covering 73,272 transactions and 1,211 vendors

INVESTIGATIONS
- $1.7 million in savings and more than $33.5 million in fines, penalties, and recoveries in FY 2011
- 76 ongoing investigations
- 570 Hotline complaints received and addressed
- 5 companies and 26 individuals recommended for suspension or debarment
April 30, 2011

I am pleased to submit SIGAR’s quarterly report to the Congress on the U.S. reconstruction effort in Afghanistan. This report documents SIGAR’s oversight activities and provides an update on the status of reconstruction programs since our January 30, 2011 report.

The Congress has provided more than $69 billion to rebuild Afghanistan since 2002. The President has asked the Congress for an additional $17.3 billion for FY 2012. These funds are supporting the U.S. reconstruction strategy to transition responsibility for security to the Afghan government by 2014. This costly, complex endeavor includes developing capable Afghan security forces, building good governance, and laying a foundation for long-term economic growth. To ensure that we provide effective, timely oversight of these funds, SIGAR has adopted an aggressive and multifaceted approach to both audits and investigations.

We have adjusted our audit plan to include a mix of contract and program audits to identify waste, fraud, and abuse and to determine if programs are achieving their objectives. We have enhanced our efforts in forensic audit work and refocused selected resources to address major contract reviews to achieve quantifiable results and savings for the U.S. taxpayer. Our auditors are also focused on issues, such as corruption and the role of private security contractors, that are of particular concern to the Congress.

This quarter, SIGAR issued three audit reports and started four new audits. The published audits address two critical reconstruction objectives: developing Afghan governing capacity through direct assistance and building a capable Afghan National Army and Afghan National Police force. In the coming months, we will be issuing several audits that examine other vital aspects of the U.S. reconstruction effort, including private security services, the cost and sustainability of the civilian uplift, Afghanistan’s banking sector and currency controls, and development of the agriculture sector.

SIGAR’s investigations directorate is now concentrating our resources on major contract fraud and corruption investigations where we can provide the greatest return for the U.S. taxpayer. Our results for FY 2011, through March 31, have resulted in $1.7 million in savings and more than $33.5 million in fines, penalties, and recoveries. We anticipate continued success in the third quarter.

The next three years are critical for the United States and its international allies as they implement programs to facilitate the transition of security responsibility to the Afghan government. At SIGAR, we are committed to providing vigorous oversight of this effort. We will follow the money, focus on returns for the taxpayer, and build cases against individuals and entities engaged in fraud. We are also committed to assessing whether programs are achieving their objectives and identifying opportunities for implementing agencies to improve program efficiency and effectiveness.

I look forward to working with the Congress to ensure that U.S reconstruction funds achieve their intended purposes and are spent honestly and wisely.

Very respectfully,

Herbert Richardson
Acting Special Inspector General for Afghanistan Reconstruction
EXECUTIVE SUMMARY

SIGAR ACTIVITIES, Q2 2011

SIGAR completed three audits this quarter addressing critical issues related to U.S. efforts to grow the Afghan National Security Forces (ANSF) and to build Afghan governing capacity through direct assistance. SIGAR announced four new audits, bringing the number of ongoing audits of reconstruction contracts and programs to 16. SIGAR is continuing work on its forensic reviews of data on about $39.65 billion of transactions related to three funds used for Afghanistan reconstruction: the Afghanistan Security Forces Fund, the Economic Support Fund, and the International Narcotics Control and Law Enforcement account.

SIGAR’s investigations directorate is concentrating its resources on major contract fraud and corruption investigations where it can provide the greatest return for the U.S. taxpayer. SIGAR’s work for FY 2011 has resulted in $1.7 million in savings and over $33.5 million in fines, penalties, and recoveries.

SIGAR has also significantly increased its collaboration with the U.S. Department of Justice by hiring an experienced litigator and detailing this person to the Department to develop and prepare large cases involving contract fraud.

COMPLETED AUDITS

During this reporting period, SIGAR published reports of three audits reviewing ANP personnel systems, ANA facilities, and Afghanistan’s National Solidarity Program.

Despite Improvements in MoI’s Personnel Systems, Additional Actions Are Needed To Completely Verify ANP Payroll Costs and Workforce Strength

SIGAR initiated this audit to determine the extent to which the Government of the Islamic Republic of Afghanistan (GIRoA) has the personnel management systems and processes it needs to effectively and efficiently support an independent and accountable police force. Although the Ministry of Interior (MoI) is automating its human resource records and developing personnel management systems to improve ANP accountability, the Ministry is not yet able to determine the actual number of ANP personnel because it is not able to reconcile personnel records or verify data contained in these personnel systems and databases.

The audit found that the MoI is using four systems and processes to report on ANP personnel, and one system to account for the ANP payroll. International donors pay for most of the ANP salaries, allowances, and benefits through an international trust fund. The United States, the single largest donor, has contributed more than $545 million to the Law and Order Trust Fund for Afghanistan (LOTFA), which is managed by the United Nations Development Programme.

SIGAR recommended that the U.S. Ambassador take action to better account for ANP personnel, ANP payroll costs, and amounts eligible for reimbursement from the LOTFA. SIGAR also made recommendations to improve MoI personnel and payroll systems.

ANA Facilities at Mazar-e Sharif and Herat Generally Met Construction Requirements, but Contractor Oversight Should Be Strengthened

The U.S. reconstruction strategy in Afghanistan depends on building the capacity of the ANSF to assume responsibility for Afghanistan’s security by 2014. A key element of this effort is the construction of facilities to house and train the ANA and the ANP. This audit is one of a series of SIGAR audits examining the costs, oversight, and outcomes of contracts to build facilities for the ANSF.

SIGAR found that that construction projects in Mazar-e Sharif and Herat had experienced cost increases and project delays, partly because the contracting officer had approved schedule extensions and $5 million in funding increases at Herat even though the contractor had had difficulty maintaining a schedule and staying within budget. SIGAR made
recommendations to help the implementing agency improve its contractor oversight.

**Afghanistan’s National Solidarity Program Has Reached Thousands of Afghan Communities, but Faces Challenges that Could Limit Outcomes**

In 2010, the United States and other international donors pledged to channel at least 50% of development assistance through Afghanistan’s national budget. Achieving this goal will depend on whether the GIRoA is able to manage and account for donor funds.

The National Solidarity Program (NSP) was established in 2003; it is Afghanistan’s primary development program receiving direct assistance. This quarter, SIGAR’s audit of the NSP found that while various oversight mechanisms provided reasonable assurance that the funds were being used as intended, the program faces several challenges as it expands into more insecure areas. SIGAR made a number of recommendations to recover funds, strengthen oversight, and ensure that the NSP achieves its objectives.

**NEW AUDITS**

Since SIGAR’s last report to the Congress, it has initiated four new audits:

- Reconstruction Security Support Services Provided by Hart Security Limited to Louis Berger Group
- Review of the Implementation of the Afghan First Initiative in Reconstruction Contracting
- Review of USAID’s Financial Audit Coverage of Costs Incurred under Contracts, Cooperative Agreements, and Grants for Afghanistan Reconstruction
- NDAA-Mandated Oversight of Contractors and PSCs in Afghanistan

**SIGAR INVESTIGATIONS**

Most of SIGAR’s 76 open cases focus on contract or procurement fraud and corruption. This quarter, SIGAR’s work led to the arrest of a Korean contractor by the Afghan Shafafiya Investigative Unit, the proposed debarment of 22 Afghans, and the identification of faulty construction of the Pashad truck bridge in Kunar province. The Sigar Hotline received 106 complaints of potential waste, fraud, and abuse of U.S. funds for Afghanistan reconstruction, bringing the total number of complaints since its inception to 570.

**LOOKING FORWARD**

In February 2011, President Obama submitted his FY 2012 budget request with approximately $17.3 billion in assistance for Afghanistan. If approved, this would be the largest appropriation for the reconstruction of Afghanistan in a single year since the United States overthrew the Taliban in 2002.

The next three years are critical for the United States and its international allies as they implement programs in security, governance, and development to facilitate the transition from the International Assistance Security Force to the Afghan security forces. SIGAR is implementing a multifaceted approach to conducting audits and investigations to detect and deter waste, fraud, and abuse of taxpayer dollars, and to ensure these funds are used effectively to advance the U.S. reconstruction strategy.
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Auditing Infrastructure Projects
SIGAR auditors review the progress of the third phase of construction at the Kabul Military Training Center on March 13, 2011. SIGAR is conducting an audit of the management of infrastructure projects at the Training Center. (SIGAR photo, Warren Anthony)
1 SIGAR OVERSIGHT
“Examining billions of dollars of taxpayers’ money being spent on foreign soil is a complex and difficult assignment. SIGAR recognizes the critical nature of this mission and is deploying the skilled resources necessary to follow the money, generate greater return for taxpayers, build investigative cases, and ensure that U.S. objectives are being met.”

—Herbert Richardson, Acting Special Inspector General for Afghanistan Reconstruction

The U.S. Congress established SIGAR to provide independent and objective oversight of U.S. funds appropriated or otherwise made available for the reconstruction of Afghanistan. In accordance with its mandate, SIGAR conducts audits and investigations to (1) promote economy, efficiency, and effectiveness in the administration of programs and operations using reconstruction funds, and (2) prevent and detect waste, fraud, and abuse in these programs and operations.

SIGAR highlights this quarter include the following:

- published three audit reports
- announced four new audits
- continued work on 12 ongoing audits
- continued forensic reviews of $39 billion for three of the major reconstruction funds
- opened 16 new investigations and closed 45 cases
- processed 106 SIGAR Hotline complaints, resulting in 30 investigative actions
- reached agreement with the World Bank to coordinate efforts to detect, substantiate, and prevent fraud and corruption related to reconstruction funds

**AUDITS**

The three audits SIGAR completed this quarter addressed critical issues related to U.S. efforts to build Afghan governing capacity through direct assistance and to grow the Afghan National Security Forces (ANSF). SIGAR also initiated four new audits of contracts and programs, as well as a review of contractor oversight mandated by the FY 2011 National Defense Authorization Act (NDAA, P.L. 111-383):

- Private Security Services Contract Provided by Hart Security Limited to Louis Berger Group
- Implementation of the Afghan First Initiative for Contracting
- USAID’s Financial Audit Coverage of Costs Incurred under Contracts, Cooperative Agreements, and Grants for Afghanistan Reconstruction
- NDAA-Mandated Oversight of Contractors and PSCs in Afghanistan

**COMPLETED AUDITS**

- Audit 11-8: National Solidarity Program (Governance & Economic Development)
- Audit 11-9: ANA Facilities at Mazar-e Sharif and Herat (Security/ANSF Construction Contract)
- Audit 11-10: Mol and ANP Payroll (Security/ Afghan National Police)

**NEW AUDITS**

- Afghan First Initiative
- USAID’s Financial Audit Coverage of Incurred Costs
- NDAA-Mandated Oversight of Contractors and PSCs
- Private Security Services Contract

**ONGOING AUDITS**

- USAID’s Agreement with CARE for Community Development Program
- USAID Contracts for Local Governance and Community Development Projects
- Infrastructure Projects at Kabul Military Training Center
- Construction at the Afghan National Security University
- PSC Services from Global Strategies Group, Inc.

**RECONSTRUCTION PROGRAMS AND OPERATIONS**

- ANSF Vehicle Accountability
- Major Crimes Task Force Capabilities
- Banking Sector Development
- Agriculture Sector Development
- Defense Base Act Insurance Program for Contractors
- U.S. Civilian Uplift Costs in Afghanistan
- U.S. Funds Contributed to the ARTF

**FORENSIC AUDITS**

- DoD Transaction Data Related to Reconstruction
- USAID Transaction Data Related to Reconstruction
- DoS Transaction Data Related to Reconstruction
COMPLETED AUDIT REPORTS
This quarter, SIGAR issued an audit of the National Solidarity Program (NSP), Afghanistan’s flagship community development program, which uses direct assistance from the United States and other international donors to fund rural projects and promote local governance. SIGAR also published two audit reports this quarter on the vital security sector: one assessed the personnel management systems of the Afghan National Police (ANP), and one reviewed two cost-plus-fixed-fee task orders to build Afghan National Army (ANA) facilities at Mazar-e Sharif and Herat.

Audit 11-8: Governance and Economic Development
Afghanistan’s National Solidarity Program Has Reached Thousands of Afghan Communities, but Faces Challenges that Could Limit Outcomes
In 2010, the United States and other international donors pledged to channel at least 50% of development assistance through Afghanistan’s national budget. Achieving this goal will depend on whether the Government of the Islamic Republic of Afghanistan (GIRoA) is able to manage and account for donor funds. The NSP was established in 2003; it is Afghanistan’s primary development program receiving direct assistance. Managed by the Ministry of Rural Rehabilitation and Development, the NSP has supported projects in all 34 provinces and in 351 of the country’s 398 districts.

The NSP’s primary objectives include building local governance by helping communities elect community development councils (CDCs) and training the CDCs to manage small-scale projects funded by block grants. The NSP contracts with international and local non-governmental organizations—called facilitating partners—to work in specific districts to mobilize communities to undertake development activities. Under NSP guidelines, local communities must provide at least 10% of project costs, through cash, labor, or in-kind donations.

OBJECTIVES
SIGAR conducted this audit because of the U.S. priority to improve GIRoA’s governing capacity by providing increased development assistance through the Afghan national budget, rather than through contracts, grants, and cooperative agreements with private companies and non-governmental organizations. The audit had four reporting objectives:
• Identify the extent and use of U.S. and other donor assistance to the NSP.
• Assess the level of oversight and internal controls over donor funds.
• Determine whether the NSP is meeting its targets.
• Highlight the key challenges facing the NSP as it begins its third phase.

FINDINGS
1. The United States is the largest single donor to the NSP, having provided $528 million of the approximately $1.5 billion that the international community contributed to the program from 2003 to 2010. Most NSP donations have
been made through the multilateral Afghanistan Reconstruction Trust Fund (ARTF), which is administered by the World Bank. U.S. contributions to the ARTF come from the Economic Support Fund (ESF) and are made through a grant agreement between USAID and the World Bank. The Afghan Ministry of Rural Rehabilitation and Development (MRRD) is implementing the NSP in phases. Phase three began in September 2010 and will run to September 2015. International funding for all three phases is expected to total about $2.7 billion.

2. The World Bank, the GIRoA, and local communities benefitting from NSP-funded projects are all responsible for aspects of oversight. SIGAR found that the various controls currently in place provided reasonable assurance that NSP funds would be used as intended. However, the MRRD and the NSP reported one case in which a hawala dealer failed to deliver about $2.8 million in NSP block grants to one community in one province. The MRRD, the NSP, and the World Bank have taken action to address the issue, but it remains unresolved.

3. The World Bank has mandated a wide range of internal control mechanisms to oversee and monitor the NSP, which is funded through the ARTF. As a condition of accepting World Bank funds, the GIRoA agreed to periodic reviews of the use of ARTF funds. An ARTF donors committee provides oversight to ensure that the GIRoA is using NSP funds for their intended purpose, and an ARTF management committee meets regularly to discuss ARTF issues, including problems related to the NSP. The World Bank also conducts supervision missions to periodically assess NSP progress in achieving development objectives.

4. The grant agreement between the World Bank and the GIRoA requires the MRRD to monitor and evaluate the program, submit quarterly reports, and ensure that a financial management system produces quarterly financial statements that are audited annually. The financing agreement between the World Bank and the GIRoA requires the Afghan Control and Audit Office (CAO) to conduct annual audits of NSP financial statements. As reported in an earlier SIGAR audit, the CAO relies on international consultants and advisors to conduct audits in accordance with international auditing standards. In 2003, the MRRD contracted with an international consultant to help manage the NSP. Since 2006, the MRRD has been shifting NSP management to Afghan nationals, who now fill most senior NSP positions. However, the Afghan employees are contractors, not civil servants, and are paid about five times what civil servants would be paid. Their salaries are paid entirely from donor contributions to the NSP. The MRRD continues to outsource the leadership of the NSP finance department to an international consulting firm.

5. Local residents have provided oversight of NSP funds spent in their communities. Public notice boards announce NSP projects and funding amounts. After a project has been completed, members of some communities, with the assistance of facilitating partners, have formed committees to audit NSP projects, explain their findings to the rest of the community, and hold the community council members accountable for spending.
6. Although the NSP has reported meeting or exceeding most of its quantitative targets, it lacks data and reporting on one of its primary objectives—improving local governance. Without regular measurements of improvements in this area, it is difficult to determine the extent to which the NSP has achieved or will achieve this objective. Furthermore, the future role of the elected CDCs, which the NSP is creating to be the local governance bodies, remains uncertain. The Afghan Constitution provides for elected village councils. Although the MRRD, the Afghan Ministry of Finance, and international donors support the conversion of the CDCs to village councils, a new GIRoA sub-national governance policy, developed by the Independent Directorate of Local Governance does not envision the conversion of CDCs into village councils. The 2010 sub-national governance policy calls for holding elections in 2011 for village councils.

7. As it begins its third phase, the NSP faces a number of operational challenges. Some have been long-standing issues, such as ensuring timely payments of block grant funds to the CDCs, as well as timely payments to facilitating partners for their work. The decision to expand the NSP into more insecure areas presents additional implementation and oversight challenges. The NSP’s new “insecure areas strategy” gives the MRRD, the NSP, and facilitating partners more flexibility in implementing requirements, including those pertaining to CDC elections, women’s participation, engineering review, and block grant transfers. Oversight of the program in insecure areas is likely to decrease. SIGAR is concerned that expansion into less secure areas will limit or dilute the NSP’s ability to achieve intended outcomes.

RECOMMENDATIONS
As the United States looks for ways to increase direct assistance to the GIRoA, having confidence in the NSP is particularly important. The proposed funding increase for the third phase of the NSP provides an opportunity for the United States and other international donors to use the NSP as a vehicle to meet these direct assistance goals. Although the program has made progress in providing local governance training and development funding to thousands of rural communities in the more secure districts of Afghanistan, it is less certain how well the program will work in insecure areas. SIGAR made a number of recommendations to recover funds, strengthen oversight, and ensure that the NSP achieves its objectives.

To help ensure that about $2.8 million of NSP funds and $84,648 in unearned transfer fees retained by a hawala dealer in Paktika province are used for their intended purposes, SIGAR recommended that the U.S. Ambassador take the following action:

- Urge the GIRoA to continue its efforts to recover those funds from the hawala dealer and either reprogram the recovered funds for NSP activities or return the funds to the ARTF.

To improve internal controls associated with monitoring and accounting for donor funds and to help mitigate the potential effects of future challenges identified
in the audit, SIGAR recommended that the U.S. Ambassador to Afghanistan encourage the NSP, the MRRD, and the World Bank to take the following actions:

- Strengthen the existing monitoring system within the program, and improve the quality of the internal monitoring reports to measure progress toward established performance indicators, to show improvements in local governance and linkages over time between local communities and the GIRoA as a result of NSP activities.
- Seek final determination by the GIRoA as to whether CDCs, established by the NSP, should become village councils.
- Continue to improve the block grant transfer system to ensure that CDCs receive and have access to funds in a timely and consistent manner—particularly during the seasons in which they can implement approved projects.
- Strengthen and streamline the system for paying facilitating partners in accordance with NSP contractual obligations.
- Closely monitor and evaluate NSP activities in insecure areas to determine whether the greater flexibility in applying internal controls results in losses of NSP funds or the failure to achieve program objectives.

**AGENCY COMMENTS**

The U.S. Embassy generally concurred with this report’s findings. The Embassy noted that steps have already been taken to strengthen the monitoring of the NSP’s progress toward its governance objective, and that the GIRoA has begun taking action to recognize CDCs as interim village councils. SIGAR welcomes these actions and believes that, if implemented, those steps will substantially address the report’s recommendations.

The World Bank generally concurred with the report’s findings but noted that there had been no delays in payments of block grants during the Afghan fiscal year—solar year (SY) 1389 (March 2010 to March 2011). SIGAR acknowledges that there have been improvements in the timeliness of block grant payments and that most block grants are received in a timely manner. However, the lack of cash in some remote branches of the country’s central bank (Da Afghanistan Bank), particularly during the summer, has not been resolved.

**Audit 11-9: Security/ANSF Construction Contract**

**ANA Facilities at Mazar-e Sharif and Herat Generally Met Construction Requirements, but Contractor Oversight Should Be Strengthened**

The U.S. reconstruction strategy in Afghanistan depends on building the capacity of the ANSF to assume responsibility for Afghanistan’s security by 2014. A key element of the effort to build the ANSF is the construction of facilities to house and train the ANA and the ANP. This audit is one of a series of audits examining the costs, oversight, and outcomes of contracts to build facilities for the ANSF. SIGAR’s earlier audits of construction of ANSF facilities have identified schedule delays and cost overruns resulting from inadequate oversight of contractors. This audit found similar problems, including $5 million in approved funding increases on one of the projects.
In 2008, the Combined Security Transition Command - Afghanistan (CSTC-A) funded two projects through the Air Force Center for Engineering and the Environment (AFCEE) to support construction of additional ANA facilities at Camp Shaheen outside Mazar-e Sharif in Balkh province and at Camp Zafar outside Herat in Herat province. AFCEE awarded two cost-plus-fixed-fee task orders for $42.3 million to CH2M Hill Constructors, Inc. (CH2M Hill) and awarded one to AMEC Earth and Environment, Inc (AMEC).

OBJECTIVES
This audit report had three reporting objectives:
• Examine modifications to the task orders awarded to CH2M Hill and AMEC and assess the nature and adequacy of project oversight by AFCEE.
• Determine whether construction at Mazar-e Sharif and Herat met the terms of the task orders.
• Evaluate efforts to ensure the sustainability of the facilities.

FINDINGS
1. The projects at Mazar-e Sharif and Herat experienced cost increases and project delays. At Mazar-e Sharif, project costs increased from $17 million to $23.2 million. As of February 2011, the project was 20 months behind schedule as a result of several modifications to the task order, including a utility upgrade. Construction delays occurred primarily because the contractor had difficulty obtaining the two generators called for as part of the utility upgrade. At Herat, several modifications to the task order increased costs from $11.6 million to $19 million, and the project was more than nine months behind schedule. The Herat project experienced the $7.4 million cost increase and delays in part because of poor contractor performance. Despite repeated indications of that poor performance, the contracting officer did not follow up to ensure that the contractor took corrective actions. The AFCEE contracting officer approved more than $5 million in funding increases as well as schedule extensions for the project at Herat, even though he knew that the contractor had significant difficulty staying within budget and maintaining a schedule. Furthermore, AFCEE did not provide timely information to other U.S. government contracting officials on the contractor’s performance in Herat through the Construction Contractor Appraisal Support System.

2. SIGAR found that the quality of construction at both sites generally met the terms of the contract requirements. For example, the buildings SIGAR inspected at Herat appeared to have properly applied interior and exterior finishes; windows and doors were working; and plumbing and electrical systems were operational. However, SIGAR identified minor problems, including inadequate grading in some areas, that could lead to flooding.

3. Although AFCEE and CSTC-A have taken steps to provide for the sustainment of the Mazar-e Sharif and Herat facilities, these efforts did not occur in a timely manner. First, AFCEE did not arrange for the facilities to be
covered under the operations and maintenance contract for CSTC-A facilities in Afghanistan until after most of the work had been completed. Second, although CSTC-A updated its “austere” or “Afghan-friendly” construction standards and developed a mechanism for taking feedback from key stakeholders into account when revising these standards, these updates were not available to contractors while they were implementing the Mazar-e Sharif and Herat projects.

RECOMMENDATIONS
As the U.S. military transfers to the ANA the responsibility to provide for its own security—a key to the counter-insurgency effort—the importance of having well-constructed and sustainable facilities available for the ANA increases. To strengthen contractor oversight and ensure that other U.S. contracting agencies have accurate information on contractor performance, SIGAR made two recommendations to the Director of AFCEE:

- Establish and implement procedures to ensure that contracting officers follow up on contractors’ plans to take corrective action in a timely manner.
- File a final rating of the prime contractor at Herat in the Construction Contractor Appraisal Support System.

AGENCY COMMENTS
In commenting on a draft of this report, AFCEE stated that it will begin setting specific deadlines for stakeholders, including the contracting officer, to follow up when performance problems are identified. In response to our second recommendation, AFCEE stated that it has filed a rating in CCASS on the contractor in Herat.

Audit 11-10: Security/Afghan National Police
Despite Improvements in MoI’s Personnel Systems, Additional Actions Are Needed To Completely Verify ANP Payroll Costs and Workforce Strength

The development of the ANP is a primary U.S. reconstruction objective in Afghanistan and is essential for protecting Afghan citizens and maintaining the rule of law. Current plans call for increasing the number of ANP personnel to 134,000 by October 2011. Because the GIRoA did not have the resources to pay for the ANP, the international community created the Law and Order Trust Fund (LOTFA) in 2003 to support ANP expenses. Since then, the United States and other international donors have contributed at least $1.5 billion through the LOTFA to fund recurrent ANP costs—primarily salaries, benefits, and allowances. The United States has donated more than $545 million to the LOTFA, which is managed by the UNDP.

The GIRoA’s ability to grow and sustain the ANP will depend in part on the extent to which it has the management systems and processes in place to track ANP personnel and to account for the ANP payroll. The ANP falls under the authority of the Ministry of Interior (MoI). The United States, in partnership with
the international community and the GIRoA, has supported the development and maintenance of multiple management systems to enable the MoI to keep track of ANP personnel and salary disbursements.

OBJECTIVES
SIGAR initiated this audit to determine the extent to which the GIRoA has the personnel management systems and processes it needs to effectively and efficiently support an independent and accountable police force. This audit report had three objectives:

- Determine whether the MoI's personnel systems accurately account for the ANP workforce.
- Determine whether the MoI's payroll system accurately accounts for the ANP payroll, including money disbursed by the LOTFA.
- Assess whether the personnel and payroll systems being developed will support the ANP and be sustainable.

FINDINGS
1. The MoI is using four systems and processes to report on ANP personnel and one system to account for the ANP payroll. Although the MoI is automating its human resource records and developing personnel management systems to improve ANP accountability, it is not yet able to determine the actual number of ANP personnel because it is not able to reconcile personnel records or verify data contained in these personnel systems and databases. As of September 30, 2010, the number of ANP records in different systems, databases, and processes ranged from 11,774 to 125,218. The MoI's systems and databases contain basic ANP personnel, biometric, identification card, and registration information, but these systems and databases are decentralized. Moreover, they contain records and data that are incomplete, unverified, and unreconciled.

2. Since 2002, the UNDP has disbursed almost $1.26 billion from the LOTFA to reimburse ANP payroll and other costs. As of September 2010, about 21% of ANP personnel were still paid by cash, and neither the MoI nor the UNDP have verified payroll data. They cannot confirm that only ANP personnel who work have been paid. The UNDP provides most of the oversight and monitoring of the LOTFA and ANP payroll costs, and charges a management fee for these services. In addition, the UNDP has contracted for an independent monitor to assist with oversight of the LOTFA.

3. The MoI is developing personnel and payroll systems to support the ANP. Current efforts to account for, automate, and centralize all personnel and payroll data and records will further aid the sustainment of the ANP. However, the MoI will continue to face challenges in gathering personnel and payroll data, centralizing the data within a system, and integrating into other systems until long-standing issues with security, infrastructure, and coordination are addressed.
RECOMMENDATIONS
To improve accountability for ANP personnel and payroll costs, SIGAR made five recommendations.

To improve the UNDP's monitoring and oversight of U.S. and other international donations contributed into the LOTFA, as well as address the UNDP management fee, SIGAR recommends that the U.S. Ambassador to Afghanistan take the following action:

• Require that the U.S. representative on the LOTFA Steering Committee follow up with the UNDP to ensure that an opinion is rendered on the available international donations in the LOTFA at the end of each audit period, and request that the U.S. Mission at the United Nations help to negotiate and ensure that the UNDP management fee of 3% for LOTFA Phase VI is approved.

To address the development of the MoI's personnel and payroll systems to help ensure that they provide consistent and reliable ANP workforce data and payroll costs, as well as ensuring that only eligible ANP costs are reimbursed with LOTFA funds administered by the UNDP, SIGAR recommends that the Commanding General for NTM-A/CSTC-A take the following actions:

• Develop written guidance for roles and responsibilities of the MoI and CSTC-A for future personnel inventories to account for the ANP workforce and verification of personnel and payroll data in MoI's payroll, personnel, identification card/registration, and biometric databases and systems.

• Take the following steps as part of all future personnel inventories and data verifications to help ensure the reliability of the number of ANP personnel records and related data:
  • Designate the MoI's Human Resources Information System as the MoI's official source for personnel inventories and data verifications, registration of police, issuance of identification cards, and conversion of manual human resource records into the Human Resource Information System for the ANP.
  • Compare common data fields, such as identification cards, in each MoI personnel and payroll system and database to verify the data found in those systems and databases.
  • Incorporate the Biometric Identification Verifier with biometric jump kits—the equipment used to gather biometric data, such as fingerprints, photographs, and iris scans—to help prevent the creation of duplicate biometric records and related transaction control numbers for ANP personnel in the Afghanistan Automated Biometric Information System.
  • Verify selected payroll and personnel data fields in existing ANP records, enter missing data to ensure the completeness of all ANP records, and create a new record for any ANP personnel not in a system or database.
  • Compare the number of records and common data fields in each payroll and personnel system to help ensure that all unverified ANP personnel are removed or identified as inactive and ensure that the payroll disbursements are stopped.
• Develop a plan to ensure a coordinated effort by the MoI and CSTC-A to automate and centralize each payroll and personnel system and database, and establish a link between those systems and databases.
• Require the MoI to report ANP payroll and food allowance costs separately by funding source to help identify and track the costs that are eligible for reimbursement by the LOTFA.

AGENCY COMMENTS
In commenting on a draft of this report, the U.S. Embassy partially concurred with the recommendation to it, and NTMA/CSTCA concurred or partially concurred with the four recommendations to it. Each outlined actions it has taken or plans to take that will substantially address our concerns.

NEW AUDITS ANNOUNCED THIS QUARTER
This quarter, SIGAR announced four new audits of key aspects of the U.S. reconstruction effort in Afghanistan. They will assess the Afghan First Initiative in Reconstruction Contracting; USAID’s financial audit coverage of costs incurred under contracts, cooperative agreements, and grants for reconstruction; oversight of contractors and private security contractors (PSCs) as required by the FY 2011 National Defense Authorization Act (NDAA); and the private security services provided by Hart Security Limited as a subcontractor for the Louis Berger Group.

Implementation of the Afghan First Initiative for Contracting
U.S. Forces - Afghanistan (USFOR-A) and the U.S. Mission to Afghanistan have adopted an Afghan First approach to contracting to promote economic growth, capacity development, and related counter-insurgency objectives by encouraging the use of Afghan firms to meet U.S. requirements for supplies and services. This audit has three objectives:
• Review the systems and controls in place to identify capable Afghan contractors, including efforts to develop databases of vetted Afghan contractors, and ensure that applicable laws and regulations are being followed.
• Evaluate efforts by U.S. and coalition partners to identify and address vulnerabilities of the Afghan First Initiative to waste, fraud, and abuse, including weaknesses in Afghan capacity.
• Determine what key challenges, if any, have been experienced in implementing the Afghan First Initiative and associated strategies.

USAID’s Financial Audit Coverage of Costs Incurred under Contracts, Cooperative Agreements, and Grants for Afghanistan Reconstruction
According to USAID’s Office of Inspector General, USAID’s obligations for reconstruction in Afghanistan totaled approximately $11.7 billion for fiscal years 2002–2010. USAID provided most of these funds to contractors and non-profit organizations through contracts, cooperative agreements, and grants. Financial
audits of costs incurred under these financial mechanisms provide valuable oversight over appropriated funds by determining the appropriateness of direct and indirect costs, as well as identifying weaknesses in internal controls and compliance with applicable laws and regulations. This audit has three objectives:

- Determine USAID’s requirements for conducting financial audits of its contracts, cooperative agreements, and grants.
- Identify USAID’s reconstruction contracts, cooperative agreements, and grants in Afghanistan from 2007 to the present.
- Determine the extent to which USAID has met or plans to meet financial audit requirements.

**NDAA-Mandated Oversight of Contractors and PSCs in Afghanistan**

Section 1219 of the FY 2011 NDAA requires SIGAR to (1) issue recommendations on measures to increase oversight of contractors engaged in activities relating to Afghanistan, (2) report on the status of DoD, USAID, and DoS efforts to implement existing recommendations regarding oversight of such contractors, and (3) report on the extent to which military and security contractors or subcontractors (private security contractors or PSCs) have been responsible for the deaths of Afghan civilians. The NDAA also requires SIGAR to provide recommendations for reducing U.S. reliance on (1) military and security contractors or subcontractors who have been responsible for the deaths of Afghan civilians and (2) Afghan militias or other armed groups that are not part of the ANSF.

In accordance with Section 1219(a) of the NDAA, SIGAR has begun consultations with the DoD Office of the Inspector General, the DoS Office of Inspector General, and the USAID Office of Inspector General to address these matters. This audit has three objectives:

- Determine to what extent DoD, USAID, and DoS have implemented contractor oversight recommendations and identify systemic issues that these recommendations were intended to address.
- Determine to what extent PSCs have been responsible for the deaths of Afghan civilians.
- Identify the steps that implementing agencies have taken to minimize U.S. reliance on PSCs.

**Private Security Services Contract Provided by Hart Security Limited to Louis Berger Group**

SIGAR has begun a contract audit of the private security services provided by Hart Security Limited as a subcontractor for the Louis Berger Group. This audit will focus on the cost, schedule, and outcomes of the subcontract(s), as well as contract oversight. SIGAR will also examine whether the services provided were in accordance with the subcontract provisions and various U.S. and Afghan laws and requirements, including vetting, reporting of serious incidents, arming authorization, and weapons accountability. This audit has two objectives:
Determine what services Hart provided and whether the services were provided within the terms of the contract and any modifications, including cost, schedule, and outcomes.

Identify the oversight requirements of USAID and the Louis Berger Group over Hart and how USAID and LBG ensured that U.S. and Afghan laws and requirements were complied with.

ONGOING AUDITS: CONTRACT
SIGAR is conducting two audits of USAID reconstruction contracts, two audits of contracts to build ANSF facilities, and one audit of a contract for private security services.

