

SIGAR

Special Inspector General for
Afghanistan Reconstruction

SIGAR 18-10 Audit Report

Afghanistan Infrastructure Fund: Agencies Have Not Assessed Whether Six Projects That Began in Fiscal Year 2011, Worth about \$400 Million, Achieved Counterinsurgency Objectives and Can Be Sustained



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SIGAR

Special Inspector General for Afghanistan Reconstruction

WHAT SIGAR REVIEWED

In January 2011, Congress authorized the Afghanistan Infrastructure Program to enable the U.S. government, led by the Department of Defense (DOD) and Department of State (State), to execute high-priority, large-scale infrastructure projects in support of the U.S. counterinsurgency (COIN) strategy and the civilian-military campaign in Afghanistan. The program was primarily funded by the Afghanistan Infrastructure Fund (AIF). Between fiscal years (FYs) 2011 and 2014, Congress appropriated approximately \$1.3 billion to the AIF to fund large-scale infrastructure projects. In FY 2011, DOD and State notified Congress of six projects that would receive funding, consisting of four power sector projects, one road infrastructure project, and one project to refurbish provincial justice centers. The six projects that began during FY 2011 have been funded with appropriations from multiple fiscal year. Overall, approximately \$399 million has been spent on these six projects.

This is SIGAR's second report on U.S. efforts to implement FY 2011 AIF projects. In July 2012, SIGAR reported that, among other things, four of the six projects were up to 15 months behind schedule, could be counterproductive to the U.S. COIN strategy due to project implementation delays, and lacked adequate sustainment plans.

The objectives of this follow-up audit were to determine the extent to which (1) DOD, State, and the U.S. Agency for International Development (USAID) assessed whether the six AIF projects that began in FY 2011 achieved their intended COIN objectives; (2) the agencies made progress completing the projects; and (3) the projects will be sustained once completed and transferred to the Afghan government.

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SIGAR 18-10 AUDIT REPORT

WHAT SIGAR FOUND

The six projects that DOD and State funded through AIF that began in FY 2011 are:

1. Nawa to Lashkar Gah road: Construction of an approximately 25-mile-long, 23-foot-wide paved road from Nawa to Lashkar Gah in Helmand province.
2. Provincial Justice Centers (PJs): Construction of the physical infrastructure for five PJs in the capitals of (1) Balkh province, (2) Herat province, (3) Kandahar province, (4) Khost province, and (5) Nangarhar province.
3. Kandahar Bridging Solution: Provision of fuel, operation, and maintenance for diesel power generators in Kandahar City.
4. Southeast Power System (SEPS) Phase 1: Improvements in the reliability and robustness of electricity transmission infrastructure in Helmand and Kandahar provinces.
5. Northeast Power System (NEPS) – Chimtala to Ghazni: Improvements in the reliability and robustness of transmission infrastructure in Ghazni and Kabul provinces.
6. NEPS – Chimtala to Gardez: Improvements in the reliability and robustness of transmission infrastructure lines and towers in Kabul, Logar, and Paktiya provinces.



A U.S. Army Corps of Engineers official and an Afghan utility technician assemble the air disconnect at the Sangin substation.

Source: U.S. Army Corps of Engineers photo, March 2012.

DOD, State, and USAID have not assessed the extent to which the six AIF projects started in FY 2011 achieved their COIN objectives. Although DOD, State, and USAID initially reported to Congress on how each FY 2011 AIF project supported the U.S. COIN strategy, they did not develop the performance metrics needed to assess the extent to which these objectives were achieved, even though such metrics were identified in guidance. At a strategic level, the 2009 *U.S. Government Counterinsurgency Guide*, which applied to U.S. COIN efforts worldwide, states that effective COIN efforts should specify their over-arching goals and identify performance metrics that will be used to assess the achievement of those goals. At an operational level, the 2009 *U.S. Integrated Civilian–Military Campaign Plan* required quarterly interagency assessments of the effectiveness of 11 COIN “transformative effects,” such as providing security for the population, expanding accountable and transparent government, and creating sustainable jobs for population centers. These quarterly assessments were required to show whether and how U.S. activities affect Afghan behavior and perceptions at the national, regional, district, and local levels. Additionally, the February 2011 *U.S. Integrated Civilian–Military Campaign Plan* provided the basis for implementing a whole-of-government effort in Afghanistan that included COIN, which AIF was intended to support. This plan specifically cited metrics by which U.S. government objectives could be measured, such as the (1) number of districts in which the Afghan government reports that it delivers essential services, (2) percent of Afghans who approve of the government, (3) number of new Afghan businesses registered, and (4) percent of respondents reporting improvement in their economic situation.

During the course of this audit, DOD, State, and USAID officials provided SIGAR with several explanations for why they were not required to assess whether the AIF projects started in FY 2011 were achieving their COIN objectives. Most notably, State officials told us that the U.S. COIN guide, which applied to U.S. COIN efforts worldwide, is not applicable to AIF projects that began in FY 2011 because the United States has not been pursuing COIN as a strategy since 2012. In addition, a DOD official said AIF’s appropriating legislation and U.S. strategic guidance did not require FY 2011 AIF project objectives to be measured. Furthermore, in May 2015, DOD officials said that determining whether COIN objectives are achieved is an “intuitive process.” Later, in December 2015, a DOD official said the department did not determine whether the COIN objectives for ongoing or completed FY 2011 AIF projects were achieved because DOD’s current counter-terrorism and train, advise, and assist missions do not include measuring COIN objectives of projects that were initiated during an earlier period of the conflict. The official also said that measuring the achievement of COIN objectives for AIF projects would be more suited to USAID or State because of their long-term development mission. In April 2017, DOD, State, and USAID sent SIGAR a statement that presented their shared understanding of the strategic framework for U.S. priorities in Afghanistan. This statement identified the 2012 U.S. strategic guidance, which outlined an intended shift from COIN and stability operations toward a more traditional diplomatic and developmental approach.