Review of USAID’s Cooperative Agreement with CARE International for the Community Development Program for Kabul
SIGAR is assessing a $60 million cooperative agreement between USAID and CARE International—the Community Development Program for Kabul—one of four programs addressing food insecurity in major urban areas in Afghanistan. The completion date of the one-year program was originally March 2010; however, the program has been extended to September 2011. The audit has four objectives:

• Assess the process and procedures USAID followed to award this cooperative agreement.
• Determine whether the contract is being implemented within the cost, schedule, and outcome terms of the agreement.
• Evaluate USAID’s and CARE’s oversight of the program, including controls over cash disbursements.
• Assess the extent to which program goals have been achieved.

USAID Contracts for Local Governance and Community Development Projects
SIGAR is examining the performance, costs, and outcomes of USAID’s contracts in support of its Local Governance and Community Development projects. The audit has four objectives:

• Assess whether contracts are completed within contract terms, including construction plans and specifications, cost, schedule, and outcome.
• Assess oversight of the contractor’s work.
• Evaluate the extent to which projects are being sustained.
• Identify the PSCs, if any, that were hired to provide personnel or site security, their roles, whether they were approved by the GIRoA, and the effect on future work of changes in the GIRoA’s policy on PSCs.

Infrastructure Projects at the Kabul Military Training Center
SIGAR is examining AFCEE’s management of infrastructure projects at the Kabul Military Training Center. From FY 2007 through FY 2010, AFCEE obligated approximately $161 million for five task orders under three indefinite-delivery/
Afghan workers continue the third phase of construction at the Kabul Military Training Center. A key element of U.S. reconstruction strategy is to build infrastructure for the ANSF—including facilities to train and house the ANA and ANP—to enable the ANSF to assume responsibility for security in 2014. (SIGAR photo, Warren Anthony)

indefinite quantity contracts at the Center. Under these contracts, AFCEE awarded a combination of cost-plus-fixed-fee, firm-fixed-price, and time-and-materials task orders. Work required under these task orders included planning, construction, and oversight functions with different completion dates. This audit has four objectives:

- Assess whether the projects are completed within the terms of the contract and construction plans and specifications, including cost, schedule, and outcome.
- Assess AFCEE’s compliance with contract administration and oversight requirements, including AFCEE policy and regulations, contract provisions, and the Federal Acquisition Regulation.
- Identify plans, if any, for the ANA to take possession of the facilities, perform maintenance, and pay for sustainment costs.
- Identify the PSCs, if any, that were hired to provide personnel or site security, their roles, and whether they were approved by the GIRoA.

**Construction at the Afghan National Security University**

SIGAR is assessing construction projects and related activities at the Afghan National Security University (formerly called the Afghan Defense University). AFCEE awarded a cost-plus-fixed-fee task order to AMEC Earth and Environment under an indefinite-delivery/indefinite quantity contract for construction at the Afghan National Security University in the Qaragh area of Kabul. At the time of award, the task order was valued at approximately $70 million, and the project
was to be completed in June 2010. Since then, AFCEE has issued five modifications to the task order, adding and removing requirements, increasing the amount obligated to about $83 million, and extending the completion date through June 2011. This audit has four objectives:

- Assess whether the project is being completed within the terms of the contract, including cost, schedule, and outcome.
- Assess AFCEE compliance with contract administration and oversight requirements, including AFCEE policy and regulations, contract provisions, and the Federal Acquisition Regulation.
- Identify plans for the ANA to take possession of the facilities, perform maintenance, and pay for sustainment.
- Identify which PSCs, if any, were hired to provide personnel or site security; their roles; and whether they were approved by the GIRoA.

**Review of Reconstruction Security Support Services from Global Strategies Group, Inc.**

SIGAR is examining whether the U.S. Army Corps of Engineers (USACE) received the security services it needed from the contractor at a reasonable cost. SIGAR re-scoped this audit to clarify the objectives. The re-scoped audit has two objectives:

- Identify the services provided by Global Strategies Group (Global) and determine whether those services were provided in accordance with the contract, including schedule, cost, and any modifications.
- Determine whether USACE conducted its oversight of the Global contract in accordance with the Federal Acquisition Regulation, USACE requirements, and any oversight provisions in the contract.

**ONGOING AUDITS: RECONSTRUCTION PROGRAMS AND OPERATIONS**

SIGAR has seven ongoing audits of programs and operations that are critical to the U.S. reconstruction strategy to develop the ANSF, improve governance, and foster economic development.

**Accountability of ANSF Vehicles**

The United States has provided tens of thousands of vehicles to the ANSF and plans to provide thousands more through at least 2012. Most of these vehicles have been purchased through the Foreign Military Sales system, which is administered by the Defense Security Cooperation Agency. This audit, which is focused on vehicles, will provide insight on the overall ability of the ANSF to account for, track, and maintain equipment. This audit has three objectives:

- Examine ANSF’s vehicle requirements and the extent to which they have been met.
- Assess whether CSTC-A and the ANSF can fully account for vehicles purchased with U.S. funds for the ANSF, including vehicle numbers, types, and operational status.
Small farms like this one outside Jalalabad in Nangarhar province are the backbone of Afghan agriculture. An ongoing SIGAR audit is reviewing the strategies, objectives, and success of U.S. assistance to the agriculture sector. (SIGAR photo, Leigh Caraher)

- Evaluate how CSTC-A ensures that the ANSF can properly safeguard, account for, operate, and maintain vehicles purchased with U.S. funds.

**U.S. Assistance To Develop Afghanistan’s Agriculture Sector**
A top priority of the U.S. strategy in Afghanistan is to rebuild the agriculture sector. This audit has four objectives:
- Identify U.S. and donor assistance to Afghanistan’s agricultural sector through the second quarter of FY 2011.
- Identify strategies and objectives guiding U.S. assistance to develop Afghanistan's agricultural sector.
- Assess the extent to which U.S. agricultural assistance is achieving strategic goals and objectives.
- Evaluate the extent to which U.S. agricultural assistance is vulnerable to waste.

**U.S. Efforts To Strengthen the Capabilities of the Afghan Major Crimes Task Force**
SIGAR is assessing U.S. efforts to strengthen the capabilities of the Afghan Major Crimes Task Force. This audit is related to a series of reviews examining U.S. and donor assistance to support the GIRoA’s anti-corruption capabilities. The audit has three objectives:
- Identify U.S. and other donor assistance to strengthen the Major Crimes Task Force.
- Determine whether U.S. efforts were designed and implemented in accordance with applicable laws and regulations.
- Determine whether U.S. assistance is achieving intended results.
U.S. and International Donor Assistance for Development of the Afghan Banking Sector and Afghan Currency Control Systems

The U.S. Congress has expressed concerns about the stability of Afghanistan's financial system and the volume of cash leaving Afghanistan via the Kabul International Airport. To address congressional inquiries, SIGAR initiated an audit of U.S. efforts to monitor the flow of U.S. funds through the Afghan economy and U.S. initiatives to strengthen regulation of the Afghan financial sector. The audit has two objectives:

- Examine the controls that U.S. agencies have in place to track U.S. funds as they flow through the Afghan economy.
- Evaluate the extent to which U.S. efforts to improve the capacity of the Afghan government to regulate the financial sector face challenges.

Implementation of the Defense Base Act Insurance Program for Contractors in Afghanistan

The Defense Base Act (DBA) Insurance Program, administered by the U.S. Department of Labor, requires federal government contractors and subcontractors to provide workers’ compensation insurance for employees who work outside the United States. USACE uses a single-source insurance provider. This audit is focused on the DBA program as implemented by USACE, which also covers the CENTCOM Joint Theater Support Contract Command (C-JTSCC). The audit has three objectives:

- Determine how the program works.
- Assess the extent to which reconstruction funding for DBA has been handled and accounted for in compliance with relevant laws, regulations, policies, and procedures.
- Evaluate how USACE and C-JTSCC ensure that DBA insurance is provided and maintained by contractors.

Costs and Sustainability of the U.S. Civilian Uplift in Afghanistan

The U.S. strategy in Afghanistan relies in part on the U.S. government’s ability to deploy and sustain a civilian effort to build governance and support economic development across the country. The number of U.S. civilian personnel in Afghanistan has increased significantly—from 261 in January 2009 to 989 as of February 2011. The Department of State (DoS) has proposed to increase the number of civilians to a total of 1,350 by 2012. Conducted jointly with the DoS Office of Inspector General, this audit is a follow-on audit of aspects of the implementation of the civilian uplift, as well as the sustainability of deploying additional civilians to Afghanistan. The audit has three objectives:

- Determine the costs of the civilian uplift in Afghanistan to date.
- Evaluate DoS’s internal controls for managing the civilian uplift.
- Assess the sustainability of the uplift.
Use and Accountability of U.S. Funds Contributed to the Afghanistan Reconstruction Trust Fund

This audit is assessing the ARTF, the largest vehicle for international direct assistance to the GIRoA. The World Bank administers the ARTF, which is financed by contributions from the United States and other donor nations. ARTF contributions flow through the Afghan national budget and provide a means for the United States and other donors to provide development assistance directly to the GIRoA. As of September 2010, the United States had contributed $972 million—nearly one-fourth of all contributions to the trust fund ($4 billion from 32 different countries and international organizations). This audit is one in a series of reviews examining U.S. and other donor assistance to support the GIRoA’s anti-corruption capabilities, as well as internal controls over U.S. and other donor funds provided to the GIRoA. The audit has three objectives:

• Identify the steps taken by the United States and World Bank to ensure that U.S. contributions to the ARTF are adequately monitored and accounted for.
• Identify whether funds have been used for their intended purposes.
• Assess the extent to which there are gaps and risks in the mechanisms used to monitor the use of ARTF funds.

FORENSIC AUDITS

SIGAR is analyzing more than $39 billion of reconstruction contract data from three Afghanistan reconstruction funds: the ASFF, the ESF, and INCLE. SIGAR is conducting these forensic reviews under the authority of P.L. 110-181, as amended, which requires SIGAR to investigate improper payments—such as duplicate payments or ineligible vendors—and to prepare a final forensic audit report on programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan.

Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction

In March 2010, SIGAR initiated a review of DoD appropriation, obligation, and expenditure transaction data related to the ASFF, now totaling $27.83 billion in appropriations for fiscal years 2005 through 2010. Obtaining data to perform a comprehensive forensic review has been a challenge. SIGAR has limited visibility into the line detail of these transactions because after obligation a significant amount of ASFF dollars are transferred immediately to a Foreign Military Sales trust-fund account to await disbursement.

On April 19, 2011, SIGAR met with the Principal Deputy Director of Defense Finance and Accounting Service (DFAS) to develop a path forward to obtain the required data. SIGAR will continue to work in conjunction with DFAS to attempt to develop computer-aided algorithms that will bring in the required data from various source systems in order to complete a comprehensive forensic review, in accordance with SIGAR’s congressional mandate.
In the meantime, SIGAR has begun a forensic review of $1.7 billion of ASFF-related disbursements from USACE for fiscal years 2005 through 2009. SIGAR is identifying and reviewing anomalies, such as duplicate payments and vendors on the excluded party lists.

**Forensic Review of USAID Transaction Data Related to Afghanistan Reconstruction**

SIGAR has completed a preliminary review of USAID appropriation, obligation, and expenditure transaction data, primarily related to the Economic Support Fund, from FY 2002 to July 2010. The disbursements total $7.4 billion. The review focused on 73,272 transactions and 1,211 vendors. Forensic analysts performed a series of 19 forensic tests to isolate anomalies. Preliminary results have indicated a number of anomalous activities and exceptions.

SIGAR’s forensic team is reviewing source documentation to validate these exceptions and is working with USAID and SIGAR’s Investigative Directorate to examine contract documentation, invoices, and payment files. When appropriate, SIGAR is incorporating its findings into audits. SIGAR is also applying a risk-scoring methodology to further identify potential areas of focused audit and investigative work. SIGAR will analyze additional periods of USAID data on an ongoing basis.

**Forensic Review of DoS Transaction Data Related to Afghanistan Reconstruction**

SIGAR initiated a review of $2.68 billion of DoS appropriation, obligation, and expenditure transaction data related to INCLE from FY 2002 to the present. DoS provided sample data to SIGAR in March 2011. SIGAR has reviewed the sample and identified additional data fields that are needed to complete a comprehensive forensic analysis. SIGAR is working with DoS to get this additional information and perform a final data pull. SIGAR will begin the initial forensic review as soon as it receives the data.

**INVESTIGATIONS**

This quarter, SIGAR closed 45 cases and opened 16 new cases, bringing the total number of ongoing cases to 76. Of these 76 cases, 48 (63%) involve allegations of contract or procurement fraud. Twenty of the open cases (26%) concern public corruption or bribery. The remaining eight (6%) address allegations of theft. Figure 1.1 shows the new investigations by type.

**SIGAR PROSECUTORIAL INITIATIVE**

During this reporting period, SIGAR hired an experienced litigator and detailed this individual to the Department of Justice (DoJ) to develop and prepare cases involving reconstruction dollars for prosecution or civil litigation. As a special U.S. Attorney, the SIGAR attorney will be responsible for handling criminal prosecutions and civil matters associated with reconstruction contracting.
construction, program implementation, and operations. This individual will work closely with SIGAR investigators and DoJ prosecutors and civil litigators to ensure appropriate and timely prosecutions of the waste, fraud, and abuse of reconstruction funds. As a result of this action, SIGAR has been able to significantly increase its collaboration with DoJ’s criminal and civil divisions.

**AFGHAN SHAFAFIYAT INVESTIGATIVE UNIT ARRESTS CONTRACTOR**

SIGAR agents in Kabul assisted the Afghan Shafafiyat Investigative Unit (ASIU) in the investigation of a joint venture involving an Afghan company and a South Korean company alleged to have defrauded subcontractors of $1.1 million. The bank manager of a local bank in Kabul was also alleged to have been involved in the conspiracy. In January 2011, the Afghan Attorney General’s Office issued arrest warrants for one Korean, one Afghan, and one Pakistani. On February 4, 2011, Afghan authorities arrested the Korean citizen as he attempted to flee the country. The Pakistani citizen is believed to have successfully fled to Pakistan, and the Afghan citizen remains at large.

SIGAR has a special agent assigned full-time to the ASIU. Afghanistan’s Deputy Attorney General thanked SIGAR for referring this case to the ASIU.

**PROPOSED DEBARMENT OF 22 AFGHAN CITIZENS**

On February 28, 2011, USAID announced the proposed debarment of 22 Afghans alleged to have been extorting payments from local subcontractors seeking work on USAID-funded projects. These Afghans had been employed by a contractor that is implementing USAID’s Local Governance and Community Development program in 23 provinces.

As noted in previous quarterly reports, SIGAR received information alleging that Afghans employed by USAID’s local governance program were taking kickbacks and bribes. Soon after opening a criminal investigation, SIGAR discovered that the USAID Office of Inspector General was conducting a similar investigation. To maximize resources, SIGAR and USAID joined their efforts. In October 2011, SIGAR closed its criminal case and began the debarment review.

**INVESTIGATION IDENTIFIES FAULTY CONSTRUCTION**

During this reporting period, the Provincial Reconstruction Team (PRT) in Kunar province, acting on information provided by SIGAR, took action to ensure that an Afghan company makes the repairs necessary to ensure that a bridge is built according to contract specifications. Acting on the information provided by SIGAR, the PRT inspected the $1.2 million Pashad Truck Bridge and found that it had not been properly completed. The PRT advised the contractor that he would not be paid until repairs, estimated to total several hundred thousand dollars, had been made.
During SIGAR’s investigation, agents learned that the contractor had allegedly used inferior construction materials that jeopardized the integrity of the bridge. SIGAR encouraged the PRT and USACE engineers to inspect the project. The inspection found that inferior materials had been used, and the PRT advised the contractor who was responsible for making the repairs.

**SIGAR HOTLINE AND COMPLAINTS MANAGEMENT SYSTEM**

During this reporting period, the SIGAR Hotline received 106 complaints. SIGAR Investigations is assessing 15 of these complaints and has referred 15 to other federal law enforcement agencies. SIGAR closed the remaining 71 for lack of merit. The sources and dispositions of these complaints are shown in Figures 1.2 and 1.3.

**SIGAR BUDGET**

The Congress established SIGAR in 2008 and has appropriated about $71.6 million since then to cover the organization’s operating expenses, including $25.5 million for FY 2011. SIGAR carried over $7.2 million from FY 2010, which brings its total FY 2011 budget to $32.7 million.

Since 2008, the Congress has significantly increased funding to rebuild Afghanistan. From 2002 to 2008, the Congress provided $26.23 billion for Afghanistan reconstruction; it has provided at least $45.6 million from 2008 through 2011. This figure will be higher because it does not include funding for DoS and USAID reconstruction programs for Afghanistan for FY 2011. In his FY 2012 budget request, President Obama asked for an additional $17.3 billion to build Afghan security forces, improve governance, and lay the foundation for economic development in Afghanistan.

*FIGURE 1.2*

**SOURCE OF SIGAR HOTLINE COMPLAINTS, JANUARY 1–MARCH 31, 2011**

- Total: 106
- E-mail: 99
- Written (not e-mail): 1
- Phone: 6

*FIGURE 1.3*

**STATUS OF SIGAR HOTLINE COMPLAINTS: JANUARY 1–MARCH 31, 2011**

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<th>Status</th>
<th>Number</th>
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</tr>
<tr>
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<tr>
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<td>71</td>
</tr>
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<tr>
<td>Evaluation</td>
<td>2</td>
</tr>
<tr>
<td>Under Review</td>
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</tr>
</tbody>
</table>

Total: 106

a. Case has been reviewed, and SIGAR is obtaining additional information.

b. Conducting preliminary investigative work to gather appropriate information and guidance for administrative tracking.

To provide oversight of the expanded effort to rebuild Afghanistan, SIGAR must increase its coverage of reconstruction efforts beyond Kabul, Kandahar, and Bagram. SIGAR’s budget request of $44.4 million for FY 2012 will enable the organization to hire the auditors and investigators needed to detect and deter waste, fraud, and abuse of taxpayer dollars. Table 1.1 summarizes SIGAR’s funding through FY 2011.

**SIGAR STAFF**

SIGAR’s staff totals 123 federal employees. In light of the President’s requests for significant increases in reconstruction funding, SIGAR plans to continue hiring experienced auditors and investigators throughout the coming year. Depending on its funding, SIGAR’s goal is to have 180 full-time employees in FY 2012.

Through its agreements with the U.S. Embassy in Kabul and USFOR-A, SIGAR is authorized to fill 45 positions in Afghanistan—33 at the Embassy and 12 at military bases in the field. SIGAR staff are now working at several locations in Afghanistan. SIGAR also employs two foreign service nationals in its Kabul office. SIGAR supports its work with staff assigned on short-term temporary duty in Afghanistan.

Table 1.1

<table>
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<th>Appropriation</th>
<th>Public Law</th>
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<td>P.L. 110-252</td>
<td>2.0</td>
</tr>
<tr>
<td>H.R. 2642, Supplemental Appropriations Act, 2008</td>
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<tr>
<td>H.R. 2346, Supplemental Appropriations Act, 2009</td>
<td>P.L. 111-32</td>
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<td>H.R. 3288, Consolidated Appropriations Act, 2010</td>
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<td>H.R. 4899, Supplemental Appropriations Act, 2010</td>
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<td>P.L. 112-10</td>
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<td><strong>Total</strong></td>
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<td><strong>71.7</strong></td>
</tr>
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</table>

*a. Congress rescinded $7.2 million of funds made available for SIGAR in 2009 (Title XI in P.L. 111-32) and then made them available again—through 3/30/2011—in P.L. 111-212 in 2010.*
Building Toward Transition
More than 1,500 ANA soldiers gather for their graduation from the Regional Military Training Center in Kandahar on March 27, 2011. This quarter, more than 22,000 ANA personnel graduated from a wide range of training programs funded by the Afghanistan Security Forces Fund. (ISAF photo)
2 AFGHANISTAN
OVERVIEW
“There will be tough fighting ahead, and the Afghan government will need to deliver better governance. But we are strengthening the capacity of the Afghan people and building an enduring partnership with them. This year, we will work with nearly 50 countries to begin a transition to an Afghan lead.”

—U.S. President Barack Obama

During this reporting period, the Congress approved the FY 2011 budget, the President submitted his FY 2012 budget request, and the U.S. government intensified its focus on implementing a reconstruction strategy that would transition responsibility for Afghanistan’s security to the Government of the Islamic Republic of Afghanistan (GIRoA) in 2014. Most of the Afghanistan reconstruction money for FY 2011 and FY 2012 will be used to train, equip, and house the Afghan National Army (ANA) and the Afghan National Police (ANP)—efforts that the United States sees as the key to the transition strategy. However, senior U.S. officials told the Congress that achieving a sustainable transition depends not only on building capable security forces, but also on making significant progress in improving governance and the economy. The transition process faces many challenges in these areas, including overcoming systemic corruption and resolving the current Afghan banking crisis that is jeopardizing continuing international donor support. The Congress made some FY 2011 reconstruction funding conditional on the GIRoA addressing these critical issues.

CONGRESS APPROPRIATES FY 2011 BUDGET

On April 15, 2011, President Obama signed the FY 2011 budget, which provided more than $12.6 billion for Afghanistan reconstruction funds managed by the Department of Defense (DoD). When this report went to press, however, the Department of State (DoS) and the U.S. Agency for International Development (USAID) did not yet know how much of the money appropriated to those agencies would be used for reconstruction in Afghanistan.

Reconstruction Funding for the Department of Defense

The signed FY 2011 budget included appropriations for the following DoD-managed funds:

- $11.6 billion for the Afghanistan Security Forces Fund
- $500 million for the Commander’s Emergency Response Program
- $400 million for the Afghanistan Infrastructure Fund
- $150 million for the Task Force for Business and Stability Operations

Of the $12.6 billion that the Congress appropriated to DoD for reconstruction, $11.6 billion is for the Afghanistan Security Forces Fund (ASFF), which is used to develop the Afghan National Security Forces (ANSF). This is nearly a $2.5 billion increase from the FY 2010 appropriations for the ASFF. The legislation also
requires that the Secretary of Defense submit a quarterly report to the congressional defense committees on the proposed use of all funds on a project-by-project basis, as well as an estimate of the total cost to train and equip the ANSF.

Under the FY 2011 National Defense Authorization Act, the Congress reduced its appropriation to the Commander’s Emergency Response Program (CERP) but provided funding for the new Afghanistan Infrastructure Fund (AIF). As SIGAR reported last quarter, the Congress was concerned that DoD was using the CERP to fund large infrastructure projects, rather than for its original purpose—to implement small-scale projects, enabling military commanders to meet urgent humanitarian relief and reconstruction needs within their areas of responsibility. DoD and DoS will jointly approve AIF projects in support of the U.S. counter-insurgency strategy in Afghanistan. The U.S. Army Corps of Engineers and USAID will implement these projects.1

Congress also provided funding for the Task Force for Business and Stability Operations (TFBSO) to help “reduce violence, enhance stability, and restore economic normalcy in Afghanistan through strategic business and economic opportunities.”2 Under the legislation, the TFBSO may implement projects that facilitate private investment and development in the industrial, financial, agriculture, and energy sectors. DoD established the TFBSO in 2006 to promote investment in Iraq’s private sector and create jobs for the Iraqi people. Since 2009, the TFBSO has been active in Afghanistan, where it has focused primarily on exploring ways to develop the country’s mineral resources, which it has estimated at more than $900 billion.

Funding for DoS and USAID Unclear
When this report went to press, it was not clear how much of the funding that the Congress appropriated for DoS and USAID would be allocated to reconstruction programs for Afghanistan. DoS and USAID manage several accounts that fund development programs in Afghanistan and other countries. The largest are the Economic Support Fund (ESF), which supports governance and economic development programs worldwide, and the International Narcotics Control and Law Enforcement (INCLE) account, which funds police, counter-narcotics, rule of law, and justice programs in several countries. Unlike in previous years, DoS did not earmark a funding level for Afghanistan from each account.

CONGRESS CUTS THE ESF AND IMPOSES CONDITIONS ON DIRECT ASSISTANCE TO AFGHANISTAN
The Congress appropriated approximately $5.9 billion for the ESF—$1.9 billion less than requested. In addition to reducing funding for the ESF, the Congress also stipulated that these funds may not be used for direct government-to-government assistance in Afghanistan until the following three conditions are met:

• The Secretary of State certifies to the Congress that the relevant implementing agency has been assessed and considered qualified to manage such funds.
• The United States and the GIRoA have agreed, in writing, to clear and achievable goals for the use of such funds.
• The United States and the GIRoA have established mechanisms within each implementing agency to ensure that such funds are used for their intended purposes.

The United States and other international donors have pledged to channel 50% of their development assistance through the GIRoA’s national budget if the GIRoA implements reforms to strengthen public management systems, reduce corruption, improve budget execution, and increase revenue collection. The goal is to build Afghan governing capacity through direct assistance. The risk is that this money could be lost through mismanagement or corruption. The United States has been working with the GIRoA and other international donors to arrange for independent assessments that would review the staffing, processes, and procedures in each Afghan ministry to provide reasonable assurance that donor money would not be subject to waste, fraud, and abuse. For a discussion of these efforts, see Section 3.

SIGAR ASSESSES DIRECT ASSISTANCE PROGRAMS FOR AFGHANISTAN
Concerned that the GIRoA lacks the capacity to manage and account for donor funds, SIGAR has been conducting audits to address two questions:
• What are the United States and other donor countries doing to build the capacity of Afghan institutions to deter corruption and strengthen the rule of law?
• To what extent do the Afghan institutions that receive significant U.S. funding have the systems in place to account for donor funds?

This quarter, SIGAR issued two audit reports related to direct assistance to the GIRoA that is currently provided through two international trust funds—the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA). The ARTF is managed by the World Bank; the LOTFA, by the United Nations Development Programme (UNDP). The first audit assessed the National Solidarity Program (NSP), Afghanistan’s flagship community development program, which uses ARTF funds to support rural projects and promote local governance. The second examined ANP personnel management systems; the LOTFA funds most of the ANP’s salaries, allowances, and benefits. SIGAR is currently conducting an audit of the ARTF, which supports Afghanistan’s operating budget and its development budget.

The United States, the single largest donor to the NSP, contributed $528 million to the program from 2002 to 2010. SIGAR found that the World Bank, the GIRoA, and the local communities benefitting from NSP projects have mechanisms in place that provide reasonable assurance that NSP funds are being used as intended. SIGAR also found that the NSP has made progress in providing development funding and local governance training to thousands of rural communities in the more secure districts of the country. However, SIGAR is
concerned that the NSP may not achieve one of its primary objectives: building local governance. SIGAR is also concerned that the program will confront additional oversight and implementation challenges as it expands into less secure areas. SIGAR made several recommendations to recover funds, strengthen oversight, and ensure that the NSP achieves its objectives. For a summary of these audit findings and recommendations, see Section 1.

SIGAR’s audit of the ANP personnel management systems found that although the Ministry of Interior had improved its accounting systems, it could not completely verify ANP payroll costs and workforce strength. Since 2003, the United States has contributed about $545 million to the LOTFA—more than a third of the $1.5 billion donated by the international community—to fund ANP recurrent costs (primarily salaries, benefits, and allowances). The UNDP provides most of the oversight and monitoring of the LOTFA and ANP payroll costs, charging a management fee for these services. SIGAR made recommendations to better account for ANP personnel and payroll costs and to improve the UNDP’s monitoring and oversight of U.S. and other international donations to the LOTFA. For more information on these audits, see Section 1.

CONGRESS PUTS ADDITIONAL RESTRICTIONS ON THE USE OF ESF AND INCLE FUNDS

Reflecting concerns about accountability, corruption, and the status of women in Afghanistan, the Congress set a number of additional conditions on the use of ESF and INCLE funds. Before any funds may be obligated, the Appropriations Act requires the Secretary of State, in consultation with the Administrator of USAID, to certify and report to the congressional appropriations committees that the U.S. government and the GIRoA have taken steps to improve governance, deter corruption, and improve the status of women. The Secretary of State must certify the following:

- The GIRoA is demonstrating a commitment to reduce corruption, improve governance, and implement financial transparency.
- The GIRoA is taking credible steps to protect the human rights of women.
- The U.S. government has a unified anti-corruption strategy for Afghanistan.
- Funds will be programmed to support and strengthen the capacity of Afghan public and private institutions and entities to reduce corruption and to improve transparency and accountability of national, provincial, and local governments.
- Representatives of Afghan national, provincial, or local governments; local communities; and civil society organizations will be consulted and will participate in the design of programs, projects, and activities.
- Funds will be used to train and deploy additional U.S. government direct-hire personnel to improve the monitoring and control of assistance.
- A framework and methodology is being used to assess the fiduciary risks on the national, provincial, local, and sector levels relating to public financial management of U.S. government assistance.
SIGAR has conducted a number of audits that address most of these issues, including recommending last year that the United States adopt and implement a comprehensive anti-corruption strategy. SIGAR is conducting audits of Afghanistan’s banking sector, USAID’s local governance and community development initiative, and the U.S. civilian surge that is intended to help build Afghan capacity.

The appropriations bill stipulated these conditions for the use of ESF and INCLE funds:

- To the maximum extent possible, these funds should be used to improve the political, social, and economic position of women and to protect the rights of Afghan women and girls.
- These funds may be used to support the peace and reconciliation process provided (1) that Afghan women are participating at the national, provincial, and local levels of government in the design, policy formulation, and implementation of the reintegration process; and (2) that the funds are not used to support any pardon or immunity from prosecution for any leader of an armed group responsible for crimes against humanity, war crimes, or other violations of internationally recognized human rights.
- These funds may be made available as a U.S. contribution to the ARTF unless the Secretary of State determines that the World Bank’s monitoring agent is unable to conduct its financial control and audit responsibilities because of restrictions on security personnel by the GIRoA.
- These funds may be used for a U.S. contribution to the NATO/ISAF Post-Operations Humanitarian Relief Fund.

The legislation also mandated that SIGAR, the DoS Office of Inspector General, and the USAID Office of Inspector General jointly develop a coordinated audited plan of U.S. assistance for, and civilian operations in, Afghanistan. This plan must be submitted to the congressional committees on appropriations by the end of May 2011.

BEGINNING THE TRANSITION: INTEQAL

During this reporting period, the United States, the international community, and the GIRoA intensified their focus on implementing their strategy to have the ANSF assume responsibility for security throughout Afghanistan by 2014. On March 22, 2011, President Karzai announced that the transition (or inteqal) from international security forces to Afghan security forces would begin in three provinces (Panjshir, Bamyan, and Kabul) and in four districts (Herat, Lashkar Gah, Mazar-e Sharif, and Mehter Lam). According to DoD, the transition is expected to start this summer.

The Joint Afghan NATO Inteqal Board (JANIB) is leading the process to assess when a province is ready to begin the transition to security self-reliance. The JANIB, which is composed of senior Afghan and international leaders, has emphasized that the transition will be conditions-based. The JANIB reports directly to President Karzai.
In March, General David Petraeus, Commander of the NATO International Security Assistance Force (ISAF) and U.S. Forces - Afghanistan (USFOR-A), told the Senate Armed Services Committee that the “shifting of responsibility from ISAF to Afghan forces will be conducted at a pace determined by conditions on the ground, with assessments provided from the bottom up so that those at the operational command level in Afghanistan can plan the ‘battlefield geometry’ with our Afghan partners.” General Petraeus said the transition “will see our forces thinning out, not just handing off, with reinvestment of some of the forces freed up by transition in contiguous areas or in training missions where more work is needed.”

**Increasing ANSF Strength**

During this reporting period, ISAF and the Afghan ministries recommended increasing the authorized strength of the ANSF to facilitate the transition. The ANA would grow from 171,600 to 195,000, and the ANP would grow from 134,000 to 170,000 by November 2012. The U.S. government—which provides the vast majority of the funding to train, equip, and house the ANA and ANP—approved this increase after internal debate. Final approval must come from the Joint Coordination and Monitoring Board, which coordinates and approves major development programs. The Board is composed of senior Afghan officials and international representatives involved in Afghanistan’s reconstruction.

In his testimony before the Senate Armed Services Committee in February, Secretary of Defense Robert Gates said the debate within the U.S. administration over whether to support an increase in the size of the ANSF revolved around two considerations—the desire to have the ANSF assume responsibility for Afghanistan’s security and the issue of whether a larger ANSF was sustainable. Secretary Gates noted that it was more a question of what the United States could sustain than what the GIRQA could sustain. He stated that any increase should be viewed as a temporary surge. “The sustainability issue,” he said, “at least for the next number of years, is more what the U.S. can sustain because the Afghans’ ability to sustain a military force would be a fraction of the size of what they already have, much less what they may increase to, which is why I think of their force more in terms of a surge like ours.” Secretary Gates said the goal was to defeat or degrade the Taliban to the point that eventually a smaller ANSF could maintain control. Senior U.S. and international officials have noted that a successful transition cannot be completed without making progress in improving governance and the economy. In March, General Petraeus told the Senate Armed Services Committee that there was “a keen awareness that transition requires much more than just the security foundation.” He said, “You cannot succeed with transition if you haven’t built on that foundation adequately in the governance and development arenas.”
Other Factors Affecting the Transition
This quarter, two other developments will affect the transition. First, the GIRoA decided to allow private security companies to continue to operate in Afghanistan under certain conditions for the next year. This will enable reconstruction to continue to be implemented. Second, the financial crisis over the future of the Kabul Bank continued, putting U.S. and international donor support for the GIRoA at risk. Both of these developments are discussed in detail in Section 3.

LOOKING FORWARD
In February, President Obama submitted his FY 2012 budget request with approximately $17.3 billion in assistance for Afghanistan. The request included funds for the following:
- $12.8 billion for the Afghan Security Forces Fund
- $2.8 billion for the Economic Support Fund
- $400 million for the Commander’s Emergency Response Program
- $475 million for the Afghanistan Infrastructure Fund
- $333.3 million for the Drug Interdiction and Counter-Drug Activities Fund
- $324 million for the International Narcotics Control and Law Enforcement account

If approved, this would be the largest appropriation of funds for the reconstruction of Afghanistan in a single year since the United States overthrew the Taliban in 2002.