However, DOD’s AIF funding requests for FYs 2012, 2013, and 2014 were all premised on the notion that AIF projects were needed to support the U.S. COIN strategy in Afghanistan. In May 2017, a DOD official said that while the U.S. strategy for Afghanistan has evolved since 2011, the objectives for AIF projects remain valid because they align with congressional intent of the AIF. However, this official also noted that AIF’s legislation and the civil-military frameworks do not require the agencies to measure whether the AIF projects have achieved their objectives. In responses to a draft version of this report, DOD and USAID stated that the COIN effects of the ongoing power sector projects could not be tracked because they were not yet complete. The rationales offered by DOD, State, and USAID for not measuring the COIN effects of the AIF projects started in FY 2011 are concerning, given the requirement for these projects to support the COIN strategy in Afghanistan. Regardless, the lack of project performance metrics and assessments of the six FY 2011 AIF projects limits the U.S. government’s ability to measure progress, track accomplishments, and hold agencies accountable for how they have spent, and will spend, U.S. taxpayer funds. Moreover, the agencies’ lack of performance metrics and shifting explanations concerning the U.S. COIN strategy in Afghanistan mean that it is unlikely that U.S. taxpayers will ever know whether the AIF projects, which started in FY 2011, have achieved or will ever achieve their intended COIN objectives.

SIGAR found that three of the six AIF projects started in FY 2011 are complete, but that three power sector projects are incomplete and up to 5 years behind their original schedule. In July 2012, SIGAR reported that four of six FY 2011 AIF projects were up to 15 months behind schedule and that substantial delays in the execution of these projects may delay any potential COIN benefits for several years, possibly resulting in negative COIN effects. During this follow-up audit, SIGAR found that DOD completed the Nawa to Lashkar Gah road and Kandahar Bridging Solution projects within their original time frames, but completed the PJs 18 months later than originally scheduled. As of the date of this report, the SEPS Phase 1, NEPS – Chimtala to Ghazni, and NEPS – Chimtala to Gardez power sector projects were still incomplete. SIGAR found that land disputes, increased security costs, funding delays, and allegations of contractor fraud contributed to delays in executing the AIF power sector projects that began in FY 2011. Given these delays, it is still unclear whether these three power sector projects achieved any of their COIN objectives.

SIGAR also found that all six AIF projects started in FY 2011 are at risk of not being sustained once completed and transferred to the Afghan government. This is because DOD, State, and USAID did not develop comprehensive plans to sustain them, and the Afghan government lacks the resources to do so. Congress authorized AIF projects with the expectation that DOD, State, and USAID would plan for the Afghan government to sustain them. Sustainability was also a U.S. strategic goal in civilian-military campaign plans and frameworks, and their subsequent revisions. In particular, the 2013 U.S. strategic guidance underscored the importance of improving the Afghan government's capacity to maintain and sustain investments in infrastructure as a way to promote economic growth. While DOD, State, and USAID originally developed plans for sustainment of the FY 2011 AIF projects and included them in the May 2011 AIF notification to Congress, those plans were missing a number of critical elements, including realistic cost estimates for maintenance of each project, a reliability assessment of the planned source of sustainment funding for each project, and capacity assessments of the Afghan government entity responsible for each project.

In its July 2012 report, SIGAR recommended that each AIF project have a sustainment plan. In March 2013, DOD revised the AIF guidance to require additional elements to be included in AIF project sustainment plans, including: (1) an estimate of the financial and other requirements necessary for the Afghan government to sustain the project on an annual basis after completion of the project; (2) an assessment of the responsible Afghan entity's commitment and capacity to operate and maintain the project after completion; and (3) a description of arrangements for the sustainment of the project if the Afghan government lacked the capacity to do so. However, when SIGAR requested the sustainment and contingency sustainment plans for the AIF projects started in FY 2011 from DOD, State, and USAID, agency officials stated that these plans did not exist because the agencies did not apply the new AIF sustainment requirements to the FY 2011 projects. In addition, these officials told SIGAR that implementing the March 2013 guidance on sustainment and contingency sustainment plans was required only for AIF projects initiated after March 2013 and the guidance did not specify that this new guidance had to be retroactively applied to the FY 2011 AIF projects. Nonetheless, it is important to ensure that the AIF projects started in FY 2011 are sustained. In addition, the remaining power sector projects—SEPS Completion Phase I, NEPS – Chimtala to Ghazni, and NEPS – Chimtala to Gardez—were not re-scoped and the contract was not awarded until after March 2013, meaning the agencies had clear opportunity to apply the new sustainment guidance to those projects.

Finally, SIGAR found that the Ministry of Public Works (MOPW) and Da Afghanistan Breshna Sherkat (DABS) have not maintained the completed FY 2011 AIF projects that DOD transferred to the Afghan government because they lack the capacity and resources needed to maintain them. MOPW officials said they did not have the funding to perform maintenance on the Nawa to Lashkar Gah road. In addition, a senior DABS official said the national utility does not have the capacity to continue producing electrical power from the Kandahar Bridging Solution at the rates produced when DOD was purchasing fuel because of a lack of spare parts to repair disabled generators. According to this official, as of February 2016, only 20 percent of Kandahar City residents had access to electricity, and there were no plans to connect more residents because demand for electricity already exceeded the supply. When SIGAR asked DOD officials how FY 2011 AIF projects would be maintained over the long term, they said that the Afghan government assumes all responsibility for AIF projects once the U.S. government transfers them. Although the Afghan government has taken ownership of three FY 2011 AIF projects, there is still time to improve the sustainment plans for the three ongoing power sector projects before they are completed and transferred. A lack of updated sustainment and contingency sustainment plans for FY 2011 AIF projects, coupled with the Afghan government's inability to maintain these projects, increases the likelihood that nearly \$400 million in major U.S. investments in AIF infrastructure projects will have been wasted.

WHAT SIGAR RECOMMENDS

SIGAR is making four recommendations. In recognition of their shared role in implementing FY 2011 AIF projects, SIGAR recommends that the Secretary of Defense and USAID Administrator, in coordination with the Secretary of State:

- 1. Conduct assessments of FY 2011 AIF projects to determine the extent to which each project has achieved its stated objectives and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by January 31, 2018.**

To help ensure that AIF projects are sustained by the Afghan government, SIGAR recommends that the Secretary of Defense and USAID Administrator, in coordination with the Secretary of State:

2. **Develop and share with the appropriate Afghan government entities, by January 31, 2018, comprehensive sustainment plans for the three incomplete FY 2011 AIF power sector projects that include validated estimates of the financial, human, technical, and other resources the Afghan government will require to operate and maintain each project at its intended performance level.**
3. **Conduct an assessment of the financial, human, and technical capacities of each Afghan government entity to which the three ongoing FY 2011 AIF power sector projects will be transferred to determine whether each entity has the capability to operate and maintain the projects for which it is responsible, and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by March 31, 2018.**
4. **Based on those assessments, develop contingency sustainment plans, by May 31, 2018, that specify how and whether the U.S. government or other international donors intend to ensure that the three remaining FY 2011 AIF power sector projects are sustained, should the Afghan government be unable to operate and maintain these projects at their intended performance level.**

SIGAR received written comments on a draft of this report from DOD's Office of the Under Secretary of Defense for Policy, USAID's Office of Afghanistan and Pakistan Affairs, and State's Bureau of South and Central Asian Affairs. DOD, USAID, and State concurred with two of the recommendations and did not concur with the other two. Specifically, DOD, USAID, and State did not concur with the second recommendation regarding sustainment planning. DOD indicated that its level of coordination with the Afghan government was sufficient, and formal sustainment planning was not needed. USAID stated that it would be counterproductive to U.S. goals of reinforcing Afghan government legitimacy and increasing Afghan self-reliance to create sustainment plans. SIGAR disagrees and contends that sustainment planning would help protect the U.S. government's interest in ensuring that taxpayer funds are not wasted on costly infrastructure projects that the Afghan government is unwilling or unable to sustain. In addition, DOD, USAID, and State did not concur with the fourth recommendation, which called for them to plan whether they will sustain the three ongoing FY 2011 AIF power sector projects in the event that the Afghan government cannot. However, SIGAR regards both DOD's and USAID's statements as generally responsive to this recommendation. Both DOD and USAID indicated that they do not expect or intend to pay for the sustainment of these projects once they are transferred to the Afghan government. We appreciate the agencies' decisiveness, but maintain that developing a contingency sustainment plan for each project would nonetheless be a reasonable way of taking into account the possibility that circumstances might change so as to warrant continued U.S. government support. State indicated that it fully supported DOD's and USAID's responses to the recommendations.



SIGAR

Office of the Special Inspector General
for Afghanistan Reconstruction

October 31, 2017

The Honorable Rex W. Tillerson
Secretary of State

The Honorable Jim Mattis
Secretary of Defense

The Honorable Hugo Llorens
Special Chargé d'Affaires to Afghanistan

The Honorable Mark Green
Administrator, U.S. Agency for International Development

This report discusses the results of SIGAR's audit of six Afghanistan Infrastructure Fund (AIF) projects started in fiscal year (FY) 2011. This is our second report on U.S. efforts to implement the FY 2011 AIF projects. In July 2012, we reported on actions the agencies should take to improve their implementation of AIF projects prior to the drawdown of U.S. and coalition forces at the end of 2014. This follow-up report determines the extent to which (1) the Department of Defense (DOD), the Department of State (State), and the U.S. Agency for International Development (USAID) assessed whether the six AIF projects that began in FY 2011 achieved their intended counterinsurgency (COIN) objectives; (2) the agencies made progress completing the projects; and (3) the projects will be sustained once completed and transferred to the Afghan government.

We are making four recommendations to DOD, State, and USAID. We recommend that the Secretary of Defense and USAID Administrator, in coordination with the Secretary of State: (1) conduct assessments of FY 2011 AIF projects to determine the extent to which each project has achieved its stated objectives and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by January 31, 2018; (2) develop and share with the appropriate Afghan government entities, by January 31, 2018, comprehensive sustainment plans for the three incomplete FY 2011 AIF power sector projects that include validated estimates of the financial, human, technical, and other resources the Afghan government will require to operate and maintain each project at its intended performance level; (3) conduct an assessment of the financial, human, and technical capacities of each Afghan government entity to which the three ongoing FY 2011 AIF power sector projects will be transferred, to determine whether each entity has the capability to operate and maintain the projects for which it is responsible, and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by March 31, 2018; and (4) based on those assessments, develop contingency sustainment plans by May 31, 2018, that specify how and whether the U.S. government or other international donors intend to ensure that the three remaining FY 2011 AIF power sector projects are sustained, should the Afghan government be unable to operate and maintain those projects at their intended performance level.