The next three years are critical for the United States and its international allies as they implement programs in security, governance, and development to facilitate the transition from ISAF to the ANSF. Providing oversight of this critical and complex effort requires a multifaceted approach to conducting audits and investigations. SIGAR’s audit plan includes a broad range of audits that assess individual projects and large programs. In addition to reviewing major contracts to identify waste, fraud, and abuse to ensure that the U.S. taxpayer money is being spent honestly and wisely, SIGAR is assessing reconstruction programs implemented by multiple agencies to ascertain program outcomes. SIGAR is concentrating its investigative resources on identifying and building criminal cases against individuals and companies involved in major contract fraud and corruption. SIGAR is coordinating its audit and investigative efforts with other inspectors general and federal law enforcement agencies to ensure maximum oversight of funds appropriated by the Congress for Afghanistan reconstruction.
Clearing the Roads
U.S. Army engineers, in cooperation with the GIRoA and Afghan security forces, rebuild roads in eastern Afghanistan in February 2011 after clearing bombs from the roadbed. The $5 million project includes three asphalt and three cobblestone roads spanning nearly 43 kilometers in the Khogyani and Sherzad districts. (U.S. Army photo)
3 RECONSTRUCTION UPDATE
“Again, it’s not enough just to clear and hold: you do have to build. And the build includes local governance, local economic revival, improvements in basic services, and so forth, so that the Afghan people see that there’s a better future by supporting the Afghan government… rather than a return to the repressive days of the Taliban.”

—General David H. Petraeus

Source: General David H. Petraeus, Testimony before the Senate Armed Services Committee on Afghanistan, 3/15/2011.
OVERVIEW

Section 3 presents a holistic view of reconstruction efforts in Afghanistan during this reporting period. Updates on accomplishments, challenges, and local initiatives provide context for the oversight that is needed in reconstruction efforts. Sidebars throughout the section identify SIGAR audits—both completed and ongoing—related to those efforts; for ongoing audits, cross-references direct the reader to more information in Section 1.

Section 3 is divided into four subsections: Status of Funds, Security, Governance, and Economic and Social Development. The Security, Governance, and Economic and Social Development subsections mirror the three pillars reflected in the Prioritization and Implementation Plan announced by the Government of the Islamic Republic of Afghanistan (GIRoA) in 2010 and originally set forth in the 2008 Afghanistan National Development Strategy.

TOPICS

Section 3 discusses four broad topics: historical and current funding information, security conditions, governance activities, and economic and social development programs. The section also provides information on the progress of efforts to reduce corruption and combat the narcotics trade in Afghanistan.

The Status of Funds subsection contains a comprehensive discussion of the monies appropriated, obligated, and disbursed for Afghanistan reconstruction. It includes specific information on major U.S. funds and international contributions.

The Security subsection details U.S. efforts to bolster the Afghan National Security Forces and discusses U.S. and international efforts to improve security in the country. This subsection focuses on programming to improve the Afghan National Army and Afghan National Police, including training, equipping, and infrastructure development. This subsection also discusses the ongoing battle against the Afghan narcotics trade.

The Governance subsection provides an overview of the GIRoA’s progress toward achieving good governance. This subsection focuses on the resolution of the September 2010 elections, the status of reintegration and reconciliation, capacity building, rule of law, and human rights development. The section also highlights U.S. and GIRoA initiatives to combat corruption.

The Economic and Social Development subsection looks at reconstruction activities by sector, ranging from agriculture and mining to health services. It
RECONSTRUCTION UPDATE

provides a snapshot of the state of the economy and updates on progress in regulating financial networks, achieving fiscal sustainability, and delivering essential services.

METHODOLOGY
Section 3 was compiled using information and data from open sources and U.S. agencies. All data and information is attributed to the reporting organization in endnotes to the text or notes to the tables and figures; because multiple organizations provide the data, numbers may conflict. Except for references to SIGAR audits or investigations in the text or in sidebars, SIGAR has not verified this data, and it does not reflect SIGAR opinions. For a complete discussion of SIGAR audits and investigations this quarter, see Section 1.

DATA CALL
The data call is a series of questions directed to U.S. agencies about their contributions and involvement in reconstruction programming, and the state of affairs in Afghanistan. The U.S. agencies that participated in the data call for this quarterly report include the following:
• U.S. Department of State
• U.S. Department of Defense
• U.S. Agency for International Development
• U.S. Department of the Treasury
A preliminary draft of the report was provided to the responding agencies prior to publication to allow these agencies to verify and clarify the content of this section.

OPEN-SOURCE RESEARCH
Open-source research draws on the most current, publicly available data from reputable sources. A representative list of sources used in this quarterly report includes the following:
• U.S. agencies represented in the data call
• International Security Assistance Force
• United Nations (and relevant branches)
• International Monetary Fund
• World Bank
• Asian Development Bank
• GIRoA ministries and other Afghan government organizations
Most of the open-source research is included in the preliminary draft that is distributed to agencies participating in the data call for review before this report is published.
UNDERSTANDING THE GRAPHICS

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

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

HEAT MAPS
Heat maps assign colors to provinces, based on pertinent data. Each color represents a data set, defined in a legend; darker colors represent larger numbers, lighter colors show smaller numbers.

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

FUNDING MARKERS
Funding markers identify individual funds discussed in the text. The agency responsible for managing the fund is listed in the tan box below the fund name.
As of March 31, 2011, the United States had appropriated approximately $61.78 billion for relief and reconstruction in Afghanistan since FY 2002. This cumulative funding total reflects FY 2011 appropriations reported by agencies under continuing resolutions. It omits amounts appropriated in P.L. 112-10, the Department of Defense (DoD) and Full-Year Continuing Appropriations Act of 2011, which was signed on April 15, 2011. This cumulative funding has been allocated as follows:

- $34.81 billion for security
- $16.16 billion for governance and development
- $4.54 billion for counter-narcotics efforts
- $2.11 billion for humanitarian aid
- $4.17 billion for oversight and operations

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

Figure 3.1

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

| FUNDING SOURCES (TOTAL: $61.78)
| ASFF | CERP | DoD CN | ESF | INCLE | Other |
| $33.29 | $2.64 | $1.55 | $11.14 | $2.86 | $10.30 |

AGENCIES

- Department of Defense (DoD) $37.48
- USAID $11.14
- Department of State (DoS) $2.86
- Distributed to Multiple Agencies

Notes: Numbers affected by rounding.

a. FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.
b. Multiple agencies include DoD, DoJ, DoS, USAID, Treasury, and USDA.

The amount provided to the five major U.S. funds represents over 83.3% (nearly $51.49 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, almost 85.0% (nearly $43.75 billion) has been obligated, and nearly 72.2% (almost $37.15 billion) has been disbursed. The following pages provide additional details on these funds.

U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

As of March 31, 2011, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately $61.78 billion. This total can be divided into five major categories of reconstruction funding: security, governance and development, counter-narcotics, humanitarian, and oversight and operations. For complete information regarding U.S. appropriations, see Appendix B.

Including amounts appropriated while operating under continuing resolutions, cumulative appropriations as of FY 2011 increased by almost 9.9% over cumulative appropriations through FY 2010, as shown in Figure 3.2. Efforts to build and train the Afghan National Security Forces (ANSF) have received the majority of reconstruction funding since FY 2002. Cumulative appropriations for security (over $34.81 billion) account for more than 56.3% of total U.S. reconstruction assistance.

Figure 3.3 on the facing page displays annual appropriations by funding category from FY 2002 to FY 2011. The bars show the dollar amounts appropriated, and the pie charts show the proportions of the total appropriated by category. These figures reflect amounts as reported by the respective agencies and amounts appropriated in the following legislation:

FIGURE 3.2
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF MARCH 31, 2011 ($ BILLIONS)

Note: Numbers affected by rounding.

a. FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.

As shown in Figure 3.3, appropriations under FY 2011 continuing resolutions amount to almost $5.56 billion. The amount appropriated in FY 2011 will increase substantially under P.L. 112-10. At press time, amounts appropriated to DoS and USAID were not known. Amounts appropriated for DoD included the following:

- nearly $11.62 billion for the ASFF
- $400.00 million for the Afghanistan Infrastructure Fund (AIF)
- $400.00 million for CERP
- $150.00 million for the DoD Task Force for Business and Stability Operations

Figures reported as of March 31, 2011, include more than $5.46 billion of FY 2011 funds for the ASFF that had already been appropriated under continuing resolutions.

**APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND PERCENTAGE ($ BILLIONS)**
DoD reported ASFF funds as available, obligated, or disbursed.

**Available:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended


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**AFGHANISTAN SECURITY FORCES FUND**

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

DoD reported that the FY 2011 Continuing Appropriations Act provided more than $5.46 billion for the ASFF, bringing the cumulative amount appropriated for this fund to more than $33.29 billion. Of this amount, nearly $28.06 billion has been obligated, of which more than $24.82 billion has been disbursed. Figure 3.4 displays the amounts made available for the ASFF by fiscal year.

DoD reported that cumulative obligations as of March 31, 2011, increased by almost $2.63 billion over cumulative obligations as of December 31, 2010. Cumulative disbursements as of March 31, 2011, increased by more than $1.74 billion over cumulative disbursements as of December 31, 2010. Figure 3.5 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

---

**FIGURE 3.4**

**ASFF AVAILABLE FUNDS BY FISCAL YEAR**

($) Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Available</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
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</tr>
<tr>
<td>2011</td>
<td>$10.0</td>
<td>$8.0</td>
<td>$6.0</td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.
a. FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.
Source: DoD, response to SIGAR data call, 4/15/2011.

**FIGURE 3.5**

**ASFF FUNDS, CUMULATIVE COMPARISON**

($) Billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Available</th>
<th>Obligated</th>
<th>Disbursed</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of Dec 31, 2010</td>
<td>$30.0</td>
<td>$25.43</td>
<td>$23.08</td>
</tr>
<tr>
<td>As of Mar 31, 2011</td>
<td>$35.0</td>
<td>$28.06</td>
<td>$24.82</td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.
a. FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.
Source: DoD, response to SIGAR data call, 4/15/2011.
ASFF Budget Activities

DoD allocates funds to three budget activity groups within the ASFF:13

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

Funds for each budget activity group are further allocated to four sub-activity groups: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.14

As of March 31, 2011, DoD had disbursed more than $24.82 billion for ANSF initiatives. Of this amount, nearly $15.86 billion was disbursed for the ANA, and almost $8.83 billion was disbursed for the ANP; the remaining nearly $0.14 billion was directed to related activities.15

As shown in Figure 3.6, of the funds disbursed for the ANA, the largest portion—nearly $7.10 billion—supported Equipment and Transportation. Of the funds disbursed for the ANP, the largest portion—more than $2.90 billion—also supported Equipment and Transportation, as shown in Figure 3.7.16

ASFF DISBURSEMENTS FOR THE ANA
By Sub-Activity Group,
FY 2005–March 31, 2011 ($ BILLIONS)

ASFF DISBURSEMENTS FOR THE ANP
By Sub-Activity Group,
FY 2005–March 31, 2011 ($ BILLIONS)

Note: Numbers affected by rounding.
Source: DoD, response to SIGAR data call, 4/15/2011.

Note: Numbers affected by rounding.
Source: DoD, response to SIGAR data call, 4/15/2011.
CERP FUNDS TERMINOLOGY

OMB reported CERP funds as appropriated. Appropriations: Total monies available for commitments

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

Sources: OMB, response to SIGAR data call, 4/19/2010; DoD, response to SIGAR data call, 4/14/2010.

COMMANDER’S EMERGENCY RESPONSE PROGRAM

The Commander’s Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than $500,000 each. Projects with cost estimates exceeding $1.00 million are permitted, but they require approval from the Commander of U.S. Central Command; projects over $5.00 million require approval from the Deputy Secretary of Defense.

As of March 31, 2011, DoD reported that the total cumulative funding for CERP amounted to nearly $2.64 billion. DoD reported that of this amount, more than $2.02 billion had been obligated, of which nearly $1.61 billion has been disbursed. Figure 3.8 shows CERP appropriations by fiscal year.

DoD reported that cumulative obligations as of March 31, 2011, increased by almost $29.06 million over cumulative obligations as of December 31, 2010. Cumulative disbursements as of March 31, 2010, increased by nearly $72.22 million over cumulative disbursements as of December 31, 2010. Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

CERP APPROPRIATIONS BY FISCAL YEAR

($ MILLIONS)

2004 05 06 07 08 09 10 11

$0 $200 $400 $600 $800 $1,000

As of Dec 31, 2010

As of Mar 31, 2011#

Notes: Data may include inter-agency transfers.
a. FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.

CERP FUNDS, CUMULATIVE COMPARISON

($ BILLIONS)

Appropriated

Obligated

Disbursed

$2.5 $2.64 $2.02

$2.0 $1.99 $1.54

$1.5 $1.54 $1.61

$1.0 $0.5 0.0

$0

As of Dec 31, 2010

As of Mar 31, 2011#

Notes: Data may include inter-agency transfers.
a. FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.

As of Mar 31, 2011: DoD reported that the total cumulative funding for CERP amounted to nearly $2.64 billion. DoD reported that of this amount, more than $2.02 billion had been obligated, of which nearly $1.61 billion has been disbursed. Figure 3.8 shows CERP appropriations by fiscal year.

DoD reported that cumulative obligations as of March 31, 2011, increased by almost $29.06 million over cumulative obligations as of December 31, 2010. Cumulative disbursements as of March 31, 2010, increased by nearly $72.22 million over cumulative disbursements as of December 31, 2010. Figure 3.9 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.
DoD DRUG INTERDICTON AND COUNTER-DRUG ACTIVITIES

DoD’s Drug Interdiction and Counter-Drug Activities fund (DoD CN) supports efforts to stabilize Afghanistan by combating the drug trade and related activities. The DoD CN provides support to the counter-narcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement—including Afghan Border Police—with specialized training, equipment, and facilities.22

Figure 3.10 shows DoD CN appropriations by fiscal year. DoD reported that cumulative obligations and disbursements as of March 31, 2011, increased by almost $116.51 million over cumulative obligations and disbursements as of December 31, 2010.23 Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for DoD CN projects.

DoD CN FUNDS TERMINOLOGY

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

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended

ECONOMIC SUPPORT FUND

Economic Support Fund programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.\(^2\)

\(^2\) Pl. 112-10 placed limitations on FY 2011 ESF funds made available for assistance to Afghanistan by restricting obligations until DoS and USAID certify and report to the Committees on Appropriations that the GIRoA is “demonstrating a commitment to reduce corruption and improve governance.”\(^25\)

As of March 31, 2011, USAID reported that the total cumulative funding for ESF amounted to more than $11.14 billion.\(^26\) Figure 3.12 shows ESF appropriations by fiscal year. Of this amount, more than $9.57 billion had been obligated, of which nearly $7.38 billion had been disbursed.\(^27\)

USAID reported that cumulative obligations as of March 31, 2011, increased by almost $1.53 million since December 31, 2010. Cumulative disbursements as of March 31, 2011, increased by more than $644.17 million over cumulative disbursements as of December 31, 2010.\(^28\) Figure 3.13 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

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**ESF FUNDS TERMINOLOGY**

USAID reported ESF funds as appropriated, obligated, or disbursed.

**Appropriations:** Total monies available for commitments

**Obligations:** Commitments to pay monies

**Disbursements:** Monies that have been expended


---

**FIGURE 3.12**

**ESF APPROPRIATIONS BY FISCAL YEAR**

\[ ($ \text{BILLIONS}) \]

2002 03 04 05 06 07 08 09 10 11\(^a\)

\[ \text{Notes: Data may include inter-agency transfers. Numbers affected by rounding. Updated figures reported by USAID resulted in a slight decrease in FY 2009 appropriations.} \]

\[ a. \text{ FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.} \]


**FIGURE 3.13**

**ESF FUNDS, CUMULATIVE COMPARISON**

\[ ($ \text{BILLIONS}) \]

As of Dec 31, 2010

\[ \text{Appropriated} \quad $11.14 \]

\[ \text{Obligated} \quad $9.57 \]

\[ \text{Disbursed} \quad $6.74 \]

As of Mar 31, 2011\(^a\)

\[ \text{Appropriated} \quad $11.14 \]

\[ \text{Obligated} \quad $9.57 \]

\[ \text{Disbursed} \quad $7.38 \]

\[ \text{Notes: Data may include inter-agency transfers. Numbers affected by rounding. USAID did not report an increase in amount appropriated for ESF under continuing resolutions for FY 2011.} \]

\[ a. \text{ FY 2011 funds reflect only amounts made available under continuing resolutions, not amounts made available under P.L. 112-10.} \]

INTERNATIONAL NARCOTICS CONTROL & LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the International Narcotics Control and Law Enforcement (INCLE) account, which supports several INL program groups, including police, counter-narcotics, and rule of law and justice. P.L. 112-10 placed limitations on FY 2011 INCLE funds made available for assistance to Afghanistan by restricting obligations until DoS and USAID certify to the Committees on Appropriations that the GIRoA is “demonstrating a commitment to reduce corruption and improve governance.”

INL reported that the FY 2011 Continuing Appropriations Act provided nearly $7.98 million for INCLE initiatives, bringing the total cumulative funding for INCLE to over $2.86 billion. Figure 3.14 displays INCLE allotments by fiscal year. Of this amount, nearly $2.55 billion had been obligated, of which more than $1.79 billion has been liquidated.

INL reported that cumulative obligations as of March 31, 2011, increased by almost $76.24 million over cumulative obligations as of December 31, 2010. Cumulative liquidations as of March 31, 2011, increased by more than $38.47 million over cumulative liquidations as of December 31, 2010. Figure 3.15 provides a cumulative comparison of amounts allotted, obligated, and liquidated for INCLE.

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

Alotments: Total monies available for commitments
Obligations: Commitments to pay monies
Liquidations: Monies that have been expended

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

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

Contributions to the Afghanistan Reconstruction Trust Fund

The ARTF is the largest contributor to the Afghan operational and developmental budgets. From 2002, to March 20, 2011, according to the World Bank, 32 donors had pledged nearly $4.71 billion, of which nearly $4.24 had been paid in. Contributions are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window. Figure 3.16 and Figure 3.17 show contributions for solar year (SY) 1389—the Afghan fiscal year, which runs from March 21 to March 20—by donor and status.

According to the World Bank, as of March 20, 2011, more than $2.29 billion of ARTF funds were disbursed to the GIRoA through the RC Window to assist with recurrent costs such as salaries of civil servants. The RC Window supports the operating costs of the GIRoA because domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives sufficient funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.

The Investment Window supports the costs of development programs. As of March 20, 2011, the World Bank reported 17 active projects with a combined commitment value of more than $635.19 million, of which approximately $559.42 million had been disbursed. In SY 1388 and 1389, investment commitments exceeded recurrent cost commitments.

Contributions to the Law and Order Trust Fund for Afghanistan

The LOTFA is in its sixth phase, which began in January 2011 and will end in March 2013. The new phase places an increased emphasis on developing capacity in the Ministry of Interior. The LOTFA is the primary donor channel for paying the salaries of the ANP. The fund also provides financial support for training and capacity building efforts.
As of March 31, 2011, commitments to the LOTFA through Phase V amounted to approximately $1.50 billion; additional contributions through the end of Phase VI are estimated to amount to $1.40 billion, according to the European Commission. Together, the United States, the European Union, and Japan have contributed approximately 80% of LOTFA funding since its establishment in May 2002, as shown in Figure 3.18. Beginning in 2011, the Afghan Ministry of Finance has agreed to cover 3% of police base salaries and 60% of police food allowances from the GIRoA’s general budget, according to the European Commission. This amount will increase to 7.5% of salaries and 73% of food allowances in 2012.

Notes: Numbers affected by rounding. EC/EU = European Commission/European Union.

As of March 31, 2011, commitments to the LOTFA through Phase V amounted to approximately $1.50 billion; additional contributions through the end of Phase VI are estimated to amount to $1.40 billion, according to the European Commission. Together, the United States, the European Union, and Japan have contributed approximately 80% of LOTFA funding since its establishment in May 2002, as shown in Figure 3.18. Beginning in 2011, the Afghan Ministry of Finance has agreed to cover 3% of police base salaries and 60% of police food allowances from the GIRoA’s general budget, according to the European Commission. This amount will increase to 7.5% of salaries and 73% of food allowances in 2012.

Notes: Numbers affected by rounding. EC/EU = European Commission/European Union.

As of March 31, 2011, commitments to the LOTFA through Phase V amounted to approximately $1.50 billion; additional contributions through the end of Phase VI are estimated to amount to $1.40 billion, according to the European Commission. Together, the United States, the European Union, and Japan have contributed approximately 80% of LOTFA funding since its establishment in May 2002, as shown in Figure 3.18. Beginning in 2011, the Afghan Ministry of Finance has agreed to cover 3% of police base salaries and 60% of police food allowances from the GIRoA’s general budget, according to the European Commission. This amount will increase to 7.5% of salaries and 73% of food allowances in 2012.

Notes: Numbers affected by rounding. EC/EU = European Commission/European Union.
As of March 31, 2011, the U.S. Congress had appropriated more than $34.8 billion to support the Afghan National Security Forces (ANSF). Most of these funds (nearly $33.3 billion) were appropriated through the Afghanistan Security Forces Fund (ASFF) and provided through the Combined Security Transition Command - Afghanistan (CSTC-A) to build, equip, train, and sustain the ANSF. Of the $33.3 billion appropriated for the ASFF, approximately $28.1 billion had been obligated, and $24.8 billion had been disbursed as of March 31, 2011.

On April 15, 2011, President Obama signed the Department of Defense (DoD) and Full-Year Continuing Appropriations Act of 2011. This law appropriated more than $11.6 billion for the ASFF through the end of FY 2011—nearly $6.2 billion more than the ASFF total reported by DoD for the quarter ending March 31, 2011. These additional funds are not reflected in the amounts identified throughout this section.

As part of its FY 2012 budget request, the U.S. Department of Defense (DoD) requested $107.3 billion for Operation Enduring Freedom. That amount included $0.5 billion for the Afghanistan Infrastructure Fund (AIF)—used for high-priority infrastructure projects in support of the U.S. counter-insurgency strategy—and $12.8 billion for training and equipping the ANSF.

CSTC-A is responsible for managing the use of funds from the ASFF. According to a March 2011 report by the DoD Office of Inspector General, however, the NATO Training Mission (NTM-A)/CSTC-A lacks enough specialized personnel to initiate, manage, and oversee the rapidly growing number of contractors and effectively manage the use of ASFF funds. CSTC-A has requested additional personnel to help oversee the growing number of contractors; these additional personnel are set to deploy this summer, according to DoD.

Training the ANSF remains a top priority for U.S. commanders, according to NTM-A. As of April 3, 2011, according to DoD, 32 nations are contributing 1,296 trainers and have pledged an additional 742, leaving a shortfall of 770. Canada plans to begin withdrawing combat forces in 2011 but will keep approximately 750 trainers and 200 support personnel in Afghanistan on a training mission. DoD noted, however, that these 750 Canadians will not have the skill sets needed to fill all of the training positions, so a shortfall will remain.
As noted in SIGAR’s January 2011 quarterly report, a declaration by the heads of NATO member nations pointed to early 2011 as the starting point for transitioning security responsibilities to the Government of the Islamic Republic of Afghanistan (GIRoA). The Lisbon Summit Declaration also announced the goal of complete transition in 2014. According to DoD, the formal process began on March 22, 2011, when President Hamid Karzai announced that transition would begin in three provinces (Panjshir, Banyan, and most of Kabul) and four districts (Herat, Lashkar Gah, Mazar-e Sharif, and Mehter Lam). Although no specific transfer date had been determined, DoD stated that these transfers are expected to begin on June 22, 2011.

According to DoD, the transition of responsibility for security requires the achievement of four conditions:

- The ANSF is capable of shouldering security tasks.
- A level of security is achieved that allows Afghans to pursue their daily activities.
- Local governance is able to ensure that security is not undermined as the ISAF presence is reduced.
- ISAF is able to reduce its numbers as ANSF capabilities increase and threat levels remain constant or diminish.

SECURITY GOALS

This quarter, the force strength of the ANSF was 284,952. Of the total, 159,363 were in the Afghan National Army (ANA), according to U.S. Central Command (CENTCOM), and 125,589 were in the Afghan National Police (ANP), according to ISAF. On January 16, 2011, the Security Standing Committee of the Joint Coordination and Monitoring Board recommended increases in the ANSF’s authorized strength by November 2012: from 171,600 to 195,000 for the ANA and from 134,000 to 170,000 for the ANP. Table 3.1 shows changes in strength since last quarter against goals.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Current Target</th>
<th>Status</th>
<th>Change Since Last Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghan</td>
<td>134,000 troops by 10/2010</td>
<td>159,363 troops (as of 3/20/2011)</td>
<td>+9,810</td>
</tr>
<tr>
<td>National</td>
<td>171,600 troops by 10/2011</td>
<td>195,000 troops by 11/2012a</td>
<td></td>
</tr>
<tr>
<td>Army</td>
<td>109,000 personnel by 10/2010</td>
<td>125,589 personnel (as of 3/2011)</td>
<td>+10,005</td>
</tr>
<tr>
<td>National</td>
<td>134,000 personnel by 10/2011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police</td>
<td>170,000 personnel by 11/2012a</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.
a. Recommended, not yet approved.

SECURITY HIGHLIGHTS
This quarter, the ANSF and coalition forces made progress against insurgents in the northern and southern regions. In an important development, the GIRoA announced extensions for and restrictions on private security companies (PSCs) operating in Afghanistan.

Regional Progress
In his March 2011 quarterly report, the United Nations (UN) Secretary-General observed that the number of districts controlled by insurgents decreased this quarter. He noted that joint ANSF and ISAF operations in Kunduz and Balkh had displaced insurgent elements; however, these elements are expanding into previously uncontested areas in these provinces. In Kabul, the ANSF continued to limit insurgent attacks. In the southern provinces, the ANSF and coalition forces continued to report progress in stabilizing areas formerly controlled by insurgents. The Secretary-General stated that insurgents have responded to these successes with an asymmetric campaign of violence and intimidation.

As noted in SIGAR’s January 2011 quarterly report, anti-government elements expanded into the northern parts of the country during late 2010. This quarter, in the northern and western provinces, increased pressure by ANSF and coalition forces resulted in more insurgents seeking to join reintegration programs. The Secretary-General noted that insurgents are now targeting those who choose to reconcile and reintegrate with the GIRoA.

New PSC Strategy
President Karzai announced a plan to disband PSCs and transfer protection responsibilities to the Afghan Public Protection Force (APPF), which operates under the Ministry of Interior (MoI), by the end of 2010.60 As noted in SIGAR’s April 2010 quarterly report, the APPF provides security for local communities, key infrastructure projects, and facilities used by international organizations. Members of the force, which has operated since 2009, are nominated by village councils and trained by the ANP. In March 2011, the Secretary-General reported that this plan had been delayed by difficulties in transitioning from existing contracts with PSCs. He noted that all parties were working to disband PSCs without adversely affecting the security of international organizations or the ability of the international donor community to deliver aid.

On March 15, 2011, the GIRoA released its strategy for transitioning from PSC-led to APPF-led provision of security by March 20, 2012. According to the strategy, PSCs that are licensed to operate by the MoI may continue to perform security services for diplomatic and ISAF missions and projects; however, PSCs performing security services for development and humanitarian projects must be replaced by the APPF by March 20, 2012. The MoI, ISAF, and U.S. Embassy Kabul will conduct periodic assessments of the strategy’s effectiveness and the capacity of the APPF to assume its new security roles. All PSCs that provide services in

SIGAR AUDIT
SIGAR is conducting an audit of the U.S. Army Corps of Engineers (USACE) contract with Global Strategies Group, a PSC that provides security and protective services for USACE personnel in Afghanistan. This is the first-ever audit to examine expenditures for the security services that USACE requires in order to safely oversee its reconstruction projects. For details, see Section 1, page 16.
SECURITY

This quarter, CENTCOM reported that during the first quarter of FY 2010, there were 18,919 PSC personnel working for DoD in Afghanistan out of a total of 87,483 contractors. This includes 4,480 more PSC personnel than during the first quarter of FY 2010, as shown in Table 3.2.

SECURITY INCIDENTS

In his March 2011 report, the UN Secretary-General stated that the number of security incidents in Afghanistan continued to be significant. In January 2011, there were 1,664 security incidents—most of which involved armed clashes or improvised explosive devices—compared with monthly averages of 1,620 in 2010, and 960 in 2009. The Secretary-General also stated that, at the end of 2010, suicide attacks occurred at an average of 2.8 per week compared with 2.6 per week in 2009. During the reporting period, 20 suicide attacks and 33 assassinations occurred in the city of Kandahar alone.

This quarter, insurgents continued to target GIRoA and ANSF institutions, the UN Secretary-General noted. In January 2011, the deputy governor of Kandahar was killed in a suicide attack. The following month, two large police stations were attacked in Kandahar. A February 19, 2011 suicide attack targeted a bank in Jalalabad while civil servants—many of them ANSF personnel—were picking up their pay. That attack killed 40 Afghans and injured more than 70, according to the U.S. Embassy Kabul. On January 28 and February 14, 2011, suicide attacks in Kabul killed 10 civilians and injured 17; the second attack killed 2 armed guards who tried to stop the attackers. On April 1, 2011, demonstrators responding to the burning of the Koran in Florida attacked the UN compound in Mazar-e Sharif, killing three UN Mission workers and four guards. On April 15, 2011, the chief of the Kandahar police was assassinated in a suicide attack that also killed two of his officers.
AFGHAN NATIONAL ARMY

As of March 31, 2011, the United States had appropriated approximately $20.8 billion, obligated $17.9 billion, and disbursed $15.9 billion of ASFF funds to build and sustain the ANA. DoD and DoS have requested an additional $7.5 billion for ANA development in FY 2011, according to GAO. Since the effort began in 2002, the United States has been the leading contributor of funds for development of the ANA. U.S. funds are used for the key elements of the development effort:

- equipment and transportation, including procurement of weapons, vehicles, and communications gear
- infrastructure projects, such as construction of garrisons, depots, and training facilities
- training and operations, such as the establishment of training institutions and hiring of contractors to provide specialized training
- sustainment, including payment of ANA salaries and maintenance of vehicles and facilities

ANA Strength

As of March 31, 2011, the ANA’s strength was 159,363 personnel—an increase of 9,810 since December 21, 2010—according to CENTCOM. Of this number, 128,862 fill positions in the field. The ANAs goal is to reach 171,600 personnel by October 2011; the Joint Coordination and Monitoring Board is considering a goal of 195,000 by November 2012.
The force structure of the ANA has four components:

- Ministry of Defense (MoD) and general staff personnel, who are responsible for developing, fielding, and ensuring the operational readiness of the ANA
- Sustaining institutions and intermediate commands that support the MoD
- Combat forces, the operational arm of the ANA
- Afghan Air Force personnel, who support both ANA and ANP forces

Of the total strength, most are combat forces assigned to the ANA’s six corps, its Special Operations Force, and its 11th Capital Division. As of March 20, 2011, there were 90,166 personnel assigned to these forces, according to a recent assessment by the ISAF Joint Command (IJC). This is an increase of 4,362 personnel since the end of last quarter. However, the number of troops assigned does not necessarily equal the number of troops present for duty, as shown in Figure 3.19. This quarter, troops absent without leave (AWOL) comprised 7% to 14% of these forces, as shown in Figure 3.20.

According to the IJC’s February 22, 2011 report from the Commander’s Unit Assessment Tool (CUAT), the ANA has shown noticeable improvement this quarter in reducing its AWOL and present-for-duty rates. This improvement was also reflected in ISAF reports later in the quarter. For example, for the ANA’s six corps, its Special Operations Force, and its 11th Capital Division, more troops...
were present for duty and fewer troops were AWOL on March 20, 2011, than on December 30, 2010. Most notably, the present-for-duty rate of the 203rd Corps increased from 63% to 81%.79

Last quarter, as noted in SIGAR’s January 2011 report, the CUAT identified two kandaks that had demonstrated the ability to operate independently. According to the IJC, however, the rating of “independent” was recently redefined to reflect a more realistic level of operational effectiveness. Because of this change, the CUAT assessed only one ANA unit as “independent,” as of April 14, 2011. A rating of “effective with advisors” was achieved by 52 of the ANA’s 157 kandaks. The IJC noted that this was an increase of 9 units since its previous CUAT report.80

In addition to combat forces, the ANA is fielding “enabler” or combat support units that require significant, specialized assistance in partnering, training, and logistics. The IJC stated that some of these units arrived at their Corps short of personnel, equipment, tools, vehicles, and other necessities.81

**ANA Training**

As of March 31, 2011, the United States had appropriated approximately $2.0 billion, obligated $1.6 billion, and disbursed $1.5 billion in ASFF funds for ANA operations and training.82

This quarter, 22,446 ANA personnel graduated from a wide range of training programs funded by the ASFF, according to CENTCOM. Of that number, 3,070 graduated from development courses for non-commissioned officers, and 731 graduated from courses for new officers, as shown in Figure 3.21.83

**FIGURE 3.21**

**ANA TRAINING GRADUATES BY PROGRAM**

![Graph showing ANA training graduates by program]

Notes: NCO = non-commissioned officer. HMMWV = high-mobility, multi-purpose wheeled vehicle.
a. This 12-week course prepares high school graduates for deployment as NCOs.
Source: CENTCOM, response to SIGAR data call, 4/1/2011.
ANA Literacy

The IJC and NTM-A recognize the need for providing members of the ANSF with literacy training. Many specialty positions—particularly in medicine, intelligence, logistics, and explosive ordnance disposal—remain vacant because of a shortage of literate candidates. NTM-A’s literacy program is attempting to eliminate that shortage, according to the IJC.84

Efforts by the United States and its coalition partners to increase and improve literacy throughout the ANA have been extensive, according to CENTCOM. To shape literacy policy and determine priorities for training, NTM-A’s literacy team regularly engages with the director of the MoD’s Religious and Cultural Affairs Office. The literacy team also mentors the director on effectively communicating the importance of literacy throughout the ANA. For example, in November 2010, the team helped create a directive mandating literacy training as part of the ANA’s basic training curriculum. The number of grade 1 level graduates has increased greatly since then, according to CENTCOM. The classes teach students to read in Pashtu or Dari; classes are held in the spoken language of the students.85

CENTCOM does not estimate a literacy rate for the ANA itself. However, it estimated the overall literacy rate of the ANSF at approximately 28%.86

Women in the ANA

As of February 4, 2011, according to CENTCOM, 300 women serve in the ANA: 195 officers and 105 enlisted personnel. Most of the officers (75%) are assigned to medical roles, and about half (51%) of the enlisted personnel are assigned to logistics roles. Most of the women in the ANA entered the service in the mid-1980s and received little to no training, according to CENTCOM. Most of them are illiterate, and few have ever been promoted.87

Last year, the ANA released two policies detailing actions required to reach its recruitment target, CENTCOM noted. In January 2010, the MoD issued an order to increase the recruitment of women into the ANA; it was followed by another order in February 2010, to better facilitate the training, use, and assignment of female recruits. NTM-A/CSTC-A has established an Integration and Human Rights working group to address ANSF-wide issues and discuss efforts to increase the integration of women, according to CENTCOM. NTM-A/CSTC-A has also drafted guidance that directs each component of NTM-A to consider gender integration issues in all future actions.88

ANA Infrastructure

As of March 31, 2011, the United States had appropriated approximately $4.0 billion, obligated $3.2 billion, and disbursed $2.5 billion of ASFF funds for ANA infrastructure.89

This quarter, 24 new ANA infrastructure projects were awarded (valued at $317.9 million), 54 were ongoing ($873.9 million), 12 were completed ($133.4 million), and 2 were terminated ($55.8 million), according to CENTCOM.80 These projects entail constructing and supplying buildings and equipment for ANA
support, redeployment, and operations—including barracks, headquarters, training buildings and ranges, administrative spaces, warehouses and storage buildings, and maintenance facilities.91

ANA Equipment
As of March 31, 2011, the United States had appropriated approximately $9.0 billion, obligated $7.7 billion, and disbursed $7.1 billion of ASFF funds for ANA equipment and transportation.92

From January 1 to March 31, 2011, the ANA fielded 9,448 weapons (valued at $20.0 million), 1,163 vehicles ($390.8 million), and 6,617 pieces of communications equipment ($37.3 million), according to CENTCOM.93 Most of the equipment fielded by the ANA came from the United States, funded through the ASFF in pseudo-FMS purchases.94

Of the $17.9 billion in ASFF for ANA development, the largest portion—about $7.0 billion (39%)—has been used for equipment purchases, according to an audit report published this quarter by the U.S. Government Accountability Office.95

As of January 5, 2011, NATO and the international community have equipped the ANSF with over 450,000 weapons and over 50 aircraft, according to NTM-A/CSTC-A. Coalition forces have purchased and provided the following items:96

- equipment, such as M16 rifles, 9mm pistols, high-mobility multipurpose wheeled vehicles (HMMWVs), and light tactical vehicles
- aircraft, such as C-27 cargo planes and Mi-17 helicopters
- specialized equipment, such as night-vision goggles and radios

In its recent audit of ANA costs, the GAO analyzed the types of equipment provided to a standard ANA infantry battalion and the costs associated with that equipment. The GAO found that the total cost to equip an infantry battalion is nearly $22 million.97 Of that amount, about 80% is used for transportation and 11% is used for weapons, as shown in Table 3.3. The cost of outfitting a typical ANA soldier is $2,995, more than 80% of which is the cost of body armor and an M16 rifle, as shown in Figure 3.22.