We received written comments on a draft of this report from DOD's Office of the Under Secretary of Defense for Policy, USAID's Office of Afghanistan and Pakistan Affairs, and State's Bureau of South and Central Asian Affairs, which are reproduced as appendices V, VI and VII, respectively. DOD, USAID, and State concurred with two of our recommendations and did not concur with the other two. Specifically, DOD, USAID, and State did not concur with the second recommendation regarding sustainment planning. DOD indicated that its level of coordination with the Afghan government was sufficient, and more formal sustainment planning was not needed. USAID stated that it would be counterproductive to U.S. goals of reinforcing Afghan government legitimacy and increasing Afghan self-reliance to create sustainment plans. We disagree and contend that sustainment planning would help protect the U.S. government's interest in ensuring that taxpayer funds are



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not wasted on costly infrastructure projects that the Afghan government is unwilling or unable to sustain. In addition, DOD, USAID, and State did not concur with the fourth recommendation, which called for them to plan whether they will sustain the three remaining AIF power sector projects in the event that the Afghan government cannot. However, we regard both DOD's and USAID's statements as generally responsive to this recommendation. Both DOD and USAID indicated that they do not expect or intend to pay for the sustainment of these projects once they are transferred to the Afghan government. We appreciate the agencies' decisiveness, but maintain that developing a contingency plan for each project would nonetheless be a reasonable way of taking into account the possibility that circumstances might change so as to warrant continued U.S. government support. State indicated that it fully supported DOD's and USAID's responses to the recommendations. DOD, USAID, and State provided technical comments, which we incorporated into this report as appropriate.

SIGAR conducted this work under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

A handwritten signature in black ink, appearing to read "John F. Sopko".

John F. Sopko
Special Inspector General
for Afghanistan Reconstruction

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ABBREVIATIONS

AIF	Afghanistan Infrastructure Fund
CERP	Commander's Emergency Response Program
COIN	counterinsurgency
DABS	Da Afghanistan Breshna Sherkat
DOD	Department of Defense
FY	fiscal year
MOPW	Ministry of Public Works
NEPS	Northeast Power System
PJC	provincial justice center
SEPS	Southeast Power System
State	Department of State
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USFOR-A	U.S. Forces-Afghanistan

In January 2011, Congress authorized the Afghanistan Infrastructure Program to enable the U.S. government,¹ led by the Department of Defense (DOD) and Department of State (State), to execute high-priority, large-scale infrastructure projects to support the civilian-military campaign. The program was primarily funded by the Afghanistan Infrastructure Fund (AIF).² Congress established AIF in April 2011, with an initial appropriation of \$400 million, to fund infrastructure projects in support of the counterinsurgency (COIN) strategy with a focus on water, power, and transportation projects, as well as related maintenance and sustainment costs.³ COIN is a blend of U.S. civilian and military efforts designed to simultaneously contain an insurgency and address its root causes.⁴ The U.S. government's COIN strategy sought to improve the Afghan population's confidence in the Afghan government's ability to provide essential services and stimulate long-term economic growth.

Between fiscal years (FYs) 2011 and 2014, Congress appropriated approximately \$1.3 billion to the AIF to fund large-scale infrastructure projects. In FY 2011, DOD and State notified Congress of six projects that would begin to receive AIF funding, consisting of four power sector projects, one road infrastructure project, and one project to refurbish provincial justice centers. While Congress appropriated \$400 million for the six FY 2011 AIF projects, the scopes and schedules of these six projects underwent substantial changes. Some of the AIF projects that began in FY 2011 would eventually take several years to implement and require funding from multiple fiscal years. The six original AIF projects that began in FY 2011 used AIF funds from FY 2011 to FY 2014.

In July 2012, we issued a report stating that four of the six FY 2011 AIF projects (1) were up to 15 months behind schedule; (2) may not achieve their intended contributions to U.S. COIN efforts for several years; (3) could be counterproductive to achieving U.S. COIN objectives because they created an expectations gap among the affected population between the benefits promised by these projects and what was delivered, or because the projects lacked citizen support; (4) did not include estimates of how much it would cost the Afghan government to maintain these projects once complete; and (5) relied on Afghan entities with limited capacity for revenue generation, operation, and maintenance.⁵ Table 2 in appendix I identifies the implementation status of the recommendations from our July 2012 report.

The objectives of this follow-up audit were to determine the extent to which (1) DOD, State, and the U.S. Agency for International Development (USAID) assessed whether the six projects that began in FY 2011 achieved their intended COIN objectives; (2) the agencies made progress completing the projects; and (3) the projects will be sustained once completed and transferred to the Afghan government.

To accomplish our objectives, we reviewed U.S. strategy documents, contract documents, and policies and procedures governing AIF project management, implementation, and oversight. We reviewed AIF project execution schedules and evaluated progress reports, Afghan ministry public financial management assessments, plans for sustainment, and the AIF notifications DOD and State submitted to Congress. We met with officials from DOD, State, USAID, the Afghan Ministry of Public Works (MOPW), and Da Afghanistan Breshna Sherkat (DABS)—Afghanistan's electric power utility. We conducted our work in Washington, D.C., and Bagram and Kabul in Afghanistan, from November 2014 through October 2017. This audit was conducted in accordance with generally accepted government auditing standards. A more detailed discussion of our scope and methodology is in appendix II.

¹ National Defense Authorization Act for Fiscal Year 2011, Pub. L. No. 111-383, § 1217, 124 Stat. 4137, 4393-4 (codified as amended at 22 U.S.C. § 7513 note).

² Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, 125 Stat. 38, 89-90. The Economic Support Fund also funded a portion of these large-scale infrastructure projects.

³ Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, 125 Stat. 38 (2011).

⁴ U.S. Government Interagency Counterinsurgency Initiative, *U.S. Government Counterinsurgency Guide*, January 2009.

⁵ SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012.

BACKGROUND

According to DABS, Afghanistan's electric power utility company, only 6 percent of Afghans had access to electricity in 2002, and this had improved to 30 percent by 2016.⁶ However, consistent power supplies are generally limited to Afghanistan's urban centers and not all Afghans living in urban areas have reliable access to electricity. According to State, the average per capita consumption of electricity by Afghans is 4.5 percent of the world average. The World Bank estimated that obtaining an electrical connection in Afghanistan costs almost 70 percent more as a share of per capita income than in the rest of South Asia.

The Afghanistan National Development Strategy acknowledged that Afghanistan also has one of the worst road systems in the world.⁷ After assessing the condition of approximately 22 percent of all paved roads in Afghanistan, we reported in October 2016 that most of those roads need repair or maintenance.⁸ The Afghan government considers road reconstruction a top development priority. However, according to the World Bank, roughly 85 percent of the country's road infrastructure is in poor condition. About half the rural population lives in areas that are inaccessible for part of the year, and, as a landlocked country, Afghanistan relies heavily on road transport for achieving economic growth. However, the poor state of roads substantially increases the costs of moving people and goods.⁹

Weak governance and an ineffective judicial system also affect Afghanistan. In February 2016, Transparency International and Integrity Watch Afghanistan reported that Afghan citizens perceived the judiciary to be the most corrupt institution within the Afghan government.¹⁰ Although the Afghan government's capacity to provide stable and responsive governance continues to develop, progress remains slow, and few Afghan citizens have confidence in the government's ability to deliver justice through the formal court system.¹¹

AIF's Support for U.S. Strategic Goals in Afghanistan

Prior to the creation of the AIF, the U.S. military relied on the Commander's Emergency Response Program (CERP),¹² which Congress authorized in 2003, to execute smaller scale projects resulting in measurable effects to meet urgent humanitarian needs.¹³ Some CERP projects were also intended to support COIN objectives.¹⁴ The U.S. Embassy in Kabul and U.S. Forces-Afghanistan (USFOR-A) jointly identified these COIN objectives in the August 2009 *United States Integrated Civilian-Military Campaign Plan for Support to Afghanistan*, which

⁶ DABS is an independent corporate entity that is controlled by the Afghan government and is charged with the acquisition, operation, and maintenance of the equipment and systems needed to finance, generate, supply, and expand electricity to all areas of Afghanistan.

⁷ The Afghanistan National Development Strategy describes the strategy, policies, programs, and projects the Afghan government plans to implement (see Government of Afghanistan, *Afghan National Development Strategy for 2008 - 2013*, n.d.).

⁸ SIGAR, *Afghanistan's Road Infrastructure: Sustainment Challenges and Lack of Repairs Put U.S. Investment at Risk*, SIGAR 17-11-AR, October 27, 2016.

⁹ *Id.*

¹⁰ Transparency International and Integrity Watch Afghanistan, *National Integrity System Assessment - Afghanistan 2015*, February 2016.

¹¹ U.S. Institute of Peace, *Peaceworks: Informal Justice and the International Community in Afghanistan*, April 2013.

¹² The CERP guidance defined suitable projects as those that can be sustained by the local population or government and cost less than \$500,000. Projects equal to or greater than \$500,000 were expected to be relatively few in number.

¹³ U.S. Forces-Afghanistan, *Money As a Weapon System Afghanistan: Commander's Emergency Response Program Standard Operating Procedure*, USFOR-A Publication I-06, December 2009.

¹⁴ We previously reported on CERP (see SIGAR, *Commander's Emergency Response Program in Laghman Province Provided Some Benefits, but Oversight Weaknesses and Sustainment Concerns Led to Questionable Outcomes and Potential Waste*, SIGAR Audit-11-07, January 27, 2011).

was the effective strategic guidance at the time the proposal for AIF was developed.¹⁵ This plan focused U.S. efforts on subnational COIN objectives, including economic development. According to this plan, U.S. COIN efforts were intended to achieve 11 “transformative effects” to improve security and reduce insurgent capability while advancing the Afghan government’s legitimacy.¹⁶

The U.S. government’s COIN strategy in Afghanistan sought to improve the population’s perceptions of the Afghan government’s legitimacy and confidence in the government’s ability to deliver essential services. The January 2009 *U.S. Government Counterinsurgency Guide*, drafted by State and co-signed by DOD and USAID, outlined the whole-of-government approach that U.S. government agencies undertaking COIN programs overseas should adhere to and emphasized the importance of measuring whether COIN efforts achieve their goals.¹⁷ The U.S. COIN guide also explained the roles and responsibilities for U.S. government agencies. The guide states that DOD and the U.S. military are responsible for security-related activities in support of COIN efforts, and USAID contributes to COIN efforts by implementing projects that help the host government meet the essential needs of its citizens, including infrastructure and economic capacity development. Although DOD and USAID have roles implementing U.S. COIN activities and programs, State, “Through its bureaus, offices, and missions overseas, leads and oversees U.S. Government support to COIN efforts.”¹⁸ The guide states, “All U.S. Government COIN strategies, plans, programs, and activities are undertaken in support of the affected government and managed through the U.S. Mission’s Country Team, led by the U.S. Ambassador in coordination with the Department of State.”¹⁹

In November 2010, the Secretaries of State and Defense requested that Congress create a program to execute high-priority, large-scale infrastructure projects to support of the civilian-military campaign in Afghanistan.²⁰ This effort was intended to serve the missions of both departments by supporting projects thought to be critical to COIN objectives and economic development, such as the electrification of Kandahar City that would directly support the U.S. COIN strategy in Afghanistan. The secretaries also proposed appropriations language, which emphasized AIF’s intended support for the COIN strategy.