<table>
<thead>
<tr>
<th>Type of Equipment</th>
<th>Cost ($ Millions)</th>
<th>Share of Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transportation (trucks, HMMWVs, ambulances, water trailers, forklifts, etc.)</td>
<td>17.6</td>
<td>80</td>
</tr>
<tr>
<td>Weapons (M16 and sniper rifles, pistols, machine guns, grenade launchers, mortars, etc.)</td>
<td>2.4</td>
<td>11</td>
</tr>
<tr>
<td>Communications (radios, base stations, switchboards, tactical field phones, etc.)</td>
<td>1.8</td>
<td>8</td>
</tr>
<tr>
<td>Other (generators, mobile kitchens, binoculars, compasses, tool kits, etc.)</td>
<td>0.2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.0</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.
U.S. Support for the Ministry of Defense

DoD has used contractors to fill mentoring and training functions in the MoD. In 2005, the Afghan National Security Sector Development and Fielding Program contract was awarded to MPRI to “provide dedicated, in-depth mentoring, training, subject matter expertise, and programmatic support to CSTC-A staff and the Afghan MoD.” From September through November 2010, responsibilities for this contract transitioned from MPRI to DynCorp, which was awarded the contract by the U.S. Army Research, Development, and Engineering Command on August 24, 2010. This quarter, DynCorp was paid $15 million for its services, according to CENTCOM. The program has a budget of $60 million for FY 2011 and $60 million for FY 2012.

DoD also uses its own personnel to build core competencies at the MoD and forge long-term relationships between U.S. and Afghan officials. Since July 2010, the MoD Advisor (MoDA) program has matched senior DoD civilians with counterparts in similar positions at the MoD. The expertise of these MoDA personnel covers a range of functions:

- defense policy and strategy
- force planning and resource allocation
- personnel and readiness management
- civil-military and inter-agency operations
- doctrine, training, and education
- acquisition and procurement
- logistics and infrastructure management
- military health sector development
- human rights and gender integration
- intelligence policies and organization
- information technology management and education
- legal authority and legitimacy

In a March 2011 audit report, the DoD Office of Inspector General (DoD OIG) found that NTM-A/CSTC-A lacked the expertise required to develop key security functions at the MoD—a priority mission focus—and that the expertise provided by contractors was insufficient to quickly build MoD capacity in critical areas. In addition, DoD OIG found that without additional MoDA support, the development of the MoD could be delayed and thus jeopardize the timely accomplishment of key objectives of the U.S. counter-insurgency strategy.

However, DoD OIG found that the MoDA program has been effective in building capacity in the MoD. According to its report, NTM-A/CSTC-A regards MoDA mentors as invaluable assets and has requested approximately 100 additional MoDA personnel to fill key mentoring positions in the MoD and the MoI. CENTCOM noted that it expects to have 80 to 85 MoDA personnel serving in these positions by September 30, 2011.

According to CENTCOM, 305 mentors and advisors were assigned to the MoD as of March 31, 2011. Of this number, 67 are U.S. or coalition government personnel and 238 are DynCorp contractors.
AFGHAN NATIONAL POLICE

As of March 31, 2011, the United States had appropriated approximately $12.3 billion, obligated $10.0 billion, and disbursed $8.8 billion of ASFF funds to build and sustain the ANP. For FY 2012, DoD has requested $5.7 billion to build and sustain the ANP, 39% more than the FY 2011 request of $4.1 billion.

Since 2002, the UN Development Programme (UNDP) has disbursed nearly $1.26 billion from the Law and Order Trust Fund for Afghanistan (LOTFA). As noted in SIGAR’s audit of ANP payroll and personnel accountability, the funds from LOTFA are used to reimburse the GIRoA for ANP payroll and other costs.

ANP Strength

This quarter, the total force strength of the ANP was 125,589, according to the IJC. Of that number, 66,927 were assigned to the Afghan Uniformed Police (AUP), 19,865 were assigned to the Afghan Border Police (ABP), and 9,348 were assigned to the Afghan National Civil Order Police (ANCOP), as shown in Table 3.4. The ANP’s goal is to reach 134,000 personnel by October 2011; the Joint Coordination and Monitoring Board is considering a goal of 170,000 by November 2012.

ANP Local Initiatives

The Afghan Local Police (ALP) initiative is the MoI’s community watch program. ALP members serve under the local district police chief; they are nominated by a shura council, vetted by the Afghan intelligence service, and trained by and partnered with personnel from the ANP, the ANA, and U.S. Special Forces, according to DoD. The initiative enables local communities to protect themselves in areas that lack a significant ISAF or ANSF presence. As of this quarter, 77 districts are participating in the ALP initiative, with 34 contingents fully operational. On average, each district is authorized to have 300 ALP members.

SIGAR AUDIT

In its April 2011 audit of ANP personnel management systems, SIGAR found that it is difficult to accurately determine ANP workforce strength and payroll costs because the systems and databases that the ANP uses to track personnel are decentralized, incomplete, and unverified. For more information on this audit, see Section 1, page 9.
According to DoD, a conventional U.S. infantry battalion has been dispatched to assist in the effort to support the expansion of the ALP initiative.113 In addition, the United Nations Assistance Mission in Afghanistan (UNAMA) is advising both the GIRoA and ISAF on community-based police initiatives, including the ALP, to ensure that appropriate outreach actions are taken and command and control arrangements are in place before new ALP units are established. The UN Secretary-General reported that the MoI approved the next phase of the ALP initiative in February 2011, allowing for the recruitment of up to 15,700 new ALP members.114

**ANP Training**

As of March 31, 2011, the United States had appropriated approximately $2.6 billion, obligated $1.9 billion, and disbursed $1.8 billion of ASFF funds for ANP training and operations.115

This quarter, 12,198 ANP personnel graduated from 37 training programs, according to CENTCOM. Coalition partners were responsible for 34 of these programs, and 2 companies (DynCorp and Xe Services LLC) for the remaining 3. The countries responsible for the most training programs were Germany (6), Italy (4), Jordan (4), and Canada (3).116

**ANP Literacy**

From October 2009 to February 2011, the United States spent nearly $9.8 million on literacy training for the ANP, according to CENTCOM. This quarter, CENTCOM did not provide SIGAR with current ANP literacy rates; however, CENTCOM did provide a set of assumptions (see “ANA Literacy”) and a literacy rate for the entire ANSF (28%).

In previous quarters, NTM-A/CSTC-A had estimated low rates of literacy for the ANP. For example, as noted in SIGAR’s October 2010 quarterly report, CSTC-A estimated that about 4.5% of ANP personnel are literate, based on random tests and sampling. Last quarter, NTM-A stated that a November 2010 test administered to 7,771 new ANP personnel revealed a literacy rate of only 2.24% and that a test of 1,456 ANCOP recruits revealed a rate of 0.27% (only 4 received passing grades).117

NTM-A/CSTC-A has established a short-term goal for the ANSF of 100,000 personnel in literacy training by July 2011; 44,700 are expected to be ANP personnel. CENTCOM noted that setting goals based on numbers of trainees instead of results minimizes the risk of cheating or rushing students through. This approach also enables commanders in the field to appropriately prioritize training requirements and mission needs.118

NTM-A’s literacy team regularly engages with the MoI on literacy policy and training issues. For example, NTM-A helped create a literacy directive for the ANP Chief of Operations and Security, which was awaiting signature as of April 1, 2011. According to CENTCOM, this policy will lengthen the training time devoted to literacy training. In addition, compulsory literacy lessons have
been added to all initial training for new recruits. This action, coupled with the increase in ANP recruiting, has significantly increased the number of personnel attending literacy classes. As in the literacy training for the ANA, the ANP are taught to read Pashtu or Dari; classes are held in the spoken language of the students.

According to CENTCOM, adding literacy lessons to the initial training of ANP produced these results:119

• 17,327 of 19,525 students passing at grade 1 level (approximately 89%)
• 10,658 of 11,843 passing at grade 2 level (approximately 90%)
• 6,275 of 7,256 passing at grade 3 level (approximately 86%)

Unlike the rest of the ANP, the ANCOP goal is for all personnel to be literate at a grade 3 level, according to CENTCOM. To achieve this goal, ANCOP leaders have lengthened the time that trainees spend developing literacy during their initial training. As of April 4, 2011, CENTCOM stated that more than 2,000 ANCOP NCOs have had literacy training this quarter.120

**Women in the ANP**

As of March 31, 2011, according to CENTCOM, 1,094 women were serving in the ANP. CENTCOM included in the total only officers, NCOs, and enlisted personnel—those who perform police duties. The number does not include civilian personnel (264 as of December 31, 2010, as noted in SIGAR’s January 2011 quarterly report). This quarter, the number of female enlisted and NCO personnel—the largest groups of women in the ANP—increased while the number of female officers decreased, since December 31, 2010:121

• 164 officers (down from 185)
• 511 NCOs (up from 430)
• 419 enlisted (up from 362)

In 2009, the MoI set a goal of recruiting 1,000 women into the ANP each year until 2014, according to CENTCOM. For solar year (SY) 1390, which started on March 20, 2011, the MoI has approved 2,865 positions for women: 1,320 patrolwomen, 836 NCOs, and 709 officers. The MoI tashkil (staffing authorization document) for SY 1390 will identify the gender-specific staffing needs for every position.122

In 2010, as noted in SIGAR’s last quarterly report, the MoI created an ANP Female Recruiting Directorate to focus on the recruitment of women. According to CENTCOM, this directorate includes an office at MoI headquarters, female recruiters assigned to regional headquarters, and two female recruiters assigned to each province. To support the ANP in this effort, CSTC-A has a Recruiting Assistance Team, which includes female advisors, to advise the Female Recruiting Directorate. To further assist in recruitment, two Female Engagement Teams are being established in the northern and central regions. CENTCOM also stated that CSTC-A and IJC police mentors will provide video footage of women in the ANP to the Government Media and Information Center to be used in a recruitment commercial for broadcast on television.123

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**Tashkil:** Lists of personnel and equipment requirements used by the MoD and MoI that detail authorized staff positions and equipment items, in this case for the ANA and the ANP. The word means “organization” in Dari.

ANP Infrastructure

As of March 31, 2011, the United States had appropriated approximately $2.7 billion, obligated $2.1 billion, and disbursed $1.5 billion of ASFF funds for ANP infrastructure.124

This quarter, 24 new ANP infrastructure projects were awarded (valued at $87.4 million), 152 were ongoing ($637.3 million), 27 were completed ($76.3 million), and 2 were terminated ($12.1 million), according to NTM-A/CSTC-A. These projects comprised district and company headquarters, and command, logistical, and training centers.125

ANP Equipment

As of March 31, 2011, the United States had appropriated approximately $3.7 billion, obligated $3.1 billion, and disbursed $2.9 billion of ASFF funds for ANP equipment and transportation.126

From January 1 to March 31, 2011, the ANP fielded 7,240 weapons (valued at $5.3 million), 1,170 vehicles ($99.2 million), and 2,938 pieces of communications equipment ($1.5 million), according to CENTCOM. This equipment was procured internationally through pseudo-FMS purchases and locally through the Kabul Regional Contracting Center.127

The AK-47 rifle is the primary weapon of the Afghan Uniform Police and the ABP, which together make up more than 69% of the ANP’s strength.128 According to CENTCOM, the cost of an AK-47 rifle is $1,250, including fees and transportation.129 Rocket-propelled grenade (RPG) launchers are also authorized for personnel at the district and precinct levels. However, in a recent audit report, DoD OIG identified a shortage of RPG rounds at those levels. In addition, DoD OIG interviews with members of ANP units revealed that those units were encountering insurgents who were armed with higher-quality AK-47s and more RPGs, as well as heavy machine guns, mortars, and other weapons.130

U.S. Support for the Ministry of Interior

According to CENTCOM, the MoI ministerial mentoring and training program provides U.S. and coalition experts for police development in a number of fields: personnel, intelligence, logistics, communications, force generation and management, finance, medical, engineering, acquisition, legal, public affairs, and strategy and policy.131 In December 2010, the U.S. Army Research, Development, and Engineering Command awarded DynCorp a contract to provide these experts for 24 months, according to CENTCOM. MPRI, which had the original contract, will remain in a transitioning capacity until April 30, 2011.

The MoI mentoring and training program is one of four contracts rolled into a larger, two-year, $718 million contract for ABP training, Afghan civilian advisory services, and embedded police mentors.132 The MoI program has a budget of $46 million for FY 2011 and $46 million for FY 2012. This quarter, the costs of the contract totaled $8.8 million, according to CENTCOM.
As of March 31, 2011, there are 282 mentors/advisors assigned to the MoI. Of this number, 119 are U.S. government personnel, including MoDA mentors, 43 are international or coalition government personnel, and 120 are DynCorp or MPRI contractors.

**U.S. FORCES**

According to U.S. Forces - Afghanistan (USFOR-A), 109,391 U.S. forces were serving in Afghanistan as of March 31, 2011—7,519 more than the number identified last quarter. These forces were assigned as follows:
- 83,425 to ISAF
- 3,215 to NTM-A/CSTC-A
- 12,244 to USFOR-A
- 10,507 to other assignments (unspecified)

**REMOVING UNEXPLODED ORDNANCE**

Since 2002, DoS has provided more than $172.5 million for conventional weapons destruction and humanitarian assistance with demining. According to DoS, the Conventional Weapons Destruction program provides direct funding to five Afghan non-governmental organizations (NGOs), five international NGOs, and one U.S. company (DynCorp International) for three purposes:
- sustained clearance operations
- removal and mitigation of abandoned and at-risk conventional weapons
- development of host nation technical and managerial capacity

This assistance also includes the destruction of excess, unserviceable, and at-risk ANSF weapons and ordnance, according to the DoS Political-Military Affairs’ Office of Weapons Removal and Abatement (PM-WRA), which manages the program in Afghanistan. The PM-WRA stated that, from January 1 to December 31, 2010, more than 25.7 million square meters of land had been cleared by DoS-funded implementing partners, as shown in Table 3.5. This accounts for more than 12% of the 205.5 million square meters of land that have been cleared since 1997.

<table>
<thead>
<tr>
<th>Date Range</th>
<th>AT/AP Destroyed</th>
<th>UXO Destroyed</th>
<th>SAA Destroyed</th>
<th>Fragments Cleared</th>
<th>Minefields Cleared (m²)</th>
<th>Contaminated Area Remaining (m²)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1–3/31/2010</td>
<td>2,455</td>
<td>1,943</td>
<td>129,557</td>
<td>603,957</td>
<td>6,475,318</td>
<td>664,235,000</td>
</tr>
<tr>
<td>4/1–6/30/2010</td>
<td>2,853</td>
<td>249,946</td>
<td>217,901</td>
<td>968,887</td>
<td>4,464,926</td>
<td>659,770,000</td>
</tr>
<tr>
<td>7/1–9/30/2010</td>
<td>3,922</td>
<td>270,793</td>
<td>1,196,158</td>
<td>1,710,708</td>
<td>9,108,108</td>
<td>650,662,000</td>
</tr>
<tr>
<td>10/1–12/31/2010</td>
<td>2,219</td>
<td>100,866</td>
<td>1,204,036</td>
<td>3,549,023</td>
<td>5,704,116</td>
<td>641,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11,449</strong></td>
<td><strong>623,548</strong></td>
<td><strong>2,747,652</strong></td>
<td><strong>6,832,575</strong></td>
<td><strong>25,752,468</strong></td>
<td><strong>641,000,000</strong></td>
</tr>
</tbody>
</table>

Notes: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small-arms ammunition.
COUNTER-NARCOTICS

Since 2002, the United States has appropriated more than $4.5 billion for counter-narcotics initiatives in Afghanistan. Most of these funds were appropriated through the DoS International Narcotics Control and Law Enforcement (INCLE) fund (nearly $2.9 billion) and the DoD Drug Interdiction and Counter-Drug Activities (DoD CN) fund (more than $1.5 billion). DoD CN funds are used for a range of purposes; the largest amounts, as of March 31, 2011, were for the following activities and initiatives:

- Air mobility outside the continental United States ($373.3 million): provides equipment, infrastructure, operations and maintenance, and training support for counter-narcotics missions in Afghanistan
- Intelligence and technology ($332.5 million): provides analytical, equipment, and operations and maintenance support for the joint U.S./U.K. Interagency Operations Coordination Center, the Combined Joint Interagency Task Force (CJITF) Shafafiyat and CJITF Nexus, and the Judicial Wire Intercept Program
- Counter-narcotics training for the ABP ($180.8 million): supports tactical training, mentors, and advisors for the ABP and Customs Police
- Training for the Counter-Narcotics Police of Afghanistan (CNPA) ($106.5 million): supports trainers, mentors, and advisors, and provides equipment, infrastructure, and operations and maintenance support for the CNPA and its specialized units
- Air mobility within the continental United States ($103.4 million): provides equipment, infrastructure, and operations and maintenance to support U.S.-based English language and flight training for MoI aviation personnel assigned to the Air Interdiction Unit
- Other program support ($101.7 million): supports analysts and trainers, transportation, and operations and maintenance for various programs in support of counter-narcotics programs in Afghanistan

Counter-Narcotics Events

This quarter, the GIRoA conducted several interdiction operations that resulted in arrests and seizures of contraband, and the U.S. Drug Enforcement Administration (DEA) and its Afghan counterparts continued to conduct investigations, according to DoD. In addition, U.S. military and law enforcement focused on partnering with and building the capacity of Afghan counter-narcotics forces. The GIRoA coordinates with the UN Office on Drugs and Crime (UNODC) and the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) to implement programs that sustain and monitor poppy-free provinces.

On January 31, 2011, the Ministry of Counter-Narcotics and the UNODC released the results of the 2011 Opium Winter Rapid Assessment Survey. In the opium-producing regions of the south, west, and east, poppy starts to germinate in the winter. According to the UNODC, the survey results indicate that a slight decrease in poppy cultivation can be expected in some provinces in
2011 despite the current high price of opium. This decrease, coupled with a prolonged drought in the south, may lead to another year of reduced production. Moreover, the UNODC noted that an assessment of farmers allows for “cautious optimism” that cultivation and production will not be as high as previously expected.\textsuperscript{140}

**U.S. Counter-Narcotics Assessment**

The narcotics trade threatens Afghanistan’s political stability and economic growth and strains the GIROA’s capacity to deal with internal security problems, according to INL. It also undermines U.S. efforts to help Afghanistan wage the counter-insurgency effort. According to INL, suppressing the drug trade requires a combined, “whole of government” effort that addresses counter-insurgency, counter-narcotics, development, and governance. A cornerstone of the U.S. counter-narcotics strategy is to provide sustainable, licit alternatives to opium poppy.\textsuperscript{141}

Agriculture remains the major source of income for most Afghans, INL pointed out, and opium poppy cultivation remains a common and competitive crop, especially in rural and insecure areas.\textsuperscript{142} According to the USAID Office of Agriculture, the Taliban pressures farmers to produce opium in order to finance insurgent activities. Moreover, the farm-gate price for opium is higher than that for other crops; in Helmand, for example, the price of opium is more than six times the price of wheat per unit area of land.\textsuperscript{143}

The USAID Office of Agriculture noted that markets for alternatives to poppy will continue to strengthen as genuine stability is achieved in the country and the influence of the Taliban is reduced. In addition to a continued
effort to increase the risk of opium production and disrupt the opium market
chain, growers will have a strong incentive to move to alternative products
that can provide better household income for their families. Also, demand for
manual labor should remain strong because the alternative crops are harvested
by hand.  

**U.S. Counter-Narcotics Efforts**

Illegal narcotics are a significant source of funding for Afghanistan’s insur-
gency. According to INL, U.S. counter-narcotics efforts in Afghanistan focus not
only on stemming the flow of illegal drugs but also on denying the Taliban and
other insurgent groups a key source of funding. INL stated that the revised U.S.
Counter-Narcotics Strategy for Afghanistan calls on U.S. agencies to work with
Afghanistan’s regional neighbors to further disrupt insurgency-narcotics net-
works and eliminate safe havens for narcotics traffickers. Part of this effort is
a continued dialogue under the U.S.-Russia Bilateral Presidential Commission,
and an engagement of all regional partners to combat the drug trade through
international and multilateral forums.

INL supports programs of the Afghan Ministry of Counter-Narcotics (MCN)
to reduce poppy supply throughout the cultivation cycle. The MCN’s Counter-
Narcotics Public Information program informs Afghan leaders and citizens
about the dangers of narcotics cultivation, trade, and use through direct
e engagement, radio, TV, and print media. Although the campaign is a year-round
effort, particular emphasis is placed on it during the pre-planting season (July
to September).

According to DoD, agriculture development programming, in combina-
tion with improved security, has enabled farmers located in areas near major
population centers to move away from narcotics cultivation. The success of
programs that provide incentives to farmers depends on improved security and
the presence of a law enforcement deterrent. DoD noted that poppy cultivation
is occurring in increasingly fewer areas.

**Interdiction Operations**

This quarter, most interdiction activities were conducted in the south and
southwest, where most opiates are grown, processed, and smuggled out of
Afghanistan, according to DoD. In the east and north, the ANSF carried out
slightly fewer operations than it did last quarter.

From January 1 to March 16, 2011, the ANSF partnered with ISAF to
conduct 76 narcotics interdiction operations, according to DoD. These opera-
tions resulted in 76 arrests and led to the seizure of a range of narcotics
contraband:

- 41,945 kg of hashish
- 11,854 kg of opium
- 4,636 kg of morphine
• 2,347 kg of heroin
• 851 kg of narcotic-related chemicals

U.S. forces continued to provide transportation, intelligence, airlift, and quick reaction support, and the U.S. Drug Enforcement Administration (DEA) continued to mentor specialized Afghan counter-narcotics units, DoD noted. In addition, the U.S. intelligence community continued to provide targeting and analysis support at the strategic, operational, and tactical level.

INL stated that it supports the Counter-Narcotics Police of Afghanistan (CNPA) by providing operations and maintenance support for the CNPA’s Technical Investigative Unit, National Interdiction Unit, and Sensitive Investigative Unit. Recent accomplishments include the following:

• National Interdiction Unit officers are now able to conduct their own operations, request warrants, and execute them. Evidence gathered by the Technical Investigative Unit through court-ordered surveillance operations increased the number of large-scale drug trafficking and related corruption cases that were brought to the Criminal Justice Task Force.
• During 2010, the CNPA, with mentors from the DEA, conducted more than 100 operations and seized more than 11 metric tons of heroin—a 700% increase from the 2009 level.
• In February 2011, the DEA and the CNPA, supported by INL helicopters, seized more than 4 metric tons of morphine base during a series of raids in Achin district in Nangarhar.
• In 2010, interdiction operations by the United Kingdom, other ISAF partners, the CNPA, and the DEA seized 55,000 kilograms of opium; 74,468 kilograms of hashish; 34,354 liters of liquid chemical precursors used in production; and 2,319 kilograms of morphine.
GOVERNANCE

As of March 31, 2011, the United States had provided more than $16.16 billion to support governance and development in Afghanistan, as shown in Appendix B. Building the capability of the Afghan government to govern effectively remains critical to U.S. efforts. This quarter, U.S.-funded programs continued to address persistent problems related to capacity, corruption, rule of law, and effective administration. Security improvements enabled some local governance initiatives to progress, although these gains remain fragile. Protections for vulnerable women also made some progress in policy discussions.

KEY EVENTS THIS QUARTER
This quarter, the Wolesi Jirga was seated, following a protracted delay after the elections, but confrontations between it and the executive branch persisted. The mandate of the United Nations Assistance Mission in Afghanistan (UNAMA) was extended with new policies emphasizing greater control of the country’s future by the Government of the Islamic Republic of Afghanistan (GIRoA). In addition, the push for reconciliation and reintegration continued, but no major negotiation breakthroughs took place.

Seating of the Wolesi Jirga
Serious internal disputes over the results of the September 2010 parliamentary elections continued throughout this quarter. President Hamid Karzai inaugurated the Wolesi Jirga on January 26, 2011, after reaching an agreement with newly elected members and unsuccessful candidates who had protested the election results. However, the inauguration did not prevent the Special Court created by President Karzai in December 2010 and the Attorney General’s Office (AGO) from continuing their investigations into the elections. The Independent Election Commission (IEC), the U.S. Department of State (DoS), and UNAMA expressed concerns about the effects of the AGO’s actions on the independence of electoral institutions. DoS noted that any inappropriate pressure could undermine the credibility of the elections.

On February 14, 2011, AGO investigators and police officers entered the headquarters of the IEC in Kabul and ordered the sealing of ballot boxes and the IEC’s data center, according to the March 2010 quarterly report of the United Nations (UN) Secretary-General.
On February 20, 2011, the Attorney General suspended the IEC’s chief executive officer and one of its commissioners for “insufficient cooperation” with the Special Court; however, the IEC contended that the Attorney General had no legal authority to suspend these personnel. The Wolesi Jirga denounced the Special Court as illegal and stated it would not accept any recount results. According to DoS, members of the Wolesi Jirga continue to be uneasy about the effect of future Special Court activities.

As of March 31, 2011, the Special Court had conducted recounts in 23 provinces and accused some Wolesi Jirga members of electoral fraud. According to DoS, some members believe that the President will overturn the election, and others believe that the court will be used to sway the Wolesi Jirga on key issues.

Although the new Wolesi Jirga includes a number of strong opposition figures, its makeup may not have a significant effect on the balance of power in the Afghan government, according to DoS. Members spent much of January and February 2011 trying to elect a speaker, for example, because candidates from both sides had difficulty assembling coalitions.

**Election Administration**

Operational, material, and training support for the IEC is provided through funding from the U.S. Agency for International Development (USAID). USAID is funding programs to sustain the progress that has been made in building the GIRoA’s electoral capacity. This support will also help the IEC develop a post-elections operational plan that focuses on voter registration and boundary delimitation and demarcation. District elections cannot occur until the GIRoA properly demarcates the district boundaries. DoS noted that it would also support the establishment of an electoral reform commission, in line with Kabul Conference commitments. According to DoS, the controversies surrounding the election indicate that the GIRoA should consider broader electoral reform.

On January 31, 2011, the Electoral Complaints Commission (ECC) completed its legally mandated term in support of the parliamentary elections and ceased operations. The ECC turned over to the IEC all archived violations of electoral law and challenges to the eligibility of nominated candidates, according to UNAMA.

The UN Development Programme (UNDP) plans to continue its support for building Afghanistan’s electoral capacity by consolidating electoral institutions, maintaining institutional memory, planning for sustainability, and increasing the independence of these institutions within the GIRoA, according to the UN Secretary-General. The goal of this support is to create electoral institutions that are more technically and operationally capable of supporting elections and are therefore less dependent on international support. In late January 2011, international partners started a review of lessons learned; according to DoS, the review’s progress has been delayed because of the turmoil surrounding the election results.
GOVERNANCE

UNAMA Extension

On March 22, 2011, the UN Security Council unanimously approved an extension of the UNAMA mandate until March 23, 2012. UNAMA, which has existed since 2002, has 30 agencies, funds, and programs that contribute to the improvement of governance, development, and security in all 34 provinces.162

In the lead-up to the extension of the mandate, the GIRoA was adamant in expressing its desire to take on “full” control of Afghanistan’s governance, development, and security by the end of 2014.163 The GIRoA made a series of requests to the UN Security Council outlining how the UNAMA mandate should emphasize transition to full Afghan ownership and leadership, including the following:164

- To make the election process sustainable and effective, Afghans should own it. The GIRoA welcomed UNAMA’s capacity-building and technical assistance on elections but noted that is not sustainable in an Afghan-led, democratic process.
- Greater emphasis should be placed on aligning aid with Afghan National Priority Programs and channeling it through the GIRoA budget.
- The GIRoA should lead the reconciliation and reintegration process; however, it may request diplomatic and operational support from UNAMA.
- A recalibrated UNAMA coordination strategy with ISAF should emphasize the transition to Afghan-led stabilization efforts.
- Through its co-chairmanship of the Joint Coordination and Monitoring Board, UNAMA should promote coherence in the international community’s support for an Afghan-led development strategy.
- A comprehensive review of the UNAMA mandate and the UN’s role in Afghanistan should be conducted before the Bonn Conference at the end of 2011.
- Greater overall synergy is desirable in UN operations, programs, and funding in Afghanistan.

In its mandate extension, UNAMA agreed to support the GIRoA in accordance with the London and Kabul communiqués, with a particular focus on improving the coordination of international efforts in governance and development assistance, as well as in civilian and military operations. UNAMA also decided to support efforts to increase direct assistance through the GIRoA and to increase the transparency and effectiveness of the GIRoAs use of such assistance. UNAMA reaffirmed that it should have a leading role in future international electoral support when requested by the GIRoA. UNAMA also requested that the Secretary-General conduct a complete review of UN support by the end of 2011.165

Afghanistan’s representative to the UN said the extension of the mandate reaffirmed the international community’s commitment and also highlighted the need to transition to greater Afghan ownership and leadership. The representative also noted that the mandate streamlined the UN’s operations to fit with Afghan priorities.166 Following the April 1 attack on the UN compound in Mazar-e Sharif, UNAMA said it would continue activities in the country in this delicate and crucial period.167
ANTI-CORRUPTION

This quarter, DoS expressed significant concern about continued corruption in Afghanistan. It stated that the GIRoA could better deter corruption by removing high-level officials who have not effectively ensured government accountability, and by paying higher salaries for prosecutors. DoS also stressed the importance of strengthening anti-corruption laws by drafting specific sentencing guidelines.168

According to DoS, “Criminal patronage networks of corrupt individuals connected to senior Afghan officials, weak institutions, slow governance reforms, inadequate anti-corruption laws, and political impunity have essentially halted progress on fighting corruption in Afghanistan.”169 DoS stated that it has not seen a serious commitment by the Attorney General to fight corruption and bring senior officials to justice, noting that no prosecutions of high-level officials were completed this quarter. In November 2010, the AGO announced an investigation of at least 20 senior officials, including 2 current cabinet members. Only one individual under investigation has been arrested—the former Minister of Transportation. There has yet to be a prosecution for any official under investigation, and the names and details have not been made public.170

DoS also pointed to the recent pardons of senior police commanders for corruption charges as examples of the significant challenges to consistent enforcement of anti-corruption laws. It noted, however, that the Attorney General had recently announced measures to remove unqualified officials and to provide adequate salaries for prosecutors in order to reduce incentives for corruption.171

“There is no denying the challenges our civilian efforts face in Afghanistan. Corruption remains a major problem. Fighting fraud and waste is one of our highest priorities.”