In February 2011, and prior to the establishment of AIF, the U.S. Embassy in Kabul and USFOR–A issued a revised *United States Integrated Civilian–Military Campaign Plan for Support to Afghanistan* that provided the basis for implementing the whole-of-government effort in Afghanistan, including COIN, that AIF was intended to support.²¹ This plan was effective from February 2011 until March 2012 when it was replaced by the U.S. Embassy in Kabul and USFOR–A’s *Civil-Military Strategic Framework*.²² The March 2012 framework outlined an intended shift in the civilian mission in Afghanistan from COIN and stabilization operations to a more traditional diplomatic and development model by the end of 2014, but acknowledged that the COIN campaign was still ongoing at that time. This shift from COIN was further emphasized by the August 2013 *U.S. Civil-*

¹⁵ U.S. Embassy, Kabul, and USFOR–A, *United States Government Integrated Civilian–Military Campaign Plan for Support to Afghanistan*, August 2009. The U.S. Embassy in Kabul is responsible for promoting the bilateral relationship between the United States and Afghanistan. USFOR–A has overall responsibility for U.S. military operations in Afghanistan, including DOD’s reconstruction program.

¹⁶ Examples of COIN transformative effects to be achieved are providing security for the population, expanding accountable and transparent government, and creating sustainable jobs in population centers.

¹⁷ U.S. Government Interagency Counterinsurgency Initiative, *U.S. Government Counterinsurgency Guide*, January 2009.

¹⁸ *Id.*

¹⁹ The ambassador, also referred to as the chief of mission, to a certain country or other specified entity has full responsibility for directing, coordinating, and supervising all executive branch employees in that country, except for employees under the command of the U.S. military commander for that area (see 22 U.S.C. 3927 and U.S. Government Interagency Counterinsurgency Initiative, *U.S. Government Counterinsurgency Guide*, January 2009).

²⁰ Secretary of Defense Robert M. Gates and Secretary of State Hillary Rodham Clinton, “Letter to Senate Appropriations Committee Requesting the Establishment of an Afghanistan Infrastructure Fund,” November 19, 2010.

²¹ U.S. Embassy, Kabul, and USFOR–A, *United States Government Integrated Civilian–Military Campaign Plan for Support to Afghanistan, Revision 1*, February 2011.

²² U.S. Embassy, Kabul, and USFOR–A, *Civil-Military Strategic Framework*, March 2012.

Military Strategic Framework for Afghanistan.²³ However, DOD's budget requests for FY 2012, FY 2013, and FY 2014 state that AIF funding provides the resources necessary to execute high priority, large-scale infrastructure projects in support of COIN objectives.²⁴

AIF Projects Started in FY 2011 and the U.S. and Afghan Entities Implementing Them

The Department of Defense and Full-Year Continuing Appropriations Act, 2011, made \$400 million available for AIF projects, provided that the funds were to be used for infrastructure projects in support of the COIN strategy, including, but not limited to, water, power, and transportation projects and related maintenance and sustainment costs.²⁵ USFOR-A implements projects through contracts awarded and managed by the U.S. Army Corps of Engineers (USACE), while USAID executes AIF projects through its own contracts and on-budget assistance²⁶ to the Afghan government after AIF funds are transferred to USAID by DOD.²⁷

In May 2011, DOD and State identified the first six projects that would receive AIF funding and notified Congress of these projects.²⁸ The following is a brief description of the original scope of each of the six projects:²⁹

1. **Nawa to Lashkar Gah road.** Construction of an approximately 25-mile-long, 23-foot-wide paved road from Nawa to Lashkar Gah in Helmand province.
2. **Provincial Justice Centers (PJs).** Construction of physical infrastructure for five PJs in the provincial capitals of (1) Herat City in Herat province, (2) Jalalabad in Nangarhar province, (3) Kandahar City in Kandahar province, (4) Khost City in Khost province, and (5) Mazar-e Sharif in Balkh province. The PJs were intended to serve as hubs for rule-of-law activities for strategically important population centers, and to facilitate the development of functioning dispute resolution and criminal justice systems. Examples of PJC projects include the construction of courthouse buildings, security improvements to judicial facilities, and the construction of a law library in Kandahar City.
3. **Kandahar Bridging Solution.** Provision of fuel, operation, and maintenance for diesel power generators in Kandahar City, including a 6.6-megawatt and 10-megawatt power plant at the Shorandam Industrial Park and a 10-megawatt power plant at the Bag-e Pol Industrial Park.³⁰

²³ U.S. Embassy, Kabul, and USFOR-A, *U.S. Civil-Military Strategic Framework for Afghanistan*, August 2013.

²⁴ DOD, Fiscal Year 2012 Budget Request Overview, February 2011; DOD, Fiscal Year 2013 Budget Request Overview, February 2012; and DOD, Fiscal Year 2014 Budget Request, May 2013.

²⁵ Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, 125 Stat. 38, 89-90.

²⁶ On-budget assistance is funding that is channeled through the Afghan government's core budget, which allows the Afghan government more freedom to manage its own budget and build its capacity to do so. On-budget assistance can take multiple forms, including direct bilateral assistance, contributions to multi-donor trust funds, and direct budget support.

²⁷ In the December 2010 *Joint Explanatory Statement of the Armed Services Committees of the U.S. Senate and House of Representatives on H.R. 6523, Ike Skelton National Defense Authorization Act for Fiscal Year 2011*, AIF projects were to be "implemented by the Secretary of State, in coordination with the Secretary of Defense, unless they agree that the project should be implemented by the Secretary of Defense." In practice, DOD implemented all but one of the FY 2011 AIF projects.

²⁸ In our July 2012 report, we reported on seven FY 2011 AIF projects. However, in October 2012, that number decreased to six following an AIF project reallocation.

²⁹ Table 3 in appendix III lists all AIF projects implemented from FY 2011 through FY 2014.

³⁰ In April 2015, we reported the results of our inspection of the \$7.8 million Shorandam Industrial Park, constructed by Technologists Inc., located 10 miles east of Kandahar City. At the time of our inspection, we found that the park was underutilized by Afghan businesses, and poor recordkeeping, along with a lack of electricity, prevented us from conducting a complete assessment of whether construction met contract requirements (see SIGAR, *Shorandam Industrial Park: Poor Recordkeeping and Lack of Electricity Prevented a Full Inspection of this \$7.8 million Facility*, SIGAR-15-50-IP, April 17, 2015).

4. **Southeast Power System (SEPS) Phase 1.** Improvements in the reliability and robustness of transmission infrastructure, including the design and installation of 136.7 miles of single-circuit 110-kilovolt transmission lines and towers and 31 miles of 220-kilovolt transmission lines and towers.³¹ The transmission lines were expected to run from Kandahar City to the Kajaki Dam and Lashkar Gah, both in Helmand province, via Durai Junction, which is on the border of Helmand and Kandahar provinces. In addition, the project included a plan to construct new substations at Maiwand in Kandahar province and Sangin South in Helmand province, and rehabilitate the Lashkar Gah, Sangin North, and Musa Qala substations in Helmand province and the Pushmool substation in Kandahar province.³²
5. **Northeast Power System (NEPS) – Chimtala to Ghazni.** Improvements in the reliability and robustness of transmission infrastructure, including the design and installation of 86.9 miles of double-circuit, 220-kilovolt transmission lines and towers.³³ The transmission lines were expected to run from the Chimtala substation in Kabul province, and south through a number of substations ending in Ghazni City in Ghazni province. This project included a plan to upgrade the Chimtala substation and others along the transmission route, as required, including Ghazni.³⁴
6. **NEPS – Chimtala to Gardez.** Improvements in the reliability and robustness of transmission infrastructure, including the design and installation of 83.8 miles of single-circuit, 220-kilovolt transmission lines and towers. The transmission lines were expected to run from the Chimtala substation, south through the Dast-e Barchi substation in Kabul province and the Pul-e Alam substation in Logar province, and end in Gardez in Paktiya province. In addition, the project involved refurbishing various substations including Gardez, and making additional modifications to the substation at Chimtala.³⁵

USACE implemented the Nawa to Lashkar Gah road, PJC, SEPS Phase I, and NEPS – Chimtala to Gardez projects, while USFOR–A implemented the Kandahar Bridging Solution through the Defense Logistics Agency. USAID implemented the NEPS – Chimtala to Ghazni project.

Within the Afghan government, DABS, the MOPW, and the Attorney General’s Office (AGO) are responsible for operating and maintaining the AIF projects that began in FY 2011 once they are complete and ownership of

³¹ A circuit is a continuous electrical path along which electricity can flow from a source to where it is used. A single-circuit transmission line carries conductors for only one circuit.

³² After initially attempting to award multiple task order contracts for SEPS, USACE did not award any contracts for this project because the bids received were more than double estimated costs, largely because of security concerns. USACE eventually awarded a contract for the project called SEPS Phase I and funded it with FY 2011 AIF funds, and SEPS Phase II used FY 2012 AIF funds. USACE subsequently terminated those contracts, and they were reprocured by the U.S government as SEPS Phase II (reprocurement), SEPS Completion Phase I, and SEPS Completion Phase II. SEPS Completion Phase I continues the work started in FY 2011 and was therefore part of our scope, while SEPS Completion Phase II (reprocurement) includes work that began in FY 2012, which was not part of our scope. DOD transferred responsibility for the SEPS Completion Phase II project to USAID, which implemented this project through on-budget assistance to DABS. The portion of the work completed under SEPS Completion Phase II includes portions of an AIF project that began in FY 2012 and was therefore outside the scope of our audit.

³³ Double circuits are used when greater reliability is needed. Double-circuit transmission lines usually contain two independent circuits.