—U.S. Secretary of State Hillary Clinton

HOOAC

The High Office of Oversight and Anti-Corruption (HOOAC), which is charged with combating government corruption, has not made any significant progress, according to USAID. USAID attributed this failure to lack of will on the part of top leaders to engage seriously in the effort.172

USAID supports the HOOAC with technical assistance through a contract with Management Systems International that began in October 2010. The program has a maximum value of $27.7 million over three years, according to USAID. The UNDP, the UN Office on Drugs and Crime, and USAID have provided technical assistance, including training programs, to improve the HOOAC since its inception in 2008.173

The HOOAC’s efforts to improve the asset declarations process for government officials have been mostly symbolic and ineffective, according to DoS. As of March 31, 2011, only 1,900 of the 3,600 officials required to file declarations had done so, and only 70 of those had been published. DoS noted several deficiencies in the declarations and their verification, including the lack of a requirement to declare property held for the benefit of a government official in someone else’s name. Because that type of property is not captured in the declaration, President Karzai stated his entire assets at less than $30,000, according to DoS.174

Anti-Corruption Unit

This quarter, the AGO allowed U.S. Department of Justice (DoJ) mentors to resume their work with Anti-Corruption Unit (ACU) prosecutors. The mentors had ceased work in July 2010 after the fallout from the bribery investigation of Karzai advisor Muhammad Zia Salehi. DoS stated that DoJ mentors have limited their previous mentorship role and focused only on providing technical assistance. According to DoS, Afghan prosecutors have expressed concerns about being seen as working too closely with the DoJ.175

As of March 31, 2011, the ACU has submitted 416 cases to the courts, including 149 cases of misuse of power and 71 cases of bribery. It has also issued eight warrants to prevent high-level officials from leaving the country.176
**Major Crimes Task Force**

Investigations by the Major Crimes Task Force (MCTF) focus primarily on senior-level corruption. In addition to training provided by international organizations, the U.S. Federal Bureau of Investigation and U.S. Army provide investigation training to the MCTF.\(^{177}\)

As of March 31, 2011, the MCTF had won 10 major convictions, and more than 100 investigations were pending. According to DoS, in 2010 the MCTF registered 162 arrests, 22 of them related to corruption. DoS stated that although the MCTF has made progress, its efforts to fight corruption have fallen short because of influence from the AGO and the President’s Office.\(^{178}\)

**Control and Audit Office**

The Control and Audit Office (CAO) is responsible for auditing the financial performance of the GIRoA’s agencies. According to DoS, the CAO lacks both the independence and the capacity needed to perform its functions, and little progress was made this quarter to develop its capabilities. DoS stated that Afghan law does not give the CAO enough independent authority. The CAO has indicated to DoS that most of the cases it sends to the AGO are returned without any action having been taken.\(^{179}\)

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**SIGAR AUDIT**

SIGAR is conducting an audit of the success of U.S. efforts to strengthen the capabilities of the Major Crimes Task Force to combat corruption. For more information, see Section 1, page 17.

**SIGAR AUDIT**

SIGAR’s audits of the HOOAC and the CAO found that neither office had sufficient independence or authority to be an effective anti-corruption or audit institution. For more information, see www.sigar.mil.
In 2010, the GIRoA—with international political and programmatic support—began a renewed push to reconcile and reintegrate insurgents and their leaders. This quarter, those efforts continued to move forward, although no major breakthroughs took place.

**High Peace Council**

This quarter, the High Peace Council conducted a large number of formal and informal events, according to DoD. The Council did not share the details of all of these events with the International Security Assistance Force (ISAF) or publicly acknowledge them because of the need to protect the identity of participants. The Council used these events to improve awareness of and support for the peace process, according to the UN Secretary-General. DoS stated that it has not yet seen any evidence that insurgent leaders have been willing to change their positions.

The GIRoA has established 25 Provincial Peace Councils, according to DoD. Initially, these Councils will conduct outreach, build public confidence in reintegretion and reconciliation, negotiate, and resolve grievances. Members of the committees include public officials, and community and religious representatives.

Progress has also been made in the implementation of the Afghan Peace and Reintegration Plan (APRP). With assistance from the UNDP, the Joint Secretariat developed financial assistance procedures for 8 provinces and was developing them for 13 more, according to DoD. The Secretary-General’s report noted that the Council’s Financial Oversight Committee had approved seven reintegration projects: six will establish cells in ministries and departments to support the development of the reintegration program, and one is a de-mining project that employs reintegrates in its workforce.

**Women’s Rights and Reconciliation**

Because the reconciliation process involves bringing groups that oppose women’s rights into peace talks, much attention has been paid to the place of women’s rights in negotiations. According to USAID and DoS, concerns about curtailment of women’s rights have been incorporated into U.S. government requirements for support of the APRP. For example, reconciled Taliban must agree to abide by the Afghan Constitution, including its provisions on the rights of women and minorities. The U.S. Secretary of State has said that the United States supports the participation of Afghan women at all levels of the reconciliation process.

According to USAID, the United States has promoted the involvement of women across the board in a number of ways, including the following:

- helping the 9 women of the 69-member High Peace Council to strengthen their role in the Council
- providing political advocacy at national and provincial levels
- supporting civil society initiatives to ensure that the APRP includes female participants

• working with a women’s rights nongovernmental organization (NGO)—the Women, Peace, and Security Working Group—that is assisting in the GIRoA’s formulation of an action plan to include women at all levels of reconciliation

According to USAID, women have been involved in the APRP in several ways. A dedicated gender advisor to the Joint Secretariat of the APRP works to ensure that women’s issues are accounted for in major decisions and policies and assists female Council members in their advocacy efforts. In addition, female Council members are sometimes included in the Council’s domestic and international public outreach campaigns. Furthermore, the Council recently instructed the Provincial Peace Councils that their membership must include at least three women. The GIRoA has also allowed the Afghan Women’s Network and the Afghan Civil Society Forum to monitor the formation of the Provincial Peace Councils and provide recommendations to ensure that the reconciliation process is inclusive.

U.S. Assistance for Reconciliation and Reintegration

As of March 31, 2011, the United States, the United Kingdom, Japan, and Germany have pledged approximately $234 million to support the APRP, including the activities of the High Peace Council. Approximately $110 million of the pledged funds had been received by the end of the quarter. The Ministry of Finance (MoF) is still developing plans to distribute funds at the sub-national level; therefore, the Afghan financial mechanisms to support reintegration do not yet function, according to DoD.

To ensure that the reconciliation process moves forward, the United States is funding the reintegration and reconciliation activities through the Afghan Reintegration Program (ARP). As of March 31, 2011, total U.S. commitments for the ARP were just under $4 million. This funding has supported several outreach shuras and the provincial and district peace councils. To support reintegration activities, in the FY 2011 National Defense Authorization Act, the Congress provided the Secretary of Defense the authority to use up to $50 million from funds available to DoD—with the concurrence of the Secretary of State.

Progress of Reintegration

This quarter, the Secretary-General noted an increase in the pace at which anti-GIROA insurgents have attempted to reintegrate into Afghan society. As of March 31, 2011, about 700 former insurgents were enrolled in the three-stage reintegration process, according to DoS. According to DoD, most reintegrees were in the initial outreach and demobilization phases and had not yet reached the final stage—the community recovery stage—as of March 31, 2011. The UN Secretary-General reported a number of reasons that more members of the insurgency and militia were willing to lay down their arms, including frequent security operations in northern and western provinces, outreach by provincial authorities, and the GIRoAs demonstrations of leadership.
Most areas of the country did not have Provincial Peace Councils or supporting Provincial Joint Secretariats as of March 31, 2011. Provincial governors had nominated members for 25 Provincial Peace Councils, but the High Peace Council had approved and formalized only 6. Eight Provincial Joint Secretariat Teams had been established; they are tasked with assisting reintegration at the working level. According to DoD, almost every provincial governor was working with the APRP, and their participation had not triggered any violence against them. However, the Secretary-General reported that, in response to reintegration efforts, insurgents have amplified their attacks to intimidate those who are considering reintegration.

According to DoD, Afghan officials will continue to travel to spread awareness of the APRP. In addition, the Joint Secretariat is working with inter-agency representatives in Kabul to improve the final phase of reintegration by strengthening the connections between reintegrees and their communities.

**PROVINCIAL AND DISTRICT GOVERNANCE**

The planned drawdown of the International Security Assistance Force (ISAF) has had little effect on the ability to recruit and maintain local leaders, according to DoS. As of March 31, 2011, Regional Commands - South and Southwest have been able to identify candidates for leadership positions and were working with provincial leaders to build governing capacity. Regional Command - West identified a wide range of challenges that leaders face in filling positions, including Kabul politics, nepotism, corruption in the appointment process, district isolation, sub-standard facilities for district officials, and insecurity.

**Southern Afghanistan**

According to DoS, the GIRoA is slowly re-establishing district governance in Kandahar after many of its districts were cleared of insurgents in late 2010. All District Support Teams (DSTs) in Kandahar have reported increased mobility for government officials to operate. However, DSTs in Panjwai and Spin Boldak reported to DoS that not all tribal elders had returned to their villages and that only a limited number of key leaders were present. Both DSTs reported to DoS that the creation of district councils had gained support and may draw key leaders back to their villages.

Improved security has enabled the GIRoA to extend its authority and establish improved local governance in Helmand province, according to the commanding general of Regional Command - Southwest. As of January 25, 2011, representatives of the provincial government were present in 11 of the province’s 14 districts, according to the U.K. senior representative in southern Afghanistan. Progress was most evident in central Helmand, where six central districts had district councils. In Marjah, about 1,100 voters turned out on March 2, 2011, and elected 35 members to the community council. No security incidents occurred, despite insurgent threats to disrupt the elections. According to DoD, the turnout indicated that the community had rejected the insurgency and accepted the
GIRoA’s authority in the area. The Helmand Provincial Reconstruction Team (PRT) reported to DoS that provincial and district offices continue to strengthen their administration and have engaged with the DSTs and the PRT.

One result of improved security is greater freedom of movement, according to both DoD and DoS. Local government officials can now travel by road between all of Helmand’s central districts, according to DoS. The central districts are the most heavily populated in the province. The situation in several outlying districts—Musa Qala, Sangin, Kajaki, and Naw Zad to the north and Khan-e Shin to the southwest—remained difficult, requiring officials to travel by air. DoS also noted that although key leaders are still in the process of returning to villages after violence drove some away, important elders in some areas are re-engaging with government institutions.

Northern Afghanistan
In the northern provinces of Kunduz, Takhar, and Balkh, the GIRoA has maintained stability this quarter, according to DoS. Although the governors in these provinces have taken steps to increase governmental control, tensions between ethnic groups in some areas continue to challenge lasting stability.

DoS noted that the Pashtun governor of Kunduz, a confidant of President Karzai, had taken firm control of managing development, enhancing ANSF security operations, and expanding engagement with U.S. officials. The governor of Takhar, an ethnic Tajik, has cultivated political connections across ideological and ethnic lines and governmental levels. DoS stated that the governor travels widely throughout the province to enlist support from leaders and the public for ANSF and ISAF. He has also led delegations of provincial line ministers to areas cleared of insurgents to meet their constituents and discuss their needs. In Balkh, the governor is an effective, hands-on administrator and extremely popular, according to DoS; he also has a great amount of influence in the greater northern region. The governor’s active control of the appointment process has, however, alienated some of the Pashtun minority leadership and created tensions.

All PRTs in the region reported that U.S. development and stabilization efforts were helping build local government capacity. DoS noted positive engagement with Community Development Councils and the District Development Assembly in implementing multiple projects in Kunduz and Takhar.

U.S. Assistance for Public Administration Reform
The United States is supporting public administration reform at local and provincial levels through the Village Stability Operations (VSO) program, the civilian uplift, and PRT and DST efforts.

Village Stability Operations Program
The DoD’s VSO program works in conjunction with the Afghan Local Police program to deploy Afghan and U.S. personnel into rural areas to establish connections between villages and district and provincial government institutions,
according to DoD. The VSO also helps villagers stand against insurgents and provides development assistance. The VSO draws on DoD-managed funds—the Commander’s Emergency Response Program and the Afghanistan Security Forces Fund. DoD noted that “a relatively small amount of dedicated funds are used.”210 The program has significantly reduced Taliban influence in its areas of operations, according to DoD.211

Civilian Uplift
According to DoS, the number of U.S. civilian personnel in Afghanistan has increased significantly in the past two years—from 261 in January 2009 to 989 in February 2011. DoS has proposed to increase the number of civilians to 1,350 by 2012.212 As of March 31, 2011, the uplift had made it possible to staff more than 150 field positions, including PRTs, DSTs, regional platforms (civilian equivalents of regional commands), and numerous task force units and provincial offices.213

According to USAID, the civilian uplift has enabled the United States to improve the GIRoA’s capacity at the sub-national level. To support counter-insurgency efforts, the uplift has focused primarily on vital areas that have large populations and economies.214

PRTs, DSTs, and Security
Security threats to PRTs and DSTs are the main challenges to their operations, according to DoS. Insurgents have sought to blunt the effects of the teams’ efforts. DoS noted that Afghan officials at the local level are concerned about
what the transition of responsibility will mean in terms of their security and access to assistance funding. It also noted that developing the capability of many government officials to implement governance and development efforts remains a significant challenge. Implementing partners and NGOs have not fully coordinated with PRT and DST efforts, which has hampered local governance initiatives and caused duplication of efforts. Despite these challenges, PRTs and DSTs had been able to implement the District Delivery Program, an Afghan-led initiative to expand the presence of the government in recently secured districts, in 14 districts and gain approval in 21 additional districts, as of March 31, 2011. DST personnel increases for 2011 are planned primarily for the south and east, as shown in Figure 3.23. U.S. PRT staffing is projected to increase substantially in 2011, as shown in Figure 3.24.

To coincide with President Karzai’s requirement to phase out PRTs and DSTs, DoS noted that DSTs could be merged with PRTs, which would then be merged into larger regional platforms, reducing the overall U.S. presence. Before that transition takes place, PRTs and DSTs will shift their focus from basic service delivery to training and capacity development, according to DoS, which noted that transitions and any closures will depend on security conditions.

PUBLIC ADMINISTRATION REFORM

The GIRoA’s inability to fill civil servant positions in the most insecure provinces continues to hinder improvements in local government. According to USAID, some districts have not had a government presence for more than a generation.

FIGURE 3.24

U.S. PRT STAFFING BY PROVINCE

December 2010: 123

Projected 2011: 175

It noted that government hiring in provinces must be accelerated if Afghanistan is to develop a self-sustaining government. According to USAID, the number of civil servants working at the provincial and district levels in the 14 most unstable provinces remains far below the level required for effective government. Southern and eastern provinces faced the most difficulties in staffing, as shown in Figure 3.25. In 11 of those provinces, according to February 2011 statistics, more than 40% of the ministry tashkils are unfilled, and many of the most important positions for enabling service delivery are vacant.217

According to USAID, the GIRoA faces the following challenges in recruiting local officials:218

• lack of financial, technical, and logistical support
• lack of security at the provincial level
• weak human resource functions
• low salaries, lack of hazard and overtime pay
• strong anti-government propaganda

The U.S. Department of the Treasury (Treasury) also noted the GIRoA’s dependence on the international donor community for financial assistance and public financial management, stating that the GIRoA has much work to do to improve its technical capacity. Although the Afghanistan Civil Service Institute trained 16,000 people in 2010, many of those trained lack practical experience in financial management. Furthermore, once new hires have gained experience in government systems, they are often recruited by international donors and NGOs, which can pay higher wages than the GIRoA can offer.219

Through the Insecure Provinces Recruitment Strategy, the United States has partnered with GIRoA ministries and the Civil Service Commission (CSC) to improve their ability to provide services in provinces where security is poor. This strategy, developed in fall 2010, identifies several ways to improve recruitment:220

• Maintain the recent improvements in stability provided by security services.
• Improve gender awareness training, strengthen recruitment of women into government, and provide flexible work programs to accommodate their family and housing requirements.
• Introduce strong provincial human resources units.
• Raise salaries.
• Increase the number of secure housing units for civil servants.
• Conduct job fairs.

From December 2010 through March 31, 2011, the United States supported the Independent Administrative Reform and Civil Service Commission (IARCSC) and the Independent Directorate of Local Governance in conducting a series of activities, including job fairs in Kandahar, Uruzgan, and Zabul that resulted in the hiring of 322 civil servants. USAID noted that the success of the Kandahar event resulted from improvements in security, the availability of secure housing, a temporary lowering of educational and experience requirements, and support from the USAID’s Afghanistan Civil Service Support (ACSS) program and ISAF.221
In addition, as of March 31, 2011, the CSC was developing provincial human resource offices to improve governmental human resource functions. The CSC, through the Provincial Affairs Directorate, was also developing a model province to use as the basis for a Center of Excellence for Sub-National Governance.222

**Budget Administration**

On March 12, 2011, the Meshrano Jirga officially presented the national budget to the Wolesi Jirga. The budget totals Af 210.7 billion—more than double the Af 92 billion in revenue that the MoF estimated it would collect in FY 2011.223 The Meshrano Jirga approved the budget in February 2011, but the Wolesi Jirga rejected it, according to DoS. As this report went to press, the final budget had not yet been resubmitted.224

**Budget Execution**

The GIRoA’s budget is broken into two categories: the core budget (including operating and development budgets) and the external budget (which covers security and development expenses and is entirely funded by international assistance).225 The core budget receives funding from multiple sources; trust funds constitute a significant portion of international contributions to it.226

**OPERATING BUDGET**

The proposed core operating budget is Af 150.0 billion for solar year (SY) 1390, which runs from March 21, 2011, to March 20, 2012. The operating budget rose in each of the last three solar years, from Af 78.2 billion in SY 1387 to Af 116.5 billion in SY 1389, as shown in Figure 3.26. The operating budget consists mainly of recurrent costs such as wages and salaries.227

**FIGURE 3.26**

**OPERATING BUDGET EXECUTION, SY 1387–1389 (AF BILLIONS)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditures</th>
<th>Unexpended Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013 (1389)</td>
<td>111.2</td>
<td>5.3</td>
</tr>
<tr>
<td>2012 (1388)</td>
<td>88.0</td>
<td>11.5</td>
</tr>
<tr>
<td>2011 (1387)</td>
<td>69.2</td>
<td>9.0</td>
</tr>
</tbody>
</table>

Notes: Numbers affected by rounding. US$1 = Af 46.23. SY = solar year, which runs from March 21 to March 20.

During this period of budgetary growth, the GIRoA managed to execute 91% of its core operating budget. The largest ministerial operating budgets all had execution rates of at least 93%, as shown in Table 3.6.228

### DEVELOPMENT BUDGET

The proposed core development budget for SY 1390 is Af 65.9 billion. In the preceding three solar years, development budgets ranged from Af 108 to Af 121 billion. From SY 1387 through SY 1389, the GIRoA’s execution of the core development budget averaged 40%. The development budget is made up of capital expenditures in governance, rule of law, infrastructure, education, health, agriculture and rural development, social protection, and private sector development.229 The overall execution rate of the development budget remained low, as shown in Figure 3.27. Execution rates ranged from a high of 42% in SY 1387 to a low of 36% in SY 1388. There is significant variance in the rate for individual ministries, as detailed in Table 3.7. 230

As noted in previous SIGAR quarterly reports, the GIRoA consistently has difficulty executing the development budget. In a February 2011 a press
conference, the Deputy Minister of Finance attributed the problems in executing the 2010 development budget to the lack of security, the late approval of the budget by the National Assembly, insufficient agency capacity, bureaucracy, and organizational interference.231

**Budgeting Capacity**

The GIRoA’s weakness in planning and budgeting stems from difficulties in sufficient consultation and coordination between primary budgetary units of the central government and their subordinates at the provinces and districts, according to Treasury. Even though provincial directorates hold primary responsibility for executing operating budgets, the central government plans for, rather than with, the local governments. In addition, unspent funds from dormant development projects are often carried forward, with the expectation that funding for those earmarked projects will still be provided by the donor.232

Treasury’s Office of Technical Assistance (OTA) works with GIRoA ministries to improve their capacity to develop procedures for budget execution and monitoring, including support to the MoF to improve the budgeting capacity of civil servants in the provinces. The OTA identified a number of accomplishments this quarter, including helping the MoF develop and deliver training on budgeting, advising the MoF on communication improvements, and training PRTs on assisting line directorates.233

Treasury identified a number of recommendations on how the GIRoA could improve its budgeting practices:234

- Improve the planning process by having all documents ready to begin the procurement process.
- Use a multi-year budget instead of a single-year budget to give more leeway to manage delays and eliminate the need to carry funds forward from year to year.
- Strengthen capacity at the provincial level.
- Increase knowledge of budgeting.

**TABLE 3.7**

<table>
<thead>
<tr>
<th>Ministry</th>
<th>Approved Budget (Af Billions)</th>
<th>Expenditures (Af Billions)</th>
<th>Execution Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Rehabilitation and Development</td>
<td>75.6</td>
<td>31.8</td>
<td>42</td>
</tr>
<tr>
<td>Public Works</td>
<td>69.0</td>
<td>25.8</td>
<td>37</td>
</tr>
<tr>
<td>Energy and Water</td>
<td>40.0</td>
<td>17.3</td>
<td>43</td>
</tr>
<tr>
<td>Education</td>
<td>28.1</td>
<td>11.4</td>
<td>41</td>
</tr>
<tr>
<td>Public Health</td>
<td>20.6</td>
<td>11.3</td>
<td>55</td>
</tr>
</tbody>
</table>

Note: Numbers affected by rounding.
Budget Transparency

Last quarter, the International Budget Partnership (IBP), a project of the U.S.-based Center on Budget and Policy Priorities, released its 2010 Open Budget Survey, which rated Afghanistan’s budget transparency as “minimal” (21 out of 100). This was a 13-point improvement from its last survey, taken in 2008, which rated the budget transparency as “scant.” The IBP said the publication by the GIRoA of certain budget documents had helped improve budget transparency. However, the survey report criticized the GIRoA for not publishing the Executive’s Budget Proposal, which the IBP considers the most important budget document in government. The IBP also noted that the technical capacity of MoF staff has improved as a result of the international community’s assistance. Metrics used in the survey included current budgeting practices and transparent, participatory, and accountable budget systems.235

Capacity Building for Public Administration

The United States is helping to develop the GIRoA’s capacity through a number of programs to improve the work of ministries, local and provincial governments, and the civil service.

Foreign Affairs Institutional Reform

This quarter, USAID began implementing the Foreign Affairs Institutional Reform program for the GIRoA. The program is expected to cost more than $9.6 million in its first year and more than $25.3 million if both option years are implemented. The program has three objectives:236

1. Enhance the capacity of Ministry of Foreign Affairs (MoFA) officials to perform policy and administrative duties.
2. Improve the functioning of MoFA headquarters and Afghan diplomatic and consular missions.
3. Provide the MoFA with the equipment and business operations needed to accomplish objectives 1 and 2.

USAID noted early successes in its initial program meetings with GIRoA counterparts to strategize and plan implementation and gain support for the program, including the creation of the work plan, performance monitoring plan, and branding plan.237

Afghanistan Civil Service Support

USAID’s Afghanistan Civil Service Support (ACSS) program works in partnership with the Independent Administrative Reform and Civil Service Commission (IARCSC) to reform the civil service and train its members. As of January 2011, the program had expended more than $196 million and was scheduled to be completed on May 31, 2011, although a $19.5 million cost extension until fall 2011 was under review. The ACSS is intended to raise the skill levels of civil servants so that ministries are better able to modernize, institutionalize, and harmonize common
administrative systems across the government. According to USAID, the ACSS has led to an expansion of merit-based appointments of senior civil servants, the piloting of a management information system for human resources, and improvement of the performance appraisal system.238

Performance-Based Governors’ Fund
As noted in previous SIGAR quarterly reports, USAID’s Performance-Based Governors’ Fund is designed to promote the ability of governors to manage key functions of their offices and extend community outreach programs, including conducting shuras. The program is administered by the Asia Foundation. As of March 31, 2011, more than $16.3 million had been obligated for the program, and more than $13.5 had been disbursed.239 A $75 million, 18-month extension was under review.240

According to USAID, the program has been particularly successful in Badghis province. The province’s governor has used the program to involve various government offices in decision-making and create a small district government fund for the planning and budgeting processes.241 According to DoS, PRTs in Kunduz and Takhar reported that $25,000 per month from the Performance-Based Governors’ Fund helps provincial leadership maintain an operational budget and allows governors to quickly respond to constituents’ requests.242 Underperforming provinces included Parwan, Panjshir, and Baghlan, according to USAID. Performance in these provinces suffered from a lack of understanding of the purpose of the fund, low capacity at the provincial level, ineffective oversight by elected provincial bodies, and poor planning.243

Afghanistan Municipal Strengthening Program
As of March 31, 2011, USAID had obligated $21 million and expended approximately $14 million for the Afghanistan Municipal Strengthening program. Program staff members work with provincial municipalities to improve their capacity to provide essential public services. The program has established an integrated financial system in Pashtu that tracks revenue generation, land titling, and payroll for Kandahar City, according to USAID. Payroll processing now takes three hours to complete, instead of the three days it took before the project.244

Major challenges in implementing the program include the targeting of municipal staff by insurgents. Furthermore, the presidential decree banning private security companies resulted in uncertainties that constrained staff movements and halted the implementation of virtually all programs for about two months until a contingency plan was approved. In addition, difficulties in staffing and attendance for municipal personnel created challenges. USAID also noted resistance from some mayors to program activities that were intended to improve transparency and accountability.245

SIGAR AUDIT

SIGAR’s audit of Afghanistan’s National Solidarity Program focused on efforts to build the capacity of local governments by electing community development councils and training them to manage small-scale projects. For more information, see Section 1, page 4.
USAID Initiative To Promote Afghan Civil Society
From the program award in October 2010 through March 31, 2011, USAID has obligated more than $8 million to the Initiative to Promote Afghan Civil Society. The program enables Afghan citizens to participate more effectively in the political process, solve community problems, and demand good governance from their leaders. USAID noted that the program has selected representatives for its national advisory committee and finalized its operational and strategic framework. In addition, the program announced several open solicitations for small grants to civil society organizations. According to USAID, the program suffered delays and difficulties in staffing because of the issue with private security contractors.246

JUDICIAL REFORM AND RULE OF LAW
Within the Afghan judicial system, provincial and district courts have the most urgent needs for improvements in recruitment and capacity, according to USAID. In some areas, these courts may be undermined by “shadow courts” created by insurgents. Such courts have been a major source of power and legitimacy for insurgents in the districts they occupy.247 According to USAID, improving the poor capacity of rule-of-law institutions in insecure provinces requires the GIRoA and the United States to take a number of steps:248
- Improve coordination between governors and the Ministry of Justice (MoJ).
- Develop a plan to organize judges and courts in districts that have been cleared of insurgents.
- Offer assistance to the MoJ and the Judicial Selection Panel to help hire or reassign judges.
- Support community judges that are appointed by shuras.
- Appoint community judges and train them on the rule of law.

Criminal Procedure Code
In March 2011, the Taqnin—the MoJ’s legislative drafting body—completed its preliminary review of the Criminal Procedure Code (CPC) and shared it with the international community. The draft contains substantial changes from the June 2009 draft finalized by the Criminal Law Reform Working Group, according to the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL). A review of the Taqnin’s draft by the Working Group, which INL’s Justice Sector Support Program staff co-chairs, found problematic inconsistencies with the Afghan Constitution and international standards that INL believes must be addressed. As of March 31, 2011, the Working Group was drafting a summary of recommendations for the Taqnin to review.249
FinTRACA

This quarter, according to Treasury, the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA) continued to make steady progress in receiving, analyzing, and disseminating reports of suspicious financial transactions. As of March 31, 2011, FinTRACA had initiated 21 investigations of purported money laundering. Five of these cases had been sent to the AGO for prosecution under the GIRoA’s anti-money laundering and anti-terrorism financing laws. Using electronic information obtained from commercial banks, FinTRACA has developed a database of politically exposed persons—senior public officials and their families and financial partners—to assist banks in conducting due diligence on the accounts of such people.

Treasury noted that FinTRACA also now has software that enables sharing information electronically and securely with law enforcement agencies. The OTA had maintained a resident advisor at FinTRACA through December 2010; as of March 31, 2011, it was reviewing a replacement.

U.S. SUPPORT FOR THE JUDICIAL SYSTEM

The United States has several programs for improving the Afghan judicial system. Efforts include training lawyers, judges, and investigators, as well as improving informal and formal legal processes by educating the public and supporting dispute resolution events.

U.S. Justice Sector Support Program

Operating under INL, the Justice Sector Support Program (JSSP) aims to develop the capacity of the Afghan criminal justice system. Program staff members work with Afghan justice professionals, including prosecutors, and encourage coordination between defense attorneys and other professional staff in the justice system.

This quarter, 139 Afghan prosecutors, defense attorneys, judges, and criminal investigators graduated from JSSP legal training programs. The JSSP also added to the number of U.S. and local Afghan lawyers on its staff, growing from 107 in December 2010 to 127 in March 2011, according to INL. The JSSP’s goal remains to build a staff of 158.

As of March 31, 2011, INL was drafting guidelines for an extension of the JSSP based on experiences in the preceding year. Anticipated changes include moving some functions into the U.S. Embassy’s portfolio.

This quarter, INL announced a $4.7 million grant for a new program to improve access to justice for Afghans. The grant was awarded to Global Rights, an international human rights organization focused on capacity-building. According to DoS, the program is intended to strengthen the practical skills of future legal and human rights defenders and improve access to justice for family law clients. Through the program, students and professors from law schools and Sharia law institutions will receive training in human rights and women’s rights.
at the Nangarhar, Herat, and Mazar universities. Legal advice bureaus will also be established to improve access to family courts in Mazar-e Sharif and three provinces—Kabul, Herat, and Nangarhar.255

Rule of Law and Stabilization Program
USAID’s Rule of Law and Stabilization program has two components: formal and informal. As of March 31, 2011, each component has expended almost $10 million, and the two programs together are expected to expend a total of $9.5 million to complete their efforts. According to USAID, the two components have three goals:256

- Build the capacity of the judiciary and law schools.
- Strengthen public awareness of law.
- Increase stability through support of the informal justice system.

This quarter, USAID noted that the formal program conducted a moot court competition for faculty from five law and Sharia law institutions and initiated a mock trial program to train new judges. USAID also partnered with INL, the European Union Police, and the German Police Project Team to open an 11-week judicial training program. The formal program distributed 100,000 copies of legal-awareness materials to the public, and it used judicial inspection teams to reduce the court backlog in Paktika province by 73 cases.257

USAID intends to extend the formal component’s contract until June 2012. In that time, USAID plans to accomplish the following:258

- Complete the year-long training program for new judges.
- Continue to train judges in the areas around the four regional justice centers that are supported by the U.S. government.
- Expand the Supreme Court’s judicial inspection tours to additional provinces.
- Improve the operation of faculties from law and Sharia institutions.

In January 2011, the informal component was assessed to have made significant progress toward the program goals. According to USAID, the assessment showed increased public awareness of legal rights and a strengthened bond between the formal and informal elements in the justice sector. Program activities in the east and the south this quarter included numerous meetings on legal rights with village elders—meetings that included women—to help resolve disputes.259

USAID extended the end date of the informal program from March 18 to July 18, 2011. For the remainder of the contract, USAID plans to expand the program into four new areas in the south and east. USAID stated that it is also developing plans for a potential follow-on program.260
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Rule of Law Field Force - Afghanistan

DoD’s Rule of Law Field Force - Afghanistan (ROLFF-A) supports the Afghan justice and correctional system through various efforts, including capacity building for the High Office of Oversight for Anti-Corruption (HOOAC), the MoJ, and the Supreme Court. As of March 31, 2011, the ROLFF-A was providing security, communications, transportation, and infrastructure support to the GIRoA to establish justice centers in secured areas. The ROLFF-A is also working with the MoJ and the MoI to build the Chel Zeena Criminal Investigative Center in the Saraposa prison near Kandahar City. The Center will provide training in professional, evidence-based investigations and prosecutions of detainees.261

Detention Center Transition

U.S. efforts to train and equip the GIRoA to take control of the detention facility in Parwan continued this quarter, according to DoD. As of March 31, 2011, the Combined Joint Interagency Task Force 435 (CJIATF-435) and the ROLFF-A had trained more than 100 Afghan National Army military police, and 700 more were in training.262

As noted in SIGAR’s January 2011 quarterly report, the first transfer of a detention housing unit to Afghan control took place on January 17, 2011. No additional detention housing unit transfers occurred this quarter. Two additional units are scheduled to be completed in April and June 2011. Those units will be transferred to the control of the Afghan National Security Forces when those forces are trained and equipped to operate them. After that transfer takes place, Afghans—with substantial U.S. oversight—will be responsible for detention housing units containing approximately 1,200 beds.263

In dealing with detainees, the U.S. government and the GIRoA promote the concept of reintegrating through the APRP, according to DoD. As of March 31, 2011, the GIRoA had taught reintegration courses, including basic skills training, to 320 detainees. Because the reintegration program is in its early stages, DoD was not yet able to assess the recidivism rate.264

On April 5, 2011, the MoD and the CJIATF-435 signed a Memorandum of Agreement on reintegration that established a vocational training program for insurgent detainees at the detention facility in Parwan who agree to renounce the insurgency. In the agreement, according to U.S. Central Command, the CJIATF-435 agreed to create the program, and the GIRoA agreed to sustain it following the transition at the detention facility in Parwan. The Ministry of Education will also assist in the training by approving courses and identifying instructors.265

Source: OSD, response to SIGAR data call, 4/1/2011.
Indefinite Detentions
As of March 31, 2011, the GIRoA was still reviewing the practice of detaining insurgents for indefinite periods. According to DoS, these deliberations were still in their early stages. President Karzai had not yet publicly expressed his opinion on a detention system, but he did indicate that any future scheme should include a reconciliation program. According to DoD and DoS, the U.S. position is that the GIRoA should detain insurgents in a manner that is consistent with Afghan and international law. The law of armed conflict could allow for detention without trial, according to DoD. DoS noted that the U.S. government is encouraging the GIRoA to swiftly develop a legal process for this matter, because the lack of a process hinders U.S. efforts to transfer responsibility for the operations at the detention facility in Parwan.

Provincial Prisons
INL funds the Corrections System Support Program (CSSP), which partners with the GIRoA to develop a humane, secure, and safe corrections system that meets international standards and Afghan cultural requirements. The CSSP took over responsibility for support and mentoring for the Saraposa provincial prison in Kandahar; the Correction Service of Canada had previously held that responsibility.

INL also completed the renovation of an industries building at the Pol-i-Charkhi prison. With the aid of CSSP mentors, the Central Prisons Directorate at Pol-i-Charkhi has instituted enhanced visitation search procedures that entail screening at five points. With the CSSP’s assistance, the prisoner classification that began in 2010 had been completed for almost one-third of all prisoners as of March 31, 2011.

INL identified widespread challenges that face the corrections system, including a dramatically increasing population, lack of funding, crumbling infrastructure, low staffing levels, inconsistent power supplies, and poor communications between facilities and headquarters in Kabul.

ACCESS TO INFORMATION
Key aspects of good governance include a fair and free press and a knowledgeable public. Freedom of the press remains an issue in Afghanistan. According to USAID, despite relative freedom, journalists face threats, beatings, torture, and intimidation. USAID supports independent media through its Afghanistan Media Development and Empowerment Project, which regularly monitors and reports on media freedom and threats to journalists.

DoS and USAID are promoting the use of mobile technologies to improve governance by enhancing access to information, according to USAID. In March 2011, USAID launched the Mobile Khabar-Mobile Telephone News Service, which
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collects news and information and delivers on-demand content to users. USAID predicted that once the service is operational, Afghans will be able to access radio broadcasts and other audio content through mobile phones at little or no cost. The program is operated by the Access to Information Foundation, an Afghan-led organization. Mobile technology can also enhance public administration. USAID noted that it is conducting a program to pay government salaries through mobile phones for 113 district councilors in Nangarhar through the Afghan Social Outreach Program.273

HUMAN RIGHTS

The issue of human rights in Afghanistan has continued to be a focus of U.S. efforts. This section provides updated information on specific human rights issues in Afghanistan related to detentions, displaced persons, women's shelters, and children's rights.

Detainees and Prisoners

This quarter, arbitrary detentions by Afghan law enforcement and security forces continued to undermine the rule of law and adversely affect public perception of the justice and security systems, according to the UN Secretary-General. UNAMA continued to receive allegations of mistreatment, prolonged detention without charge or trial, and detainment without access to legal counsel in facilities run by the National Directorate of Security and the MoJ. However, the Secretary-General noted that detention conditions have improved in some facilities, especially those in which capacity-building and infrastructure projects have been carried out.274

Displaced Persons

On March 28, 2011, the UN High Commissioner on Refugees (UNHCR) issued its annual report on asylum-seeking trends. In 2010, Afghans were the second-largest group of asylum-seekers in the world—with 24,800 claims—according to the UNHCR's survey of claims submitted in the United States, Europe, and selected non-European countries. This number represents a 9% decrease from 2009, when Afghanistan led the world with 27,200 claims. In 2010, Germany (5,900) and Sweden (2,400) were the main destination countries for Afghans; the United States received 548 asylum applications from Afghans in 2010, about the same as in 2009. 275

The drop in asylum-seekers could be a result of the recent tightening of immigration laws in destination countries, according to the UNHCR and the Afghan Ministry of Refugees and Repatriation. In recent years, hundreds of Afghans have been deported from Europe and Australia. On January 17, 2011, the GIRoA and Australia signed a Memorandum of Understanding (MOU) on asylum issues. UNAMA noted that although Australian authorities believe that the MOU allows the deportation of rejected asylum-seekers, the GIRoA disagrees and has accused Australia of misinterpreting the agreement.276

Asylum-seeker: an individual who has sought international protection and whose claim for refugee status has not yet been approved. In Afghanistan, asylum-seeking is caused mainly by lack of security, poor socio-economic conditions, and pessimism about the future.

Most Afghan refugees and asylum seekers still reside in Central Asia; large numbers live in Iran (approximately 900,000) and Pakistan (approximately 2 million), according to the UNHCR. More than 110,000 Afghan refugees returned to Afghanistan in 2010, a sharp increase from 2009 when more than 54,000 returned.\(^{277}\) DoS stated that it did not begin any NGO programs for Afghan refugees or obligate any funding for NGO refugee programs during the quarter that ended March 31, 2011.\(^{278}\)

### Gender Equity

The rights of women in Afghan society continue to be a controversial topic between the international community and the GIRoA. This quarter, the issue of women’s shelters became a particular point of contention.

#### Women’s Shelters

The GIRoA has demonstrated mixed views on women’s shelters, reflecting the contentiousness of women’s rights in Afghan culture, according to USAID. Important protections for women were provided through the 2009 Law for the Elimination of Violence Against Women and the GIRoA’s 2008–2018 National Action Plan for the Women of Afghanistan. But a draft shelter regulation released in January 2011 raised concern, according to USAID, because it would threaten U.S. funding, would be hindered by a lack of capacity, and would restrict access for women in need.\(^{279}\)

The draft regulation called for the Ministry of Women’s Affairs (MoWA) to take over the 11 NGO-run shelters in Afghanistan, 3 of which are funded by DoS through INL. INL is also funding three new shelters, set to open in May. If enacted, this draft regulation would have led to the closure of all INL-funded shelters and dramatically reduced access to shelters for vulnerable women.\(^{280}\)

According to DoS, the MoWA backtracked significantly from this controversial draft. On April 2, the regulation was heavily revised at the Taqnin. This revised draft reflected input from MoWA leadership, the international community, shelter NGOs, and civil society organizations. It would establish a shelters directorate within the MoWA to oversee NGO-run shelters and to open MoWA government shelters in the future. USAID noted that the MoWA’s own Priority Program Restructuring (PPR) goals allow it to exercise only monitoring and evaluation functions. DoS noted that the U.S. government, NGOs, and the international community will continue to work with the MoWA on this sensitive issue.\(^{281}\)

Secretary-General, Afghanistan’s police academy has integrated this manual into its training curriculum.282

Children’s Rights
On January 30, 2011, the GIRoA and the UN signed a child protection plan that is intended to end the recruitment and use of children in the Afghan army, intelligence services, and local police forces—a practice that put the Afghan National Police on the UN’s list of organizations that commit “grave violations against children in armed conflict.”283 The plan requires the GIRoA to improve verification of recruits’ birth registration and age, and to investigate and prosecute those who recruit minors. The Secretary-General said this plan was an important first step in a broader campaign to improve the lives of children by inhibiting harmful practices like under-age recruitment, violence toward children, sexual abuse, attacks against schools and hospitals, abductions, and denial of humanitarian access.284 UNAMA viewed the plan as an ambitious undertaking, and the international community will need to provide reliable, sustainable, and long-term support if the campaign is to succeed.285

According to the Secretary-General, the High Peace Council committed to support the adoption of the child protection plan. The Council recognized that the reintegration of children should be a goal of the APRP. It also recognized the need to engage in discussions with non-state actors about the immediate release of any children within their ranks.286
ECONOMIC AND SOCIAL DEVELOPMENT

As of March 31, 2011, the U.S. government had provided more than $16.6 billion to support governance and economic development in Afghanistan, as shown in Appendix B. As noted in SIGAR’s January 2011 quarterly report, economic growth in the country is highly dependent on the security and reconstruction spending financed by international donors. This quarter, however, the lack of a new International Monetary Fund (IMF) program for Afghanistan—owing to concerns about Kabul Bank—forced some donors to delay payments to the Afghanistan Reconstruction Trust Fund (ARTF) or reconsider direct assistance commitments to the Government of the Islamic Republic of Afghanistan (GIRoA).

In another important development, the GIRoA reached an agreement to allow private security contractors (PSCs) guarding reconstruction projects to continue to operate for another year. This was a key issue for many private companies and non-governmental entities that are implementing reconstruction projects. This section provides a summary of these developments, as well as progress this quarter in delivering essential services, building critical infrastructure, and strengthening Afghan capacity.

LEADING INDICATORS
This quarter, the Afghan economy continued to grow, but inflation also increased. The crisis in the banking sector remained unresolved, although progress was reported in efforts to conduct forensic audits of the Kabul and Azizi banks. Congressional concerns over the capacity of GIRoA ministries to account for U.S. funds were reflected in the many restrictions to direct assistance included in the FY 2011 U.S. budget. For more information on details of the FY 2011 budget related to foreign assistance, see Section 2.

GDP and Economic Growth
GDP grew a strong 8.2% for the Afghan fiscal year that ended March 20, 2011 (solar year [SY] 1389), according to the most recent development outlook from the Asian Development Bank. As previously noted by SIGAR, the key drivers of growth are spending on security and development. The Bank expects the Afghan economy to continue to grow by 8–9% for the next two fiscal years, provided that international assistance continues, the agriculture and services sector do well, the mining sector develops, and the Kabul Bank crisis is resolved.287
Inflation
Inflation in the Afghan economy rose this quarter because of rising world food prices, monetary expansion, and a jump in fuel prices following an Iranian oil and gas blockade. Overall, total inflation increased from 5% in July 2010 to 18.4% in January 2011, according to the IMF. The ADB also reported inflationary pressures, noting that food prices in February 2011 were 20.9% higher than a year earlier.

The rate of inflation was exacerbated by an Iranian blockade that prevented oil and gas tankers from moving through Iranian territory to deliver fuel supplies to Afghanistan. In addition, Iran imposed fees on the tankers that were forced to wait at its border, according to Radio Free Europe/Radio Liberty. Following negotiations with Iran, Afghan officials announced that the issue had been resolved. According to a NATO publication, the GIRoA signed an agreement pledging to buy a portion of its future gas and diesel supplies from Iran. Afghanistan has no oil refinery of its own; Iran already supplies about 30% of Afghanistan’s refined oil products. The economic impact of the blockade was a sharp rise in fuel prices in Afghanistan, especially in the western part of the country, according to the U.S. Department of State (DoS).

BANKING
This quarter, developments in the banking sector were dominated by discussions between the IMF and the GIRoA over a new Extended Credit Facility (ECF) program for Afghanistan. The previous ECF program expired in September 2010. An ECF is an important benchmark for international donors: many countries will not provide reconstruction funding to Afghanistan unless an IMF-approved loan program is in place.

Approximately $70 million in disbursements from the ARTF’s incentive program (for economic governance and policy reforms) could be withheld if no IMF program is in place, according to the United Nations (UN) Secretary-General. Future disbursements from the ARTF Recurrent Cost financing window could be affected, and many bilateral donors might have to suspend or redirect their assistance if the situation is not resolved.

The IMF has made it clear, however, that it will not consider a new ECF program for Afghanistan until the Central Bank (DAB) resolves the crisis at the Kabul Bank with a transparent, credible, and fully financed plan of action. According to the IMF, a GIRoA plan to address the crisis at Kabul Bank should include these components:

- clear communication to explain the steps that will be taken to deal with the bank and protect the banking system
- assurances that any illegal behavior or fraud will be prosecuted under the law
- receivership for the bank, followed by a process to rapidly sell it off or wind it down
- recapitalization of DAB with government resources

Negotiations between the IMF and the GIRoA were proceeding very slowly, according to the U.S. Department of the Treasury (Treasury). As of March 31,
2011, no agreement had been reached. An IMF official noted that discussions were also under way about the revenue targets that the GIRoA may need to set in order to address the losses from Kabul Bank. The ADB notes that DAB, as the lender of last resort, has guaranteed $400 million of Kabul Bank’s deposits, but that more may be needed. The cost of resolving the Kabul Bank crisis is likely to have a significant impact on the GIRoA’s budget, according to Treasury. The total amount of fraudulent loans diverted to Kabul Bank insiders is still unknown; however, it may be as much as $850 million, according to a March 16, 2011 review by the U.S. Agency for International Development (USAID) Office of Inspector General (OIG).

Building Capacity To Regulate Banks

Since 2003, USAID/Afghanistan has implemented a number of capacity-building projects to help DAB better regulate the banking sector, according to the USAID OIG review. These projects included the $92 million Economic Growth and Governance Initiative (EGGI), $9.8 million of which was obligated to provide seven years of technical assistance to DAB’s Directorate for Financial Supervision. After the crisis at Kabul Bank became public, U.S. officials became concerned about the lack of effectiveness of the EGGI-provided training, which had failed to help identify or prevent the near collapse of the Kabul Bank. According to the review, USAID asked OIG to determine whether USAID staff or the EGGI contractor had been negligent in failing to report indicators of fraud at Kabul Bank. For more information on the results of the USAID OIG review, see Section 4.

As previously noted by SIGAR, the largest share of the salary payments to the Afghan National Security Forces and civil servants is paid through the electronic funds transfer network of Kabul Bank. These payments are continuing without interruption, according to Treasury, but alternate delivery mechanisms are being explored. A new request for proposals for alternative delivery mechanisms was scheduled to be released this quarter. According to Treasury, however, this process has been delayed for six months while other types of systems are being considered, such as cell phone–based payment systems.

Audits of Commercial Banks

As noted in SIGAR’s January 2011 quarterly report, restrictions placed by DAB on forensic audits of the Kabul and Azizi banks led Treasury to withdraw its proposed $10 million of funding for those audits. This quarter, according to Treasury, the U.K. and Canadian governments agreed to fund these audits in coordination with the IMF. DAB has completed a technical review of the three bids it received from independent auditing firms to perform this work and found two of them acceptable. The audits are scheduled to begin in April 2011 and to be completed in approximately 26 weeks.
In addition, the World Bank will finance prudential audits of 10 other Afghan banks. DAB is also responsible for selecting two independent auditing firms to perform this work, based on World Bank guidelines, according to Treasury. The selection criteria established by the World Bank include minimum experience requirements for the firms and the members of their audit teams, specific standards for the size of the firms, and a requirement that the firms be ISO-certified. According to Treasury, the prudential audits are scheduled to begin in September 2011 and will take approximately 26 weeks. The results will be reported to DAB, the World Bank, and the IMF.308

**Anti-Money Laundering Activities**

This quarter, Treasury designated the New Ansari Money Exchange—an Afghan hawala headquartered in Kabul—as a major vehicle for money laundering by international narcotics traffickers in the Middle East and South Asia. The New Ansari Money Exchange is Afghanistan’s largest money-changing firm, with operations throughout Afghanistan and the United Arab Emirates.309 It transfers billions of dollars out of the country through its Dubai subsidiaries to international and U.S. financial institutions. As part of this designation, Treasury froze the U.S.-based assets of 15 individuals associated with this network. U.S. citizens are now prohibited from engaging in financial or commercial transactions with the New Ansari Money Exchange or the 15 individuals associated with it. The Exchange laundered money for major traffickers in opium, heroin, and morphine in the region.310

**REVENUE COLLECTION**

According to the Asian Development Bank, the GIRoA’s tax collection has been increasing steadily, from approximately 7.5% of GDP in 2006 to 9.8% in 2010; however, this revenue falls far short of what is needed to operate the government. Figure 3.28 shows MoF estimates that highlight this gap. The Bank reported that the GIRoA continues to rely on international assistance, not only to close the gap between operating costs and revenue but also to fund nearly all of its development budget.311

**DIRECT ASSISTANCE**

The U.S. government is committed to increasing the amount of U.S. assistance channeled directly to GIRoA ministries if reforms are made and corruption is addressed. The goal is to provide 50% of U.S. assistance directly. To lay the groundwork for direct assistance, the MoF launched the Public Financial Management Assessment project this quarter, according to Treasury. This assessment will review the staffing, processes, and procedures in each ministry. PKF LLP, an international accounting firm headquartered in the United Kingdom, has presented a plan for these assessments to international donors. Once the plan is approved by donors, teams of consultants will assess 14 ministries over 38 weeks. According to Treasury, the assessments will be used to design action plans to address the weaknesses in each ministry’s capacity to handle increased donor funding.312
As of March 31, 2011, Treasury had nine advisors providing technical assistance to the ministries of Finance, Interior, and Transportation and Civil Aviation.\textsuperscript{313} Seven of them are deployed full-time to Afghanistan. The nine advisors provide assistance in four areas:\textsuperscript{314}

- strengthening budget and financial accountability
- combating economic crimes and corruption
- building internal audit capacity and increasing non-tax revenues
- achieving debt relief and improving debt management

According to DoS, the U.S. government supports the goal President Karzai outlined in a speech on March 22, 2011, to transition all military and economic development functions and structures to Afghan control. This includes Provincial Reconstruction teams (PRTs), through which some international assistance funds are channeled, bypassing the central government. DoS stated that international donors that use PRTs as a funding platform are examining the new policy to determine how to continue to provide assistance at the local level.\textsuperscript{315}

**EMPLOYMENT**

USAID has three programs that provide temporary jobs for Afghans through Cash-for-Work activities. Table 3.8 shows Cash-for-Work activities reported by USAID as of March 31, 2011.

**ESSENTIAL SERVICES**

In a key development this quarter, the international community and coalition forces reached an agreement with the GIRoA that will allow PSCs to continue to guard development and humanitarian assistance projects for one additional year. Many of the implementers of reconstruction projects are private companies, non-governmental organizations (NGOs), or other entities that require the services of PSCs in order to operate safely in Afghanistan. After President Karzai announced a ban on the use of PSCs last year, many of these entities expressed their intention to withdraw from Afghanistan, putting at risk millions of dollars in unfinished development and humanitarian reconstruction projects.

**TABLE 3.8**

<table>
<thead>
<tr>
<th>Program</th>
<th>Temporary Jobs Created</th>
<th>Type of Jobs</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan Vouchers for Increased</td>
<td>133,481 jobs (cumulative) since September 2009, at an average pay of $6.45 per day</td>
<td>Irrigation canal rehabilitation, farm-to-market roads, construction of reservoirs, orchard management, tree planting</td>
<td>Helmand and Kandahar</td>
</tr>
<tr>
<td>Productive Agriculture (AVIPA)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incentives Driving Economic</td>
<td>26,767 jobs (cumulative) since March 2009, averaging $184 each annually; $4.9 million in total wages paid</td>
<td>Canal cleaning, flood-protection walls, small check dam construction, farm-to-market roads</td>
<td>Northern, eastern, and western provinces, especially poppy-prone regions</td>
</tr>
<tr>
<td>Alternatives for the North, East, and West (IDEA-NEW)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alternative Development Program/ADP/ASW</td>
<td>9,460 jobs (cumulative) since March 2008</td>
<td>Canal rehabilitation and cleaning, canal intake and protection wall building, market feeder road rehabilitation, including graveling</td>
<td>Farah and Uruzgan</td>
</tr>
</tbody>
</table>

In other developments this quarter, the GIRoA’s plans to increase non-tax revenue to support the aviation sector met with resistance, and the completion of the last section of the Ring Road was delayed.

New PSC Strategy
In 2010, President Karzai issued a decree that would have banned all PSCs from Afghanistan by the end of 2010 and assigned their security responsibilities to the Afghan Public Protection Force (APPF). The United States, which supports the transition of these responsibilities to an Afghan force in principle, requested a bridging period to give the Ministry of Interior (MoI) sufficient time to develop the capacity of the APPF. On March 15, 2011, the GIRoA released a new strategy that allows PSCs to continue to operate in Afghanistan under certain conditions and within certain limits.316

PSCs provide services for three main components of the international community in Afghanistan:317
- the diplomatic community: embassies and organizations with diplomatic status, such as police training missions
- International Security Assistance Force (ISAF): fixed sites, convoys, and construction projects
- development projects: reconstruction and humanitarian assistance

As outlined in the new strategy, PSCs that meet MoI criteria (including a cap on total numbers) will be allowed to offer services indefinitely to safeguard diplomatic and ISAF missions and projects.318 PSCs that safeguard development and humanitarian assistance projects will be allowed to operate only until March 20, 2012.319 At that time, all private security contracts related to development and humanitarian assistance projects will be transitioned to the APPF. If the MoI is unable to provide a fully trained and equipped APPF that is capable of assuming these responsibilities by that date, individual PSCs may continue to safeguard development and humanitarian assistance projects until the projects are completed.320

Roads
This quarter, the Asian Development Bank announced that it will provide more than $340 million to complete the last section of the Afghan Ring Road. Figure 3.29 shows the final section, which will connect the towns of Qaisar, Bala Murghab, and Laman in northwestern Afghanistan. When that section is finished, the 2,700-kilometer road will connect the country’s major cities.321 This project aligns with a key goal of the GIRoA’s Silk Road Initiative—to improve transportation corridors that link Afghans with internal and external markets.322 As noted by SIGAR in previous quarterly reports, the United States and Japan are the two largest contributors to the Asian Development Bank.323

Security continues to present a major challenge to completing these and other infrastructure projects. This quarter, a NATO publication reported that attacks against engineers and construction workers building roads and other infrastructure projects are becoming increasingly common in eastern and northern Afghanistan.324
Aviation
In December 2010, the European Union banned all Afghan airlines from its airspace because of safety and maintenance concerns. The ban underscored the importance of increasing revenue to develop and maintain Afghanistan’s transportation infrastructure, according to Treasury. To generate revenue to support civil aviation, last year the Ministry of Transport and Civil Aviation (MoTCA) proposed increasing fees for airline landing, parking, and overflights. The
International Air Transport Association denied the MoTCA’s request to increase aviation fees; the MoTCA is appealing the decision.325

Corruption is also affecting Afghan civil aviation. According to Treasury, the MoTCA launched a criminal investigation of a May 17, 2010 crash of a Pamir Airways flight, amid allegations of forged security certificates.326 The crash killed all 44 passengers (including one American) and crew on board the Russian-made Antonov aircraft.327 This quarter, the Acting Aviation Minister told the media that Pamir’s purchase document for the aircraft that crashed was a forgery and that the aircraft’s flight recorders were not functional.328 Pamir Airways is partly owned by Kabul Bank. The MoTCA has suspended Pamir’s operating certificate in Afghanistan, according to Treasury.329

Education
Higher education in Afghanistan has suffered from a lack of attention and investment over the years, according to USAID. To address this need, the Ministry of Education (MoE) collaborated with Afghan business leaders, private donors, and the U.S. government to establish the American University of Afghanistan (AUAF), which opened its doors in 2006. It is the only private, independent, not-for-profit institution of higher learning in Afghanistan.330

In 2008, USAID signed a five-year, $42 million cooperative agreement with the AUAF, of which approximately $16 million had been disbursed as of April 16, 2011.331 These funds support five components of the university’s long-term sustainability plan:332

- undergraduate degree programs in business, information technology, computer science, political science, and business administration
- the Foundation Studies Program, which offers college preparatory programs for high school students to improve their skills in English-language speaking, reading, and writing
- professional development training for employees of Afghan ministries, businesses, NGOs, and the general public
- partnerships with the American University of Central Asia to develop joint programs using modern technology and to expand enrollment to students from other countries
- strategies and outreach to develop a diversified revenue stream

As part of its cost-sharing agreement with USAID, the AUAF is required to raise $29 million.

According to USAID, the AUAF supports equal educational opportunity for Afghan women. Approximately 20% of undergraduate and Foundation Studies students are women.333 As of April 4, 2011, more than 750 students were enrolled; the first graduation is scheduled for spring 2011.334

Health Services
As noted by SIGAR in previous quarterly reports, USAID is funding the first national survey of household mortality to cover all 34 provinces in Afghanistan.
ECONOMIC AND SOCIAL DEVELOPMENT

As of March 31, 2011, USAID had spent $3.5 million on this survey, including capacity-building assistance to the Ministry of Public Health. According to DoS, the survey results will provide information on the primary causes of maternal, infant, and child mortality, as well as fertility rates and the prevalence of contraceptive use. The survey will provide national, regional, and some provincial estimates of these key health indicators. Public health officials will use these results to measure the progress made since 2003 to reduce mortality rates among women of reproductive age, infants, and children and also to plan future programs to address the issue.

INDUSTRY AND NATURAL RESOURCE DEVELOPMENT

This quarter, efforts continued to increase Afghanistan’s agricultural output and develop the nation’s mineral wealth. Also this quarter, the GIRoA and Pakistan began meeting to implement a major transit agreement that will facilitate Afghan trade with India.

Agriculture

Heavy rain and snowfall from January 2011 to early February 2011 eased international concerns that below-normal precipitation in fall 2010 had damaged prospects for the winter wheat harvest, according to the Food and Agriculture Organization. Spring wheat was planted in March and April 2011.

As part of its efforts to increase agricultural yields in Afghanistan, USAID has several programs to increase Afghan farmers’ access to modern farming methods, equipment, and tools. As of March 31, 2011, USAID had distributed 481 four-wheeled tractors in Kandahar through its small grants program. Under its mechanization program, 1,322 two-wheeled tractors were distributed to farmers across the country:

- central region: 308
- western region: 387
- northern region: 326
- northeast region: 301

USAID also distributes higher-yield seed and fertilizer packages to Afghan farmers through three programs. Table 3.9 provides the number of voucher packages distributed or redeemed this quarter.

<table>
<thead>
<tr>
<th>Program</th>
<th>Number of Vouchers, Second Quarter 2011</th>
<th>Locations</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVIPA</td>
<td>49,900 vouchers redeemed for certified wheat seed and fertilizer</td>
<td>Badghis, Faryab, Jowzjan, Balkh, Sar-e Pul, Baghlan, Wardak, Nangarhar, Nuristan, Ghazni, Paktika, Logar, Nimroz, Kandahar, Zabul</td>
</tr>
<tr>
<td>AVIPA</td>
<td>74,168 vouchers redeemed for melon, legume, okra, vegetable, corn, and forage</td>
<td>Helmand, Kandahar</td>
</tr>
<tr>
<td>IDEA-NEW</td>
<td>15,701 vouchers distributed for vegetable seeds and fertilizer</td>
<td>Nangarhar, Kunar, Kunduz, Nuristan, Takhar, Baghlan, Badakhshan, Laghman</td>
</tr>
</tbody>
</table>


SIGAR AUDIT

SIGAR is conducting an audit of U.S. assistance to develop Afghanistan’s agriculture sector. The audit is assessing, among other things, whether U.S.-funded projects are achieving strategic goals. For more information, see Section 1, page 17.
As noted by SIGAR in previous quarterly reports, agricultural output in Afghanistan is highly dependent on seasonable rain and snowmelt because of the lack of modern water management technology and irrigation resources. One program to address this lack is USAID’s $20 million Afghanistan Water, Agriculture and Technology Transfer program (AWATT). As of March 31, 2011, USAID reported that the AWATT program had installed 500 irrigation water control devices (turnouts) in Balkh and Nangarhar provinces. These devices cost approximately $250, last for 20 years, and save water, land, and labor. According to USAID, this affordable technology has become so popular with Afghan farmers that the Ministry of Agriculture, Irrigation, and Livestock (MAIL) would like to launch a nationwide delivery program. The AWATT is training MAIL engineers to plan, design, and install turnouts and teaching users how they work.339

Mining
This quarter, the Minister of Mines announced that the ministry had retained experts from several internationally respected consulting firms to design and execute a transparent tender process to help develop Afghanistan’s mineral wealth. The ministry initiated reforms in the tendering process following allegations that the former minister accepted a bribe in awarding the contract to develop the giant Aynak copper mine. In announcing the new team, the minister acknowledged that rebuilding the confidence of international investors was key to attracting investment in Afghanistan’s mineral sector. The team is sponsored by the Task Force for Business and Stability Operations (TFBSO) of the U.S. Department of Defense.340

During 2010, geologists sponsored by the U.S. Geological Survey, the Afghan Geological Survey, and the TFBSO categorized Afghanistan’s mineral resources in 24 specific areas, ranked by security, scale, potential market value, infrastructure needs, availability, and time needed to develop and bring to market. Each of these areas is a potential mining district with one or more mineral deposits and has the potential to contribute to a broad-based mining industry in Afghanistan.341

Developing the mineral sector is crucial to improving revenue collection and economic growth. In April 2011, the Asian Development Bank estimated that, if properly managed, the combined revenue (in early years) from developing the Aynak copper mine and the Hajigak iron mine could total more than 1% of GDP.342 This quarter, DoS reported that it is working to help the GIRoA set up the legal and regulatory framework needed to ensure that future mineral extraction will benefit the entire country, transform the Afghan economy, and raise standards of living.343

Communications
As noted by SIGAR in previous quarterly reports, USAID launched the $22 million Afghanistan Media Development and Empowerment (AMDEP) Project to strengthen the development of the free press in Afghanistan. This quarter, AMDEP awarded five sub-grant agreements, as shown in Table 3.10.
As noted in SIGAR’s last quarterly report, Afghanistan and Pakistan reached a major breakthrough on trade issues when they exchanged the instruments ratifying the Afghanistan-Pakistan Transit Trade Agreement on January 11, 2011. Scheduled to take effect on February 12, 2011, the agreement makes it easier for Afghan businesses to transport Afghan products through Pakistan to India.344

To implement this agreement and resolve a number of outstanding issues, the Afghanistan-Pakistan Transit Trade Coordinating Authority held its first meetings on February 11 and 12, 2011. According to USAID, participants discussed how to share information on a broad range of customs issues, including tracking devices, biometrics, bank guarantees for trucks, and customs security and financial guarantees for transit goods. Although progress was made in some areas (such as biometrics), representatives of the two countries failed to reach agreement on key issues related to bank guarantees for trucks, and customs security and financial guarantees for cargo. As a result, implementation of the agreement has been postponed for up to four months.345

Following the meetings, the Afghan Chamber of Commerce and Industries issued a statement expressing concern about the postponement. According to the Chamber, the main issue is the Pakistani requirement that Afghan traders pay a financial guarantee of at least 2 million Pakistani rupees (approximately $23,800) per container of goods being shipped. The Chamber’s chief executive officer noted that, in some cases, the amount of the payment could exceed the value of the cargo being transported.346

The delay in implementing the transit trade agreement comes amid GIRoA concerns over falling levels of Afghan exports compared with rising levels of imports. According to reports cited in a NATO publication, the Deputy Minister of Commerce told the media that during the last six months of 2010, Afghanistan exported approximately $120 million of goods and imported approximately $1.2 billion of goods.347
Maintaining Security

ANA soldiers and U.S. marines disembark from their CH-53E helicopter during Operation Integrity in Helmand province on January 15, 2011. The objectives of the operation were to cordon off a suspected hotspot for Taliban activity, search for weapon and IED caches, disrupt enemy logistical operations, and gather census data on locals in the Sistani region. (ISAF photo)
OTHER AGENCY OVERSIGHT
“Really important words. Vertically aligned visually, centered horizontally. Really important words. Vertically aligned visually, centered horizontally. Really important words. Vertically aligned visually, centered horizontally.”

—Person of Interest

Source: Trusted source Trusted source Trusted source Trusted source Trusted source Trusted source Trusted source Trusted source Trusted source
OTHER AGENCY OVERSIGHT

Each quarter, SIGAR requests updates from other agencies on completed and ongoing oversight activities. These agencies are performing oversight activities in Afghanistan and providing results to SIGAR:

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

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

COMPLETED OVERSIGHT ACTIVITIES

Table 4.1 lists the nine oversight projects related to reconstruction or security that the participating agencies reported were completed this quarter.

TABLE 4.1

<table>
<thead>
<tr>
<th>Agency</th>
<th>Report Number</th>
<th>Date Issued</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>DoS OIG-MERO</td>
<td>MERO-I-11-02</td>
<td>2/10/2011</td>
<td>Review of the Department of State’s Contract with PAE To Provide Operations and Maintenance to Afghan Counter-narcotics Units in Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>GAO-11-66</td>
<td>1/27/2011</td>
<td>Afghanistan Security: Afghan Army Growing, but Additional Trainers Needed; Long-Term Costs Not Determined</td>
</tr>
<tr>
<td>USAAA</td>
<td>A-2011-0067-ALL</td>
<td>2/22/2011</td>
<td>Controls Over Vendor Payments Phase II - Afghanistan</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>F-306-11-003-S</td>
<td>3/16/2011</td>
<td>Review of USAID/Afghanistan’s Bank Supervision Assistance Activities and the Kabul Bank Crisis</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>F-306-11-001-P</td>
<td>2/13/2011</td>
<td>Audit of the Agriculture, Water, and Technology Transfer Program</td>
</tr>
</tbody>
</table>

Note: MERO = Middle East Regional Office.
U.S. DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

Assessment of U.S. Government Efforts To Train, Equip, and Mentor the Expanded Afghan National Police
(Project No. SPO-2011-003, Issued March 3, 2011)

In late 2009, President Obama re-emphasized the importance of building the Afghan National Security Forces (ANSF) as a priority objective of U.S. national security and military strategy in Afghanistan. Previously, the coalition’s primary focus had been to expand the Afghan National Army (ANA). With additional resource support, the major thrust of the train-and-equip efforts over the past year has been development of the Afghan National Police (ANP), which is recognized by the International Security Assistance Force (ISAF) and the coalition as essential to success in the counter-insurgency (COIN) campaign.

As of July 2010, ISAF had exceeded the milestone set for expanding ANP forces, reaching 109,000 personnel three months ahead of schedule. In contrast to the previous police development model, which was based on the urgency of quickly recruiting and assigning police personnel, the command has adopted a new model to build a more professional personnel base by requiring all newly recruited ANP to be trained before being assigned. This new concept has also avoided contributing to the legacy challenge posed by several tens of thousands of Afghan Uniformed Police currently serving who have never received basic training.

ISAF has taken the initiative to close the ANP logistics capability gap, implementing a logistics infrastructure development plan that is building supply depots across the regional commands, down to provincial level, that are closer to forward deployed police units. The command has established ANP development as a priority objective and is implementing an aggressive strategy that has achieved progress with respect to the transformed Training Model; improved training quality; increased trained personnel and recruitment rate; reduced personnel attrition; logistics infrastructure development; emphasis on leadership; progress in mentoring by U.S. tactical units.

Further, institutional capacity building of the Ministry of Interior (MoI) is proceeding on numerous lines of development. Under new MoI leadership, it is expected to be capable of providing more effective management support for the ANP including in the area of logistics.

However, ISAF needs to institutionalize the ANP force development/coordination process between its subordinate commands and document the ANP force size necessary to execute the COIN strategy. The on-the-ground trainers and mentors working to execute ANP fielding plans may be insufficient. In addition, the untrained ANP personnel, estimated at 40%, threaten the viability of the ANP. ANP logistics capacity significantly lags operational needs. Finally, corruption and lack of governance/rule of law impede ANP effectiveness and the implementation of the COIN strategy.
Review of the Department of State’s Contract with PAE To Provide Operations and Maintenance to Afghan Counternarcotics Units in Afghanistan
(Report No. MERO-I-11-02, Issued February 10, 2011)

The objectives of this performance evaluation are to determine (1) the requirements and provisions of the contract and task orders; (2) the amount of funding DoS has obligated and expended to provide embassy facility operations and maintenance through contracts for fiscal years 2005–2009; (3) the effectiveness of PAE’s contract performance in providing facility operations and maintenance to Afghan counternarcotics units in Afghanistan; (4) PAE’s controls for inventorying, recording, and safeguarding U.S. government-furnished equipment and property in Afghanistan, whether the equipment has been properly accounted for, and the challenges to maintaining accountability; (5) how well DoS administers and manages the contract and task orders to provide oversight of PAE’s performance in Afghanistan; (6) whether the contract includes FAR clause 52.222.50, which provides administrative remedies if, during the term of the contract, the contractor or subcontractor engage in severe forms of trafficking in persons; and (7) how DoS ensures that costs are properly allocated and supported.

GOVERNMENT ACCOUNTABILITY OFFICE
During the last quarter, GAO testified before Congress on cross-cutting areas of U.S. foreign policy as implemented by DoS and USAID and released two reports pertaining to (1) Army medical personnel requirements for Afghanistan and Iraq and (2) available trainers and future growth and sustainment costs for the ANA.
• GAO’s testimony before the House of Representatives’ Committee on Appropriations’ Subcommittee on State, Foreign Operations, and Related Programs focused on cross-cutting areas of U.S. foreign policy as implemented by DoS and USAID. Since 2002, the United States has invested over $130 billion in security, economic, and governance assistance to Iraq, Afghanistan, and Pakistan. Regarding Afghanistan and Pakistan, the United States has placed an increased focus on providing funding directly to the Afghan government and Pakistani organizations. This course of action involves considerable risk given the limited capacity of some prospective recipients—particularly the Afghan government—to manage and implement U.S.-funded programs, thereby highlighting the need for agency controls and safeguards over these funds. DoS and USAID rely extensively on contractors in Iraq and Afghanistan to support their direct-hire personnel, implement reconstruction efforts, and address workforce shortfalls such as insufficient numbers of trained agency personnel and the frequent rotations of staff posted to these countries. Robust management and oversight of contractor
operations are essential in these challenging environments. However, GAO has found oversight to be inadequate at times, thus raising questions about the agencies’ ability to ensure accountability for multibillion-dollar investments. GAO has made a variety of recommendations to DoS and USAID to help improve their foreign operations programs. In particular, GAO has recommended that agencies improve planning and performance measurement of their programs and take steps to enhance accountability of U.S. aid. DoS and USAID have efforts under way to implement some of these recommendations.

- GAO’s report on available trainers and future growth and sustainment costs for the ANA found that between January 2010 and July 2010, the ANA grew from 104,000 to 134,000 personnel, reaching the interim growth goal set by the Afghan government and international community three months ahead of schedule. The ANA has also generally achieved its goal of drawing proportionally from Afghanistan’s major ethnic groups, with some key exceptions. However, the ANA faces challenges, including high rates of attrition—the loss of soldiers from the force before they complete their contracts—and absenteeism. The Afghan government and international community have set an objective of having the Afghan army and police lead and conduct security operations in all Afghan provinces by the end of 2014. As of September 2010, no ANA unit was assessed as capable of conducting its mission independent of coalition assistance. Efforts to develop ANA capability have been challenged by difficulties in staffing leadership positions and a shortage of coalition trainers, including a shortfall of approximately 18% (275 of 1,495) of the personnel needed to provide instruction at ANA training facilities. Neither DoD nor NATO has completed an analysis of ANA sustainment costs. Such analysis is important given that, as of January 2010, the International Monetary Fund projected that it will take until at least 2023 for the Afghan government to raise sufficient revenues to cover its operating expenses, including those related to the army—highlighting Afghanistan’s continued dependence on external sources of funding. In addition, DoD and NATO studies indicate that growth of the ANA beyond the current end goal of 171,600 may be needed—potentially up to a force size of 240,000 personnel. Any such growth will necessitate additional donor assistance. GAO recommends that the Secretary of Defense, in conjunction with international partners, take steps to eliminate the shortage of trainers; clarify what ANA growth beyond the current end goal, if any, is needed; and develop estimates of the future funding needed to further grow and sustain the ANA. DoD concurred with GAO’s recommendation regarding trainers. DoD partially concurred with the need to develop growth and cost estimates for the ANA.
U.S. ARMY AUDIT AGENCY

Controls Over Vendor Payments Phase II - Afghanistan

USAAA performed the audit at the request of the Assistant Secretary of the Army (Financial Management and Comptroller). Finance offices within Afghanistan took numerous actions to address the Army's material weakness relating to the lack of proper audit trail for commercial payments in a contingency environment. However, in spite of actions taken, USAAA found that 81% of the vendor payments reviewed had at least one missing or inaccurate element. Further additional improvements were needed to address the integrity of the automated audit trail and the handling of limited depositary accounts because (1) units did not receive mission specific training before deployment or additional on-site requested training; (2) working relationships and initiatives between activities in the fiscal triad were not fully synchronized; (3) and command sometimes did not enforce regulatory guidance or did not fully incorporate processes in the internal controls program to monitor operations. Command agreed with the recommendations in the report and initiated corrective actions.

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT OFFICE OF INSPECTOR GENERAL

Audit of USAID/Afghanistan’s Construction of Health and Education Facilities Program

The objective of the audit was to determine whether USAID/Afghanistan’s program was achieving its main goals of strengthening the Government of the Islamic Republic of Afghanistan’s (GIRoA’s) ability to provide health services to its citizens and train competent teachers by constructing provincial hospitals, midwife training centers, and provincial teacher training colleges.

While the mission has realized some successes—for example, in strengthening the capacity of local construction companies and adhering to the international building code—the program was not on schedule to achieve its main goals. The audit disclosed the following issues:

- Construction fell significantly behind schedule. The program was approximately 18 months behind schedule and was making slow progress toward achieving its goals.
- Cost and security issues reduced the scope of new construction. Achieving the original goals of the agreement was hindered by funding limitations that significantly reduced the number of structures to be constructed.
- The mission approved building religious structures. The mission approved the construction of male prayer buildings and female prayer rooms at four construction sites, violating a prohibition contained in Title 22 of the Code of
Federal Regulations, Section 205(d). The estimated cost of these structures was $258,982.

- **Process needed for release of construction designs.** The mission has not provided guidance to the International Organization for Migration (IOM) on providing completed designs for buildings that will not be constructed to the relevant ministry. The mission has not yet provided the completed designs for two hospitals and four provincial teacher training centers to the Ministries of Education and Public Health.

- **Materials testing did not comply with guidance.** IOM did not consistently comply with its quality control manual in testing construction materials.

- **Sustainability of facilities is questionable.** The ability of the Ministries of Education and Public Health to maintain the completed structures is questionable because of competing priorities for ministry funds, which could further hinder achievement of the program’s main goals.

- **The mission did not carry out required environmental assessments.** USAID/Afghanistan did not complete an environmental assessment as required.

- **The implementer had no approved marking plan.** IOM did not submit a branding and marking plan as required by the agreement.

- **A subcontractor incurred unallowable security costs.** A construction subcontractor was paying off-duty Afghan Nation Police for security services without approval from the mission. However, the amount involved was small: approximately $9,200.

- **Repairs to earlier construction program reduce funds available for the current program.** Approximately $316,000 that could have been spent on new structures was used to refurbish a clinic and reconstruct a school that had suffered damage as a result of defective designs and construction under a prior USAID/Afghanistan program.

To address these issues, the OIG made 15 recommendations. USAID/Afghanistan has reached management decisions on all of the recommendations and has completed final action on six of the recommendations.

**Review of USAID/Afghanistan’s Bank Supervision Assistance Activities and the Kabul Bank Crisis**


In early September 2010, rumors and news articles about insider lending and investments in Dubai real estate led depositors to rush to withdraw funds from Kabul Bank, the largest bank in Afghanistan. In response to a request by USAID/Afghanistan, OIG/Afghanistan conducted this review to determine:

- what opportunities USAID and contractor staff had to learn of fraudulent activities at Kabul Bank through USAID’s Economic Growth and Governance Initiative and its predecessor, the Economic Growth and Private Sector Strengthening Activity
- how staff learned of the fraud
What opportunities did USAID and contractor staff have to learn of fraudulent activities at Kabul Bank? BearingPoint and Deloitte advisers who were embedded at the Central Bank had several opportunities to learn about fraudulent activities at Kabul Bank over a span of two years before the run on Kabul Bank in early September 2010. BearingPoint and Deloitte staff could have been more aggressive in following up on indications of serious problems at Kabul Bank. Because contractors did not keep USAID/Afghanistan fully informed of developments at the Central Bank, USAID staff had fewer opportunities to learn of the fraud.

How did USAID staff and its contractors learn of the fraud? Most USAID staff members interviewed stated that they learned of the fraud through a Washington Post article in February 2010. One USAID staff member indicated that the existence of fraud at Kabul Bank was widely believed to exist as early as 2008, even though no specific evidence of the fraud was available at that time. According to key Deloitte staff members involved in providing banking supervision assistance to DAB, they learned of the fraud either through the Washington Post article published in February 2010 or through the numerous news articles that appeared almost simultaneously with the run on Kabul Bank in August and September 2010. However, they acknowledged the existence of indications of fraud before that date.

What actions did USAID and contractor staff members take once they became aware of the fraud? The February 2010 Washington Post article was widely discussed at the U.S. Embassy, including by officials from USAID and the U.S. Department of the Treasury (Treasury). Their recollections and perceptions of events differed somewhat. For their part, USAID officials indicated that they understood that Treasury would take the lead in responding to the article. Treasury officials, in contrast, indicated that it was difficult for them to persuade USAID to engage in responding to the article. After the run on Kabul Bank in September 2010, and after inquiries by the leadership of the U.S. Embassy, USAID/Afghanistan arranged for a material loss report on Kabul Bank and a rapid assessment of Deloitte’s performance on the Economic Growth and Governance Initiative task order.

Deloitte officials indicated that, in the aftermath of the February 2010 news article, they began to work with the Central Bank to plan a response. A Central Bank examination of Kabul Bank, begun in January 2010 and completed in May 2010, found serious control weaknesses that were relevant to the fraud, including weak controls over loan approvals and collateral, but the examiners did not perform any direct verification of loans and did not report any direct evidence of fraud at Kabul Bank. Neither Deloitte nor the Central Bank provided the examination report to USAID/Afghanistan until October 2010, when USAID asked Deloitte for the report.
Was USAID’s oversight of its contractor adequate? USAID/Afghanistan’s oversight of the task order with Deloitte was weak. Because the mission was short-staffed, it did not have adequate technical expertise to recognize the warning signals at Kabul Bank or to provide adequate direction to Deloitte. As a result, USAID lost opportunities to take appropriate actions and work with Deloitte, Treasury, DoS, the Central Bank, and the donor community to contain the problems at Kabul Bank.

Review of Cash Disbursement Practices Employed by Selected USAID/Afghanistan Contractors and Grantees
The Office of Inspector General conducted a review to determine whether the cash disbursement practices by 10 selected USAID/Afghanistan implementing partners ensured that disbursements were reasonable, allocable, and allowable. The review found that the cash disbursement practices of the 10 selected USAID/Afghanistan implementing partners reasonably ensured that their cash expenditures were reasonable, allocable, and allowable.

OIG made a recommendation that USAID/Afghanistan disseminate the best practices to its implementing partners in order to minimize their cash transactions to the extent possible.

The mission agreed with recommendation and issued a letter making all implementing partners aware of the best practices described in this report. Additionally, oversight by the Mission’s Agreement Officer’s/Contracting Officer’s Technical Representatives will continue to ensure that the respective implementing partners strengthen their cash disbursements procedures.

Audit of the Agriculture, Water, and Technology Transfer Program
The objective of this audit was to determine whether the program was achieving its main goals, which dealt with irrigation water management, agricultural technology transfer, and institution building. Two and one-half years into the 3-year program, NMSU had achieved a number of successes introducing new agricultural and water technologies, and many farmers were participating in on-farm demonstrations of these technologies. Auditors found some evidence of demand for these new technologies—laser land leveling being the clearest example—but adoption of the technologies lies in the future. However, the audit noted the following implementation issues:

• **Water Component Focused on Technology Transfer Instead of Governance.**
  NMSU demonstrated a number of water-conserving technologies—furrow irrigation, raised beds for irrigated crops, seed drills, laser land leveling, water gauges, and concrete farm turnouts for irrigation canals. To date, however, there is no evidence of adoption of these technologies apart from
the demonstrations specifically supported by NMSU, and there has been relatively little emphasis on improving governance of irrigation water resources.

- Adoption of New Agricultural Technologies Fell Short. In addition to irrigation technologies, NMSU introduced high-yielding wheat varieties, a system of rice intensification, and improved forage crops. NMSU promoted these technologies to MAIL extension agents and farmers through demonstration plots and field days. However, as with the water-saving technologies discussed above, apart from the demonstrations specifically supported by NMSU, farmers have not adopted the technologies for use on their own land.

- NMSU Did Not Assess the Effectiveness of Technical Assistance and Training. NMSU was responsive to MAIL requests for technical assistance and training. For the Irrigation Department, NMSU provided technical assistance to strengthen information technology infrastructure, and in September 2010, NMSU hired a water engineer to train and mentor department staff. NMSU reportedly trained 516 people, including MAIL employees and faculty and students at educational institutions whose graduates often go on to work for MAIL. However, the program did not follow up to see whether the technical assistance and training activities improved the knowledge, skills, and abilities of MAIL employees; whether employees applied these attributes successfully in the workplace; or whether MAIL’s institutional performance improved as a result.

- Monitoring and Evaluation Shortcomings Reduced the Value of Performance Information. NMSU did not submit its first of two performance management plan on time, omitted some required information from both performance management plans, did not keep records to substantiate reported results, reported some incorrect information, and omitted mention of performance challenges from its quarterly reports.

- NMSU Lacked an Approved Branding and Marking Plan. NMSU did not submit a branding and marking plan for mission approval until after the auditors requested it. Further, NMSU did not consistently mark project deliverables or pursue a formal branding strategy.

- USAID/Afghanistan Did Not Follow USAID’s Environmental Procedures. The mission did not prepare an environmental assessment or an environmental impact statement.

   Moreover, officials connected with the program raised concerns that the high proportion of expenditures in the United States left fewer resources available for activities in Afghanistan and raised other questions about the financial management of the program. To address these issues, the Office of Inspector General (OIG) contracted with an audit firm to conduct financial audits of NMSU and its partner universities in the United States. OIG will issue a separate report on the results of that audit.
ongoing oversight activities

as of march 31, 2011, the participating agencies reported 34 ongoing oversight activities related to reconstruction in afghanistan. the activities reported are listed in table 4.2 and described in the following sections by agency.

**table 4.2**

<table>
<thead>
<tr>
<th>agency</th>
<th>project number</th>
<th>date initiated</th>
<th>project title</th>
</tr>
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<tbody>
<tr>
<td>DoD OIG</td>
<td>D2011-D000FD-0121.000</td>
<td>3/30/2011</td>
<td>fees and surcharges on intragovernmental orders funded by afghanistan security forces fund appropriations</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2011-D00SP0-0172.000</td>
<td>2/14/2011</td>
<td>development of afghan national army logistics capability</td>
</tr>
<tr>
<td>DoD OIG</td>
<td>D2011-D000JO-0137.000</td>
<td>1/18/2011</td>
<td>facilities management training provided under the national operations and maintenance contracts in afghanistan</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-D000AS-0153.000</td>
<td>1/11/2011</td>
<td>pricing and oversight of the afghan national army air corps pilot and english language training task order</td>
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<td>DoD OIG</td>
<td>D2011-D000AS-0133.000</td>
<td>1/3/2011</td>
<td>procurement of high-mobility multipurpose wheeled vehicles and troop enclosures for the afghan national security forces</td>
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<td>DoD OIG</td>
<td>D2011-D000FR-0089.000</td>
<td>11/30/2010</td>
<td>internal controls over distribution and reconciliation of funds for the afghanistan national army payroll</td>
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<td>DoD OIG</td>
<td>D2011-D000JB-0068.000</td>
<td>11/17/2010</td>
<td>requirements development process for military construction projects in afghanistan</td>
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<td>DoD OIG</td>
<td>D2011-D000JA-0075.000</td>
<td>11/2/2010</td>
<td>DoD oversight of the northern distribution network</td>
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<td>DoD OIG</td>
<td>D2011-D000AS-0030.000</td>
<td>10/1/2010</td>
<td>management and oversight for DoD acquisition and support of non-standard rotary wing aircraft</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-D000JA-0009.000</td>
<td>9/30/2010</td>
<td>audit of the afghan national police training program (joint audit)</td>
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<tr>
<td>DoD OIG</td>
<td>D2011-D000FL-0276.000</td>
<td>9/2/2010</td>
<td>controls over the reporting and propriety of commander's emergency response program payments in afghanistan</td>
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<td>DoD OIG</td>
<td>D2010-D000JA-0165.001</td>
<td>6/21/2010</td>
<td>implementation of security provisions of a U.S. army intelligence and security command contract for linguist support</td>
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<td>DoD OIG</td>
<td>D2010-D000JO-0229.000</td>
<td>6/14/2010</td>
<td>construction of the detention facility in parwan, afghanistan</td>
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<td>DoD OIG</td>
<td>D2010-D000JB-0157.000</td>
<td>3/4/2010</td>
<td>Afghan national army equipment maintenance apprenticeship and services program contract</td>
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<td>DoD OIG</td>
<td>D2010-D000JA-0091.000</td>
<td>12/9/2009</td>
<td>force protection programs for U.S. forces in afghanistan</td>
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<td>DoD OIG</td>
<td>D2009-D00SP0-0115.000</td>
<td>12/17/2008</td>
<td>U.S. and coalition efforts to develop the medical sustainment capability of the afghan national security forces</td>
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<td>DoS OIG/SIGAR</td>
<td>11AUD3003</td>
<td>10/2010</td>
<td>Afghanistan civilian uplift (joint audit)</td>
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<td>DoS OIG-MERO</td>
<td>11-MERO-3013</td>
<td>2/2011</td>
<td>evaluation of the bureau of international narcotics and law enforcement affairs' justice sector support program assistance to the attorney general's anti-corruption unit in afghanistan</td>
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<td>DoS OIG-MERO</td>
<td>11-MERO-3007</td>
<td>12/2010</td>
<td>limited-scope review of the needs assessments and facilities conditions for newly developed department of state positions in afghanistan</td>
</tr>
<tr>
<td>DoS OIG-MERO</td>
<td>11-MERO-3003</td>
<td>10/2010</td>
<td>review of the bureau of international narcotics and law enforcement affairs' facility operations and maintenance support contract with the major crimes task force in afghanistan (contract evaluation)</td>
</tr>
<tr>
<td>DoS OIG-MERO</td>
<td>11-MERO-3004</td>
<td>9/2010</td>
<td>review of the bureau of population, refugees, and migration (PRM) program effectiveness to reintegrate and resettle afghan refugees</td>
</tr>
<tr>
<td>GAO</td>
<td>120976</td>
<td>3/31/2011</td>
<td>state contracting for conflicted countries</td>
</tr>
<tr>
<td>GAO</td>
<td>351552</td>
<td>12/9/2010</td>
<td>Marine Corps equipping strategies to reset equipment</td>
</tr>
<tr>
<td>GAO</td>
<td>320815</td>
<td>11/5/2010</td>
<td>Afghan capacity building to manage budget and finances</td>
</tr>
<tr>
<td>GAO</td>
<td>351525</td>
<td>8/26/2010</td>
<td>DoD task force for business and stability operations</td>
</tr>
<tr>
<td>GAO</td>
<td>351514</td>
<td>8/4/2010</td>
<td>army advise and assist brigades</td>
</tr>
</tbody>
</table>
DoD continues to face many challenges in executing its Overseas Contingency Operations (OCO). DoD OIG has identified priorities based on those challenges and high risks and has responded by expanding its coverage of OCO operations and its presence in Southwest Asia. Matching the Department’s current Southwest Asia operational tempo and focus, DoD OIG’s primary oversight focus is operations in Afghanistan while maintaining the necessary oversight in Iraq and its remaining operations.

The DoD OIG–led Southwest Asia Joint Planning Group coordinates and deconflicts federal and DoD OCO–related oversight activities. The Group held its 16th meeting in February 2011. The Southwest Asia Joint Planning Group issued the FY 2011 update to the Comprehensive Oversight Plan for Southwest Asia and Surrounding Areas on March 31, 2011. The FY 2011 plan is organized by subcategories under functional areas to articulate the commonalities of the oversight community efforts. This oversight plan includes projects that directly impact efforts in Southwest Asia and surrounding areas. The oversight projects may be conducted exclusively in theater, require travel into theater, or be conducted outside the theater such as solely in CONUS.

In addition to the audits of contracts, subcontracts, and task and delivery orders for logistical support being conducted, this Comprehensive Plan addresses other oversight areas, including asset accountability, financial management, security, human rights, rule of law, and economical and social development. Participating oversight agencies will continue to coordinate audit plans through working groups and councils.

DoD OIG’s ongoing Operation Enduring Freedom–related oversight addresses the safety of personnel with regard to construction efforts, force protection programs for U.S. personnel, accountability of property, improper payments,

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**TABLE 4.2 (CONTINUED)**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Project Number</th>
<th>Date Initiated</th>
<th>Project Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>GAO</td>
<td>351489</td>
<td>8/4/2010</td>
<td>DoD Vetting in Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>320794</td>
<td>7/21/2010</td>
<td>Accountability of U.S. Direct Assistance to Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>320766</td>
<td>5/3/2010</td>
<td>U.S. Civilian Presence in Afghanistan</td>
</tr>
<tr>
<td>GAO</td>
<td>351492</td>
<td>4/30/2010</td>
<td>Afghanistan Logistics Support</td>
</tr>
<tr>
<td>USAAA</td>
<td>A-2011-ALL-0342.000</td>
<td>2Q/FY11</td>
<td>Commander’s Emergency Response Program-Afghanistan</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>Not provided</td>
<td>2Q/FY11</td>
<td>Review of USAID/Afghanistan’s Portion of the Embassy Air Program</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>Not provided</td>
<td>2Q/FY11</td>
<td>Audit of USAID/Afghanistan’s Afghanistan Stabilization Initiative – Southern Region</td>
</tr>
<tr>
<td>USAID OIG</td>
<td>Not provided</td>
<td>Not provided</td>
<td>Audit of USAID/Afghanistan’s Support for Increased Electoral Participation in Afghanistan (IEP) and Support to the Electoral Process (STEP) Programs</td>
</tr>
</tbody>
</table>

contract administration, distribution and reconciliation of funds for the Afghan National Army (ANA) payroll; oversight of the contract for training the Afghan National Police (ANP); logistical distribution within Afghanistan; information operations, armoring capabilities, and acquisition planning and controls over funding for the Afghan National Security Forces (ANSF).

For the first quarter of FY 2011, DoD OIG had 43 ongoing oversight activities and issued 11 reports that support OEF. Of those 43 ongoing projects, 17 directly relate to reconstruction or security operations in Afghanistan and are incorporated in this quarterly report. Of the 11 reports issued, one directly relates to reconstruction or security operations in Afghanistan as defined by the Special Inspector General for Afghanistan Reconstruction.

**Fees and Surcharges on Intragovernmental Orders Funded by Afghanistan Security Forces Fund Appropriations**

(Project No. D2011-D000FD-0121.000, Initiated March 30, 2011)

DoD OIG is determining what fees and surcharges DoD Components charge on intragovernmental orders funded by Afghanistan Security Forces Fund appropriations. DoD OIG will also evaluate whether the cost data exist to support those charges.

**Development of Afghan National Army Logistics Capability**

(Project No. D2011-D00SPO-0172.000, Initiated February 14, 2011)

DoD OIG is determining whether planning and operational implementation of efforts by U.S./coalition forces to train, advise, and assist in the development of an enduring logistics sustainability capability for the Afghan National Army (ANA) is effective. This includes evaluating output/outcome in ANA logistical and operational organizations resulting from U.S./coalition involvement in developing Ministry of Defense (MoD)/ANA logistics support processes. In addition, DoD OIG will determine whether plans, training, preparation, and designated missions of International Security Assistance Force (ISAF)/U.S. Forces-Afghanistan, NATO Training Mission-Afghanistan/Combined Security Transition Command-Afghanistan, and ISAF Joint Command to train, advise, and assist in the development of an enduring logistics sustainability capability for the ANA are integrated across all levels of U.S./coalition commands/staffs, as well as with the MoD, and address ANA operational needs.

**Facilities Management Training Provided Under the National Operations and Maintenance Contracts in Afghanistan**

(Project No. D2011-D000JO-0137.000, Initiated January 18, 2011)

DoD OIG is determining whether the vocational training provided under the National Operations and Maintenance contracts is effective in developing the infrastructure maintenance capabilities of the Afghanistan National Security Forces.
OTHER AGENCY OVERSIGHT

**Pricing and Oversight of the Afghan National Army Air Corps Pilot and English Language Training Task Order**  
(D2011-D000AS-0153.000, Initiated January 11, 2011)  
DoD OIG is conducting the second in a series of audits relating to the Warfighter Field Operations Customer Support (FOCUS) contract. In this second review, DoD OIG is determining whether the U.S. Army Program Executive Office for Simulation, Training, and Instrumentation obtained fair and reasonable prices for the goods and services on the Afghan National Army Air Corps Pilot and English Language Training task order and appropriately defined contractor surveillance and oversight processes and procedures for the task order.

**Procurement of High-Mobility Multipurpose Wheeled Vehicles and Troop Enclosures for the Afghan National Security Forces**  
(Project No. D2011-D000AS-0133.000, Initiated January 3, 2011)  
DoD OIG is determining whether the program and contracting officials are effectively and efficiently procuring High-Mobility Multipurpose Wheeled Vehicles and troop enclosures.

**Internal Controls Over Distribution and Reconciliation of Funds for the Afghanistan National Army Payroll**  
(Project No. D2011-D000FR-0089.000, Initiated November 30, 2010)  
DoD OIG is determining whether adequate controls are in place to ensure that the North Atlantic Treaty Organization Training Mission - Afghanistan/Combined Security Transition Command - Afghanistan (NTM-A/CSTC-A) is distributing DoD funds accurately and timely to the Afghan ministries for the ANA payroll. In addition, DoD OIG is determining whether NTM-A/CSTC-A has implemented an adequate mentoring process to assist Afghan ministries in providing accurate payments to ANA personnel.

**Requirements Development Process for Military Construction Projects in Afghanistan**  
(Project No. D2011-D000JB-0068.000, Initiated November 17, 2010)  
DoD OIG is evaluating the requirements development process for military construction projects in Afghanistan. Specifically, DoD OIG is determining whether the requirements development process results in statements of work that clearly define required results, has measurable outcomes, and meets DoD needs.

**DoD Oversight of the Northern Distribution Network**  
(Project No. D2011-D000JA-0075.000, Initiated November 2, 2010)  
DoD OIG is assessing DoD oversight of the Northern Distribution Network and evaluating the ability of DoD to plan, coordinate, and execute sustainment operations for Afghanistan through the Northern Distribution Network.
**Management and Oversight for DoD Acquisition and Support of Non-Standard Rotary Wing Aircraft**  
(Project No. D2011-D000AS-0030.000, Initiated October 1, 2010)  
DoD OIG is determining whether DoD officials properly and effectively managed the acquisition and support of non-standard rotary wing aircraft, such as the Russian Mi-17 aircraft, to include those acquired using the Afghanistan Security Forces Fund or any DoD-related requirements. Multiple projects may be initiated under this objective.

**Afghan National Police Training Program (Joint Audit)**  
(Project No. D2011-D000JA-0009.000, [DoS 11AUD3001], Initiated September 30, 2010)  
DoD OIG and DoS OIG are performing this joint audit to meet an anticipated requirement in the FY 2011 National Defense Authorization Act that will require DoD OIG, in consultation with DoS OIG, to issue a report on the ANP Training Program. The audit is evaluating DoD and DoS efforts to transfer contract administration for the ANP Program. Specifically, DoD OIG/DoS OIG will assess the cost, performance measures, and planning efforts associated with the transfer to ensure enhanced contract oversight, adequate funding and support, and effective program management. The joint team also plans to follow up on the joint DoD OIG Report No. D-2010-042 and DoS OIG Report No. MERO-A-I O-6, “Department of Defense Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police,” February 9, 2010.

**Controls Over the Reporting and Propriety of Commander’s Emergency Response Program Payments in Afghanistan**  
(Project No. D2010-D000FL-0276.000, Initiated September 2, 2010)  
DoD OIG is determining whether the internal controls over CERP payments made to support operations in Afghanistan are adequate. Specifically, DoD OIG will review the controls to ensure payments are proper and that complete, accurate, and meaningful data is reported to those decision-makers responsible for managing the CERP. This audit is the second in a series of audits that addresses the internal controls over the CERP payments made to support operations in Afghanistan.

**Implementation of Security Provisions of a U.S. Army Intelligence and Security Command Contract for Linguist Support**  
(Project No. D2010-D000JA-0165.001, Initiated June 21, 2010)  
DoD OIG is determining whether the security provisions of a U.S. Army Intelligence and Security Command contract for linguist support in Afghanistan (W911W4-07-D-0010) were implemented effectively. This project is one in a series of reviews regarding linguist support in Afghanistan. Project D2010-D000JA-0165.000 addresses whether contract for linguist support in Afghanistan (W911W4-07-D-0010) included appropriate security provisions.
Construction of the Detention Facility in Parwan, Afghanistan
(Project No. D2010-D000JO-0229.000, Initiated June 14, 2010)

DoD OIG is determining whether the U.S. Army Corps of Engineers and USFOR-A procured construction services and administered the construction contract for the Detention Facility in Parwan, Afghanistan, in accordance with the Federal Acquisition Regulation and other applicable laws and regulations. Specifically, DoD OIG will determine whether the U.S. Army Corps of Engineers properly monitored contractor performance during construction of the Detention Facility in Parwan and whether the U.S. Army Corps of Engineers has taken or should take recourse against the contractor because of potential latent defects, negligence, or fraud.

Afghanistan National Army Equipment Maintenance Apprenticeship and Services Program Contract
(Project No. D2010-D000JB-0157.000, Initiated March 4, 2010)

DoD OIG is determining whether adequate quality assurance and quality control procedures exist for the Afghanistan National Army Vehicle and Maintenance Contract. Specifically, DoD OIG will determine whether government contractual requirements have been met and adequate contract surveillance is being conducted. In addition, DoD OIG will determine whether the contractor requires additional warehouse space to effectively perform contractual tasks and whether the contractor submitted a fair and reasonable request for equitable adjustment for payments reimbursement. A series of reports is planned for this project.

Force Protection Programs for U.S. Forces in Afghanistan
(Project No. D2010-D000JA-0091.000, Initiated December 9, 2009)

DoD OIG is reviewing the force protection programs for primary gathering facilities and billeting areas of U.S. forces in Afghanistan. Specifically, it is assessing the program support and resources that commanders have for facility planning, antiterrorism, and safety programs protecting their forces. The audit is focusing on Bagram Airfield, Kandahar Airfield, Camp Eggers, and the New Kabul Compound.

U.S. and Coalition Efforts to Develop the Medical Sustainment Capability of the Afghan National Security Forces
(Project No. D2009-D008PO-0115.000, Initiated December 17, 2008)

DoD OIG is determining whether U.S. government, Coalition, and Afghan Ministries of Defense and Interior goals, objectives, plans, and guidance to develop and sustain the current and projected Afghan National Security Forces (ANSF) health care system are issued and operative.
DEPARTMENT OF STATE OFFICE OF INSPECTOR GENERAL

Audit of the Afghan National Police Training Program (joint audit)
(Project No. 11AUD3001 [DoD D2011-D00JA-0009.00], Initiated November 2010)

Objectives: Per an anticipated requirement in the FY 2011 National Defense Authorization Act that will require DoD OIG, in consultation with DoS OIG, to issue a report on the ANP training program, DoS OIG’s objective is to evaluate DoD and DoS efforts to transfer contract administration for the ANP Program. Specifically, DoS OIG will assess the cost, performance measures, and planning efforts associated with the transfer to ensure enhanced contract oversight, adequate funding and support, and effective program management. DoS OIG also plans to follow up on the joint DoD OIG Report No. D-2010-042 and DoS OIG Report No. MERO-A-10-6, “Department of Defense Obligations and Expenditures of Funds Provided to the Department of State for the Training and Mentoring of the Afghan National Police,” 2/9/2010.

Afghanistan Civilian Uplift
(Project No. 11AUD3003, Initiated October 2010)

Objective: The objective of this audit is to determine the costs of the civilian uplift in Afghanistan, including how much has been spent to date (2009 to present) and an estimate of how much it will cost to sustain the effort (present through 2012). DoS OIG’s work will focus on the costs associated with the hiring, training, deployment, and necessary life and operational support of civilian uplift personnel assigned to Afghanistan.

DEPARTMENT OF STATE OFFICE OF INSPECTOR GENERAL – MIDDLE EAST REGIONAL OFFICE

Evaluation of the Bureau of International Narcotics and Law Enforcement Affairs’ Justice Sector Support Program Assistance to the Attorney General’s Anti-Corruption Unit in Afghanistan (Contract Evaluation)
(Project No. 11-MERO-3013, Initiated February 2011)

This evaluation will determine (1) the amount of funding DoS has obligated and expended; (2) how DoS ensures that costs are properly allocated and supported; (3) to what extent DoS’s anti-corruption mentoring and justice sector support program assistance has achieved its objectives and the impediments; and (4) the effectiveness of Embassy Kabul in managing and overseeing the assistance program.
Limited-Scope Review of the Needs Assessments and Facilities Conditions for Newly Developed Department of State Positions in Afghanistan (Program Evaluation)
(Project No. 11-MERO-3007, Initiated December 2010)

The primary objectives of this evaluation are to determine (1) the degree to which DoS conducted needs assessments to identify, develop, and staff new positions at Embassy Kabul and its constituent posts; and (2) whether available office facilities and housing or that already provided to staff filling these new positions are adequate, safe, and secure.

(Project No. 11-MERO-3003, Initiated October 2010)

The primary objectives of this evaluation are to determine (1) the requirements and provisions of the contract; (2) the amount of funding DoS has obligated and expended to provide facility operations and maintenance; (3) DynCorp’s contract performance in providing facility operations and maintenance to the Major Crimes Task Force at Camp Falcon; and (4) how DoS ensures that costs incurred are properly allocated and supported.

Review of the Bureau of Population, Refugees, and Migration (PRM) Program Effectiveness to Reintegrate and Resettle Afghan Refugees (Program Evaluation)
(Project No. 11-MERO-3004, Initiated September 2010)

The objectives of this performance audit are to determine (1) the requirements and provisions of agreements with UNHCR, ICRC, and NGOs; (2) how assistance requirements were calculated; (3) whether assistance reached intended targets; (3) if program performance measures were established and achieved; and (4) the effectiveness of Embassy Kabul and Provincial Reconstruction Teams to manage and coordinate the humanitarian response in Afghanistan.

GOVERNMENT ACCOUNTABILITY OFFICE

State Contracting for Conflict Countries
(Project No. 120976, Initiated March 31, 2011)

This review will focus on assessing (1) the organizational alignment of DoS’s acquisition functions with its missions and needs; (2) DoS’s acquisition workforce, both in terms of number of personnel and their expertise; (3) DoS’s use and management of contracts awarded and/or administered on its behalf by other federal departments or agencies; (4) the statutory and regulatory authorities available for use in conflict environments; and (5) the efforts planned or
underway to enhance the capacity of State’s acquisition workforce and reform its acquisition practices and processes.

**Marine Corps Equipping Strategies to Reset Equipment**  
(Initiated December 9, 2010)  
This review will focus on the extent to which (1) the Marine Corps has a strategy in place to manage the reset of ground and aviation equipment returning from Iraq and Afghanistan; (2) the Marine Corps’ strategy for resetting equipment is aligned with the Marine Corps’ plan for force modernization; (3) the Marine Corps is able to determine the total reset costs for equipment used in operations in Iraq and Afghanistan; and (4) the Marine Corps’ budget request from FY 2009–12 for equipment reset is consistent with budget guidance.

**Afghan Capacity Building to Manage Budget and Finances**  
(Initiated November 5, 2010)  
This review will focus on (1) identifying Afghanistan’s national budget (revenues, expenditures) and budgetary shortfall; (2) U.S. efforts to build Afghan capacity to manage and oversee the budget and build a sound financial management system, and the extent to which these efforts are aligned with Afghan and international community goals; and (3) the extent to which U.S. efforts improved the GIRoAs capacity to manage and oversee its budget and develop a sound financial management system.

**DoD Task Force for Business and Stability Operations**  
(Initiated August 26, 2010)  
This review will focus on the extent to which (1) the mission of the Task Force has changed since 2006, and whether DoD developed plans to institutionalize the Task Force’s mission and expand its scope to other countries; (2) DoD has evaluated the Task Force’s activities, including establishing goals and metrics to measure outcomes; (3) the Task Force coordinates its activities with other programs; and (4) the Task Force’s activities are similar or dissimilar to other programs, and whether opportunities exist to achieve greater efficiencies among programs.

**Army Advise and Assist Brigades**  
(Initiated August 4, 2010)  
The Army is augmenting certain brigade combat teams with additional leaders to advise and assist Iraqi and Afghan security forces. This review will focus on (1) the extent to which Army has defined the roles and missions of augmented brigade combat teams; (2) the extent to which Army has defined the training and resourcing requirements for augmented brigade combat teams, and the extent to which the Army and DoD have assessed their use for security force assistance; and (3) the extent to which Army has been able to fill the requirements for augmented brigade combat teams and what impacts, if any, this is having on reported Army readiness.
DoD Vetting in Afghanistan  
(Project No. 351489, Initiated August 4, 2010)
This review will focus on DoD processes to award contracts to Afghan and Pakistani firms. Specifically, the extent to which DoD has developed and implemented a process to vet Afghan and Pakistani firms; shares information on Afghanistan and Pakistan firms with DoS, USAID, NATO, and the UN; and has assurance that armed Afghan private security contractor personnel are screened.

Accountability of U.S. Direct Assistance to Afghanistan  
(Project No. 320794, Initiated July 21, 2010)
This review will focus on the extent to which the United States has provided direct assistance to the GIRoA; established key control elements to help ensure financial accountability over direct assistance provided bilaterally to Afghan ministries; and established key control elements to help ensure financial accountability over direct assistance provided through multilateral trust funds to Afghan ministries.

U.S. Civilian Presence in Afghanistan  
(Project No. 320766, Initiated May 3, 2010)
This review will focus on the extent to which and the processes through which U.S. agencies are prioritizing and fulfilling staffing requirements for the civilian surge in Afghanistan, and the steps U.S. agencies have taken to prepare their personnel for deployment.

Afghanistan Logistics Support  
(Project No. 351492, Initiated April 30, 2010)
This review will focus on (1) the extent to which DoD has provided the personnel, equipment, and supplies needed to support operations in Afghanistan in accordance with DoD’s established plans and timeline; (2) the factors, if any, that have impacted DoD’s ability to provide the personnel, equipment, and supplies needed to support operations in Afghanistan, and how DoD has addressed these factors; and (3) the extent to which DoD has established a clear chain of command for the transportation of personnel, supplies, and equipment into and around Afghanistan.

U.S. ARMY AUDIT AGENCY

Commander’s Emergency Response Program-Afghanistan  
(Project Code A-2011-ALL-0342.000, Initiated 2Q/FY11)
This audit will determine whether the established project review and approval processes for the Commander’s Emergency Relief Program in Afghanistan promote selection of projects in compliance with its stated goals of providing immediate benefit to the Afghan people.
During the quarter, USAID OIG issued 1 audit, 8 financial audits were in process, and 38 audits were in the planning phase. Financial audits of USAID/Afghanistan programs are performed by public accounting firms and by DCAA, and USAID OIG performs desk reviews and/or quality control reviews of the audits and transmits the reports to USAID for action.

Review of USAID/Afghanistan’s Portion of the Embassy Air Program
(Initiated 2Q/FY11)
Objective: To determine whether the USAID/Afghanistan-funded portion of the Embassy Air program achieving its main goal of providing safe and reliable air service to enable USAID to supply mission-critical transportation and freight services in support of provincial reconstruction teams and other U.S. mission development assistance programs in Afghanistan.

Audit of USAID/Afghanistan’s Afghanistan Stabilization Initiative – Southern Region
(Initiated 2Q/FY11)
Objective: To determine if the USAID’s Afghanistan Stabilization Initiative – Southern Region (ASI-SR) program is building confidence between communities and the GIRoA.

Audit of USAID/Afghanistan’s Election Support Programs and Support to the Electoral Process (STEP) Programs
Objective: To determine whether the Support for Increased Electoral Participation in Afghanistan and Support to the Electoral Process programs are achieving their main goal of strengthened competitive, inclusive, and credible elections and political processes.
OTHER AGENCY INVESTIGATIONS

SIGAR regularly coordinates with other government agencies conducting investigations in Afghanistan to monitor the progress of those investigations. As of March 31, 2011, DoD OIG Investigations was investigating 89 open cases, and DoS OIG Investigations (DoS OIG-INV) was investigating 11 open cases. Table 4.3 lists the number of open and closed investigations as of March 31, 2011.

OTHER AGENCY INSPECTIONS

DoS OIG Inspections (DoS OIG INS) has one ongoing inspection in Afghanistan as of March 31, 2011.

Embassy Kabul Inspection Compliance Follow-up Review (CFR)
(Report No. 11-ISP-3038, Initiated March 2011)

Follow up on compliance with recommendations made in OIG/ISP inspection of Embassy Kabul (ISP-I-10-32A, February 2010) to (a) close out recommendations and/or (b) reissue recommendations that address conditions that still exist.

<table>
<thead>
<tr>
<th>INVESTIGATIVE ACTIVITIES: OTHER AGENCY INVESTIGATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agency</td>
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<tr>
<td>--------</td>
</tr>
<tr>
<td>DoD OIG-INV</td>
</tr>
<tr>
<td>DoS OIG-INV</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

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

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

| TABLE A.1 |
| CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229 |

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supervision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Section 1229(e)(1)</td>
<td>The Inspector General shall report directly to, and be under the general supervision of, the Secretary of State and the Secretary of Defense</td>
<td>Report to the Secretary of State and the Secretary of Defense</td>
<td>All sections</td>
</tr>
<tr>
<td>Duties</td>
<td></td>
<td></td>
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<tr>
<td>Section 1229(f)(1)</td>
<td>OVERSIGHT OF AFGHANISTAN RECONSTRUCTION.— It shall be the duty of the Inspector General to conduct, supervise, and coordinate audits and investigations of the treatment, handling, and expenditure of amounts appropriated or otherwise made available for the reconstruction of Afghanistan, and of the programs, operations, and contracts carried out utilizing such funds, including subsections (A) through (G) below.</td>
<td>Review appropriated/available funds</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(1)(A)</td>
<td>The oversight and accounting of the obligation and expenditure of such funds</td>
<td>Review obligations and expenditures of appropriated/available funds</td>
<td>SIGAR Oversight Funding</td>
</tr>
<tr>
<td>Section 1229(f)(1)(B)</td>
<td>The monitoring and review of reconstruction activities funded by such funds</td>
<td>Review reconstruction activities funded by appropriations and donations</td>
<td>SIGAR Oversight</td>
</tr>
<tr>
<td>Section 1229(f)(1)(C)</td>
<td>The monitoring and review of contracts funded by such funds</td>
<td>Review contracts using appropriated and available funds</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(f)(1)(D)</td>
<td>The monitoring and review of the transfer of such funds and associated information between and among departments, agencies, and entities of the United States, and private and nongovernmental entities</td>
<td>Review internal and external transfers of appropriated/available funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(f)(1)(E)</td>
<td>The maintenance of records on the use of such funds to facilitate future audits and investigations of the use of such fund[s]</td>
<td>Maintain audit records</td>
<td>SIGAR Oversight Appendix B Appendix C Appendix D</td>
</tr>
<tr>
<td>Public Law Section</td>
<td>SIGAR Enabling Language</td>
<td>SIGAR Action</td>
<td>Section</td>
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<tr>
<td>Section 1229(f)(1)(F)</td>
<td>The monitoring and review of the effectiveness of United States coordination with the Governments of Afghanistan and other donor countries in the implementation of the Afghanistan Compact and the Afghanistan National Development Strategy</td>
<td>Monitoring and review as described</td>
<td>Audits</td>
</tr>
<tr>
<td>Section 1229(f)(1)(G)</td>
<td>The investigation of overpayments such as duplicate payments or duplicate billing and any potential unethical or illegal actions of Federal employees, contractors, or affiliated entities, and the referral of such reports, as necessary, to the Department of Justice to ensure further investigations, prosecutions, recovery of further funds, or other remedies.</td>
<td>Conduct and reporting of investigations as described</td>
<td>Investigations</td>
</tr>
<tr>
<td>Section 1229(f)(2)</td>
<td>OTHER DUTIES RELATED TO OVERSIGHT.— The Inspector General shall establish, maintain, and oversee such systems, procedures, and controls as the Inspector General considers appropriate to discharge the duties under paragraph (1)</td>
<td>Establish, maintain, and oversee systems, procedures, and controls</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(3)</td>
<td>DUTIES AND RESPONSIBILITIES UNDER INSPECTOR GENERAL ACT OF 1978.— In addition, . . . the Inspector General shall also have the duties and responsibilities of inspectors general under the Inspector General Act of 1978</td>
<td>Duties as specified in Inspector General Act</td>
<td>All sections</td>
</tr>
<tr>
<td>Section 1229(f)(4)</td>
<td>COORDINATION OF EFFORTS.— The Inspector General shall coordinate with, and receive the cooperation of, each of the following: (A) the Inspector General of the Department of Defense, (B) the Inspector General of the Department of State, and (C) the Inspector General of the United States Agency for International Development</td>
<td>Coordination with the inspectors general of DoD, DoS, and USAID</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td>Federal Support and Other Resources</td>
<td></td>
<td>Expect support as requested</td>
<td>All sections</td>
</tr>
</tbody>
</table>

TABLE A.1 (CONTINUED)
## CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(h)(5)(B)</td>
<td>REPORTING OF REFUSED ASSISTANCE.— Whenever information or assistance requested by the Inspector General is, in the judgment of the Inspector General, unreasonably refused or not provided, the Inspector General shall report the circumstances to the Secretary of State or the Secretary of Defense, as appropriate, and to the appropriate congressional committees without delay.</td>
<td>None reported</td>
<td>N/A</td>
</tr>
<tr>
<td>Section 1229(i)(1)</td>
<td>QUARTERLY REPORTS.— Not later than 30 days after the end of each fiscal-year quarter, the Inspector General shall submit to the appropriate committees of Congress a report summarizing, for the period of that quarter and, to the extent possible, the period from the end of such quarter to the time of the submission of the report, the activities during such period of the Inspector General and the activities under programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Afghanistan. Each report shall include, for the period covered by such report, a detailed statement of all obligations, expenditures, and revenues associated with reconstruction and rehabilitation activities in Afghanistan, including the following –</td>
<td>Report – 30 days after the end of each calendar quarter</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(A)</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Obligations and expenditures of appropriated/donated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(B)</td>
<td>A project-by-project and program-by-program accounting of the costs incurred to date for the reconstruction of Afghanistan, together with the estimate of the Department of Defense, the Department of State, and the United States Agency for International Development, as applicable, of the costs to complete each project and each program</td>
<td>Project-by-project and program-by-program accounting of costs. List unexpended funds for each project or program</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(1)(C)</td>
<td>Revenues attributable to or consisting of funds provided by foreign nations or international organizations to programs and projects funded by any department or agency of the United States Government, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of donor funds</td>
<td>Funding</td>
</tr>
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</table>

**TABLE A.1 (CONTINUED)**
### CROSS-REFERENCE TO SIGAR QUARTERLY REPORTING REQUIREMENTS UNDER P.L. NO. 110-181, § 1229

<table>
<thead>
<tr>
<th>Public Law Section</th>
<th>SIGAR Enabling Language</th>
<th>SIGAR Action</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 1229(i)(1)(D)</td>
<td>Revenues attributable to or consisting of foreign assets seized or frozen that contribute to programs and projects funded by any U.S. government department or agency, and any obligations or expenditures of such revenues</td>
<td>Revenues, obligations, and expenditures of funds from seized or frozen assets</td>
<td>Funding</td>
</tr>
<tr>
<td>Section 1229(i)(1)(E)</td>
<td>Operating expenses of agencies or entities receiving amounts appropriated or otherwise made available for the reconstruction of Afghanistan</td>
<td>Operating expenses of agencies or any organization receiving appropriated funds</td>
<td>Appendix B</td>
</tr>
<tr>
<td>Section 1229(i)(1)(F)</td>
<td>In the case of any contract, grant, agreement, or other funding mechanism described in paragraph (2)* – (i) The amount of the contract or other funding mechanism; (ii) A brief discussion of the scope of the contract or other funding mechanism; (iii) A discussion of how the department or agency of the United States Government involved in the contract, grant, agreement, or other funding mechanism identified and solicited offers from potential contractors to perform the contract, grant, agreement, or other funding mechanism, together with a list of the potential individuals or entities that were issued solicitations for the offers; and (iv) The justification and approval documents on which was based the determination to use procedures other than procedures that provide for full and open competition</td>
<td>Describe contract details</td>
<td>Note 1</td>
</tr>
<tr>
<td>Section 1229(i)(3)</td>
<td>PUBLIC AVAILABILITY.— The Inspector General shall publish on a publically-available Internet website each report under paragraph (1) of this subsection in English and other languages that the Inspector General determines are widely used and understood in Afghanistan</td>
<td>Publish report as directed</td>
<td><a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 1229(i)(4)</td>
<td>FORM.— Each report required under this subsection shall be submitted in unclassified form, but may include a classified annex if the Inspector General considers it necessary</td>
<td>Publish report as directed</td>
<td>All sections</td>
</tr>
</tbody>
</table>

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**Note 1:**
- Section 1229(i)(1)(F) (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.
**TABLE A.2**

<table>
<thead>
<tr>
<th>IG Act Section</th>
<th>IG Act Language</th>
<th>SIGAR Action</th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 5(a)(1)</td>
<td>Description of significant problems, abuses, and deficiencies</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List problems, abuses, and deficiencies from SIGAR audit reports, investigations, and inspections</td>
<td>See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(2)</td>
<td>Description of recommendations for corrective action…with respect to significant problems, abuses, or deficiencies</td>
<td>Extract pertinent information from SWA/JPG member I reports</td>
<td>Other Agency Oversight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>List recommendations from SIGAR audit reports</td>
<td>See Letters of Inquiry at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(3)</td>
<td>Identification of each significant recommendation described in previous semiannual reports on which corrective action has not been completed</td>
<td>List all instances of incomplete corrective action from previous semiannual reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(4)</td>
<td>A summary of matters referred to prosecutive authorities and the prosecutions and convictions which have resulted</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
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<td></td>
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<td>List SIGAR Investigations that have been referred</td>
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<tr>
<td>Section 5(a)(5)</td>
<td>A summary of each report made to the [Secretary of Defense] under section 6(b)(2) (instances where information requested was refused or not provided)</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
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<td></td>
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<td>List instances in which information was refused SIGAR auditors, investigators, or inspectors</td>
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<td>Section 5(a)(6)</td>
<td>A listing, subdivided according to subject matter, of each audit report, inspection report and evaluation report issued…showing dollar value of questioned costs and recommendations that funds be put to better use</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
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<td></td>
<td></td>
<td>List SIGAR reports</td>
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</tr>
<tr>
<td>Section 5(a)(7)</td>
<td>A summary of each particularly significant report</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>Other Agency Oversight</td>
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<td></td>
<td></td>
<td>Provide a synopsis of the significant SIGAR reports</td>
<td>A full list of significant reports can be found at <a href="http://www.sigar.mil">www.sigar.mil</a></td>
</tr>
<tr>
<td>Section 5(a)(8)</td>
<td>Statistical tables showing the total number of audit reports and the total dollar value of questioned costs</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
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<td></td>
<td>Develop statistical tables showing dollar value of questioned cost from SIGAR reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(9)</td>
<td>Statistical tables showing the total number of audit reports, inspection reports, and evaluation reports and the dollar value of recommendations that funds be put to better use by management</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Develop statistical tables showing dollar value of funds put to better use by management from SIGAR reports</td>
<td>In process</td>
</tr>
<tr>
<td>Section 5(a)(10)</td>
<td>A summary of each audit report, inspection report, and evaluation report issued before the commencement of the reporting period for which no management decision has been made by the end of reporting period, an explanation of the reasons such management decision has not been made, and a statement concerning the desired timetable for achieving a management decision</td>
<td>Extract pertinent information from SWA/JPG member reports</td>
<td>See reports of SWA/JPG members</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provide a synopsis of SIGAR audit reports in which recommendations by SIGAR are still open</td>
<td>None</td>
</tr>
</tbody>
</table>
### CROSS-REFERENCE TO SEMIANNUAL REPORTING REQUIREMENTS UNDER SECTION 5 OF THE IG ACT OF 1978, AS AMENDED (5 U.S.C. APP. 3) (“IG ACT”)

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

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

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

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

To build or rebuild physical infrastructure of Afghanistan.
To establish or reestablish a political or societal institution of Afghanistan.
To provide products or services to the people of Afghanistan.”
APPENDICES

APPENDIX B

U.S. GOVERNMENT APPROPRIATED FUNDS ($ MILLIONS)

Table B.1 lists funds appropriated for Afghanistan reconstruction by program, per year, as of March 31, 2011. FY 2011 funds reflect amounts made available under continuing resolutions.

<table>
<thead>
<tr>
<th>U.S. FUNDING SOURCES</th>
<th>AGENCY</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SECURITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Afghanistan Security Forces Fund (ASFF)</td>
<td>DoD</td>
<td>33,294.19</td>
</tr>
<tr>
<td>Train &amp; Equip (DoD)</td>
<td>DoD</td>
<td>440.00</td>
</tr>
<tr>
<td>Foreign Military Financing (FMF)</td>
<td>DoS</td>
<td>1,059.14</td>
</tr>
<tr>
<td>International Military Education &amp; Training (IMET)</td>
<td>DoS</td>
<td>8.30</td>
</tr>
<tr>
<td>NDAA Section 1207 Transfer</td>
<td>Other</td>
<td>9.90</td>
</tr>
<tr>
<td><strong>Total - Security</strong></td>
<td></td>
<td><strong>34,811.53</strong></td>
</tr>
<tr>
<td><strong>GOVERNANCE &amp; DEVELOPMENT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commander’s Emergency Response Program (CERP)</td>
<td>DoD</td>
<td>2,639.00</td>
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<tr>
<td>Afghanistan Infrastructure Fund (AIF)</td>
<td>DoD</td>
<td>0.00</td>
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<tr>
<td>Economic Support Fund (ESF)</td>
<td>USAID</td>
<td>11,143.15</td>
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<tr>
<td>Development Assistance (DA)</td>
<td>USAID</td>
<td>885.19</td>
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<tr>
<td>Afghan Freedom Support Act (AFSA)</td>
<td>DoD</td>
<td>550.00</td>
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<tr>
<td>Child Survival &amp; Health (CSH + GHAI)</td>
<td>USAID</td>
<td>486.42</td>
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<tr>
<td>Commodity Credit Corp (CCC)</td>
<td>USAID</td>
<td>33.91</td>
</tr>
<tr>
<td>Freedom Support Act (FSA)</td>
<td>USAID</td>
<td>5.00</td>
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<tr>
<td>USAID (other)</td>
<td>USAID</td>
<td>34.27</td>
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<tr>
<td>Non-Proliferation, Antiterrorism, Demining &amp; Related (NADR)</td>
<td>DoS</td>
<td>371.60</td>
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<tr>
<td>Provincial Reconstruction Team Advisors</td>
<td>USDA</td>
<td>5.70</td>
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<tr>
<td>Treasury Technical Assistance</td>
<td>Treasury</td>
<td>3.52</td>
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<td><strong>Total - Governance &amp; Development</strong></td>
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<td><strong>16,157.76</strong></td>
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<td><strong>COUNTER-NARCOTICS</strong></td>
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<tr>
<td>International Narcotics Control &amp; Law Enforcement (INCLE)</td>
<td>DoS</td>
<td>2,862.22</td>
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<td>Drug Interdiction &amp; Counter-Drug Activities (DoD CN)</td>
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<td>Drug Enforcement Administration (DEA)</td>
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<td><strong>Total - Counter-Narcotics</strong></td>
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<tr>
<td><strong>HUMANITARIAN</strong></td>
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<td>P.L. 480 Title I</td>
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<td>P.L. 480 Title II</td>
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<td>Disaster Assistance (DA)</td>
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<td>Transition Initiatives (TI)</td>
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<td>Migration &amp; Refugee Assistance (MRA)</td>
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<td>Voluntary Peacekeeping (PKO)</td>
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<td>Emergency Refugee &amp; Migration Assistance (ERMA)</td>
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<td>Food for Progress</td>
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<td>416(b) Food Aid</td>
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<td>Food for Education</td>
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<td>Emerson Trust</td>
<td>USDA</td>
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<td><strong>Total - Humanitarian</strong></td>
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<td><strong>INTERNATIONAL AFFAIRS OPERATIONS</strong></td>
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<td>Oversight</td>
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<tr>
<td><strong>Other</strong></td>
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<tr>
<td><strong>Total - International Affairs Operations</strong></td>
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<tr>
<td><strong>TOTAL FUNDING</strong></td>
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</table>

Notes: Numbers affected by rounding. FY 2011 funds reflect amounts made available under continuing resolutions.

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<thead>
<tr>
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<th>FY</th>
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<td>1,399.51</td>
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APPENDIX C
SIGAR AUDITS

Completed Audits
During this reporting period, SIGAR completed three audits, as listed in Table C.1.

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<tr>
<th>Report Identifier</th>
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<td>SIGAR-Audit-11-10</td>
<td>Despite Improvements in MoI’s Personnel Systems, Additional Actions Are Needed To Completely Verify ANP Payroll Costs and Workforce Strength</td>
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<td>ANA Facilities at Mazar-e Sharif and Herat Generally Met Construction Requirements, but Contractor Oversight Should Be Strengthened</td>
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New Audits
During this reporting period, SIGAR initiated four new audits, as listed in Table C.2.

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<td>SIGAR-043A</td>
<td>Implementation of the Afghan First Initiative for Contracting</td>
<td>2/24/2011</td>
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<td>SIGAR-042A</td>
<td>NDAA-Mandated Oversight of Contractors and PSCs in Afghanistan</td>
<td>2/4/2011</td>
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Ongoing Audits
SIGAR has 12 audits in progress, as listed in Table C.3.

**TABLE C.3**

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<td>SIGAR-040A</td>
<td>Construction at the Afghan National Security University</td>
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<td>SIGAR-039A</td>
<td>Infrastructure Projects at the Kabul Military Training Center</td>
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<td>SIGAR-037A</td>
<td>Use and Accountability of U.S. Funds Contributed to the Afghanistan Reconstruction Trust Fund (ARTF)</td>
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<td>SIGAR-031A</td>
<td>Accountability of ANSF Vehicles</td>
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<td>SIGAR-035A</td>
<td>U.S. Assistance To Develop Afghanistan’s Agriculture Sector</td>
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<td>SIGAR-034A</td>
<td>Costs and Sustainability of the U.S. Civilian Uplift in Afghanistan</td>
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<td>SIGAR-032A</td>
<td>U.S. Efforts To Strengthen the Capabilities of the Afghan Major Crimes Task Force</td>
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<td>SIGAR-029A</td>
<td>Review of USAID’s Cooperative Agreement with CARE International for the Community Development Program for Kabul</td>
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Forensic Audits
SIGAR has three forensic audits in progress, as listed in Table C.4.

**TABLE C.4**

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<td>SIGAR-022A</td>
<td>Forensic Review of DoD Transaction Data Related to Afghanistan Reconstruction</td>
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APPENDIX D
SIGAR INVESTIGATIONS AND HOTLINE

SIGAR Investigations
This quarter, SIGAR opened 16 new investigations and closed 45, bringing the total of open investigations to 76. Most of the new investigations involved fraud and corruption, as shown in Figure D.1. Of the 45 closed investigations, 37 involved fraud and corruption, as shown in Figure D.2.

SIGAR Hotline
The SIGAR Hotline received 106 Hotline complaints this quarter, bringing the total since the Hotline began operations to 570. Most of the complaints this quarter were received by email, as shown in Figure D.3. Of these complaints, many were closed, referred to other agencies, or assigned, as shown in Figure D.4.
## APPENDIX E
### ABBREVIATIONS AND ACRONYMS

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<tr>
<td>m²</td>
<td>square meters</td>
</tr>
<tr>
<td>MAIL</td>
<td>Ministry of Agriculture, Irrigation, and Livestock (Afghan)</td>
</tr>
<tr>
<td>MCN</td>
<td>Ministry of Counter-Narcotics (Afghan)</td>
</tr>
<tr>
<td>MCTF</td>
<td>Major Crimes Task Force (Afghan)</td>
</tr>
<tr>
<td>MoD</td>
<td>Ministry of Defense (Afghan)</td>
</tr>
</tbody>
</table>
# APPENDICES

<table>
<thead>
<tr>
<th>ACRONYM OR ABBREVIATION</th>
<th>DEFINITION</th>
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</thead>
<tbody>
<tr>
<td>MoDA</td>
<td>Ministry of Defense Advisor (program)</td>
</tr>
<tr>
<td>MoE</td>
<td>Ministry of Education (Afghan)</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance (Afghan)</td>
</tr>
<tr>
<td>MoFA</td>
<td>Ministry of Foreign Affairs (Afghan)</td>
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<tr>
<td>MoI</td>
<td>Ministry of Interior (Afghan)</td>
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<tr>
<td>MoJ</td>
<td>Ministry of Justice (Afghan)</td>
</tr>
<tr>
<td>MoTCA</td>
<td>Ministry of Transportation and Civil Aviation (Afghan)</td>
</tr>
<tr>
<td>MoWA</td>
<td>Ministry of Women’s Affairs (Afghan)</td>
</tr>
<tr>
<td>MRRD</td>
<td>Ministry of Rural Rehabilitation and Development (Afghan)</td>
</tr>
<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
</tr>
<tr>
<td>NDAA</td>
<td>National Defense Appropriations Act</td>
</tr>
<tr>
<td>NGO</td>
<td>non-governmental organization</td>
</tr>
<tr>
<td>NSP</td>
<td>National Solidarity Program</td>
</tr>
<tr>
<td>NTM-A</td>
<td>NATO Training Mission - Afghanistan</td>
</tr>
<tr>
<td>OCO</td>
<td>Overseas Contingency Operations</td>
</tr>
<tr>
<td>OIG</td>
<td>Office of Inspector General</td>
</tr>
<tr>
<td>OTA</td>
<td>Office of Technical Assistance (U.S.)</td>
</tr>
<tr>
<td>PL</td>
<td>Public Law</td>
</tr>
<tr>
<td>PM/WRA</td>
<td>Bureau of Political-Military Affairs - Office of Weapons Removal and Abatement (U.S.)</td>
</tr>
<tr>
<td>PPR</td>
<td>Priority Program Restructuring</td>
</tr>
<tr>
<td>PRM</td>
<td>Bureau of Population, Refugees, and Migration</td>
</tr>
<tr>
<td>PRT</td>
<td>Provincial Reconstruction Team</td>
</tr>
<tr>
<td>PSC</td>
<td>private security contractor</td>
</tr>
<tr>
<td>RC</td>
<td>Regional Command (ISAF)</td>
</tr>
<tr>
<td>ROLFF-A</td>
<td>Rule of Law Field Force - Afghanistan</td>
</tr>
<tr>
<td>RPG</td>
<td>rocket-powered grenade</td>
</tr>
<tr>
<td>SIGAR</td>
<td>Special Inspector General for Afghanistan Reconstruction</td>
</tr>
<tr>
<td>SY</td>
<td>solar year</td>
</tr>
<tr>
<td>TFBSO</td>
<td>Task Force on Business and Stability Operations in Afghanistan</td>
</tr>
<tr>
<td>Treasury</td>
<td>Department of the Treasury (U.S.)</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNAMA</td>
<td>UN Assistance Mission in Afghanistan</td>
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<tr>
<td>UNDP</td>
<td>UN Development Programme</td>
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<tr>
<td>UNFPA</td>
<td>UN Population Fund</td>
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<tr>
<td>UNHCR</td>
<td>UN High Commissioner for Refugees</td>
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<tr>
<td>UNODC</td>
<td>UN Office on Drugs and Crime</td>
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<tr>
<td>USAAA</td>
<td>U.S. Army Audit Agency</td>
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<tr>
<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
</tr>
<tr>
<td>USAID</td>
<td>U.S. Agency for International Development</td>
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<td>USAID OIG</td>
<td>USAID Office of Inspector General</td>
</tr>
<tr>
<td>USDA</td>
<td>U.S. Department of Agriculture</td>
</tr>
<tr>
<td>USFOR-A</td>
<td>U.S. Forces - Afghanistan</td>
</tr>
<tr>
<td>VSO</td>
<td>Village Stability Operations</td>
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ENDNOTES

10. See Appendix B of this report.
19. See Appendix B of this report.
26. See Appendix B of this report.
27. USAID, response to SIGAR data call, 4/14/2011.
31. See Appendix B of this report.
41. See Appendix B.
44. See Appendix B.
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82. DoD, response to SIGAR data call, 4/15/2011.
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84. ISAF-IJC, response to SIGAR data call, 4/1/2011.
85. CENTCOM, response to SIGAR data call, 4/1/2011.
86. CENTCOM, response to SIGAR data call, 4/1/2011.
87. CENTCOM, response to SIGAR data call, 4/1/2011.
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90. CENTCOM, response to SIGAR data call, 4/1/2011.
91. CENTCOM, response to SIGAR data call, 4/1/2011.
93. CENTCOM, response to SIGAR data call, 4/1/2011.
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119. CENTCOM, response to SIGAR data call, 4/1/2011.
120. CENTCOM, response to SIGAR data call, 4/1/2011.
121. CENTCOM, response to SIGAR data call, 4/1/2011; CENTCOM, response to SIGAR vetting, 4/16/2011.
122. CENTCOM, response to SIGAR data call, 4/1/2011.
123. CENTCOM, response to SIGAR data call, 4/1/2011.
127. CENTCOM, response to SIGAR data call, 4/1/2011.
129. CENTCOM, response to SIGAR data call, 4/1/2011.
131. CENTCOM, response to SIGAR data call, 4/1/2011.
132. CENTCOM, response to SIGAR data call, 4/1/2011.
133. CENTCOM, response to SIGAR data call, 4/1/2011.
138. See Appendix B.
139. OSD, response to SIGAR data call, 4/1/2011.
141. INL, response to SIGAR data call, 4/6/2011.
142. INL, response to SIGAR data call, 4/6/2011.
143. USAID-OAG, response to SIGAR data call, 3/31/2011; USAID-OAG, response to SIGAR vetting.
144. USAID-OAG, response to SIGAR data call, 3/31/2011.
145. INL, response to SIGAR data call, 4/6/2011.
146. INL, response to SIGAR data call, 4/6/2011.
147. OSD, response to SIGAR data call, 4/1/2011.
148. OSD, response to SIGAR data call, 4/1/2011.
149. OSD, response to SIGAR data call, 4/1/2011.
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177. INL, response to SIGAR data call, 4/6/2011.
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264. OSD, response to SIGAR data call, 4/1/2011.
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267. OSD, response to SIGAR data call, 4/1/2011.
268. INL, response to SIGAR data call, 4/6/2011.
269. INL, response to SIGAR data call, 4/6/2011.
270. INL, response to SIGAR data call, 4/6/2011.
271. INL, response to SIGAR data call, 4/6/2011.
Cover Captions (clockwise from left):

U.S. Marine combat engineers use heavy equipment to rebuild a bridge that was destroyed after a local dispute over water rights. The new Trakh Nawa bridge will facilitate transportation for local Afghans and military units operating in the area. (USMC photo, CPL Daniel H. Woodall)

An 11-year-old Afghan student reads a comic book about the rule of law at Abu Herera School in Paktika province on March 27, 2011. The school has operated continuously since 2002, even though the building has been vandalized and teachers have been threatened. The Paktika PRT has been mentoring school officials in sustaining their education infrastructure. (USAF photo, SA Ashley N. Aveccia, Paktika PRT Public Affairs)

An Afghan farmer demonstrates a new two-wheel tractor at a ceremony in Kabul on February 8, 2011. Fifty tractors were sold to farmers of mid-sized Afghan farms at a subsidized cost to help farmers plant and harvest multiple crops per year. The U.S.-funded program was designed to get 6,000 tractors into the hands of farmers in 18 provinces. (US Air National Guard photo, SSgt Jordan Jones)

Afghan soldiers and police officers welcome a new commander at Regional Command-West in Herat on April 4, 2011. The Afghan National Security Forces and the Italian-led command are working as partners to secure and develop western Afghanistan. (U.S. Army photo, SSG Brandon Pomrenke)

More than 3,500 Afghans gather to celebrate the Persian New Year at the Shah Maqsum Shrine in Kandahar province on March 21, 2011. The celebrations included a concert from Kandahar musicians, a play by local actors, and public addresses by provincial leaders, including the governor of Kandahar. (U.S. Army photo, SGT Benjamin Watson)