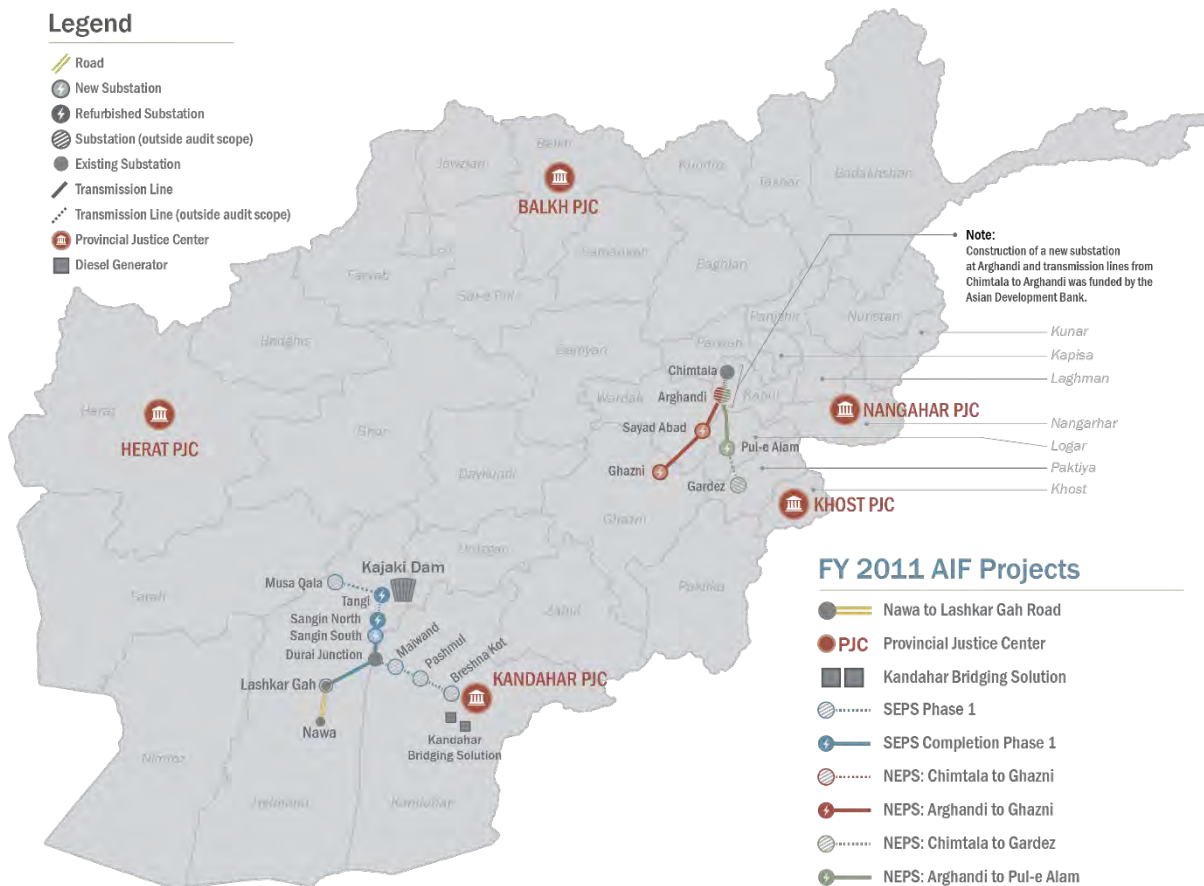
³⁴ After an adjustment to the originally proposed NEPS project scope following a project delay caused by USACE’s contract award process, the Asian Development Bank agreed to complete the transmission line between the Chimtala and Arghandi substations in Kabul province. In turn, USAID provided on-budget assistance to DABS for the construction of transmission lines and substations between Arghandi and Ghazni City in Ghazni province.

³⁵ Following USACE’s delay in issuing a contract for this NEPS project, the Asian Development Bank completed the transmission line between the Chimtala and Arghandi substations. The revised scope of this project consists of transmission lines from Arghandi to Pul-e Alam in Logar Province, including a substation at Pul-e Alam.

the infrastructure is transferred to them.³⁶ DABS, the Afghan national power utility for Afghanistan, operates and manages the electric power generation, import, transmission, and distribution throughout Afghanistan. The MOPW is responsible for road maintenance, repair, and construction across Afghanistan. The AGO is charged with investigating and prosecuting crimes in Afghanistan's courts, as well as paying for the operation and maintenance of certain judicial facilities.

Figure 1 identifies the original and current scopes, including locations, of the six AIF projects that began in FY 2011, as of July 2017. Table 4 in appendix IV describes the current status of those projects.

Figure 1 - Original and Current Locations of FY 2011 AIF Projects, as of July 2017



Source: SIGAR analysis of DOD data.

Note: This figure depicts the projects as DOD and State originally notified them to Congress and the current locations of projects started in FY 2011 provided to SIGAR.

Sustainment Guidelines for AIF Projects

Congress authorized AIF projects with the expectation that the Afghan government would operate and maintain them when complete. Specifically, the National Defense Authorization Act for Fiscal Year 2011 requires that all

³⁶ As reported in our July 2012 report, the complex makeup of PJsCs requires multiple Afghan government entities to be involved in staffing and sustaining the centers. In 2012, we reported that the Ministry of Interior was nominally responsible for the sustainment of the PJsCs, but in practice, the AGO is primarily responsible for sustaining these centers.

AIF project congressional notifications include a plan for sustainment of each project.³⁷ Sustainability was also a U.S. strategic goal in civilian-military campaign plans and frameworks, and their subsequent revisions. In particular, the 2013 *U.S. Civil-Military Strategic Framework* underscored the fundamental importance of improving the Afghan government's capacity to maintain and sustain investments in infrastructure as a way to promote economic growth.³⁸

In March 2013, DOD identified additional elements to be included in AIF project proposals. One such element is a contingency plan if it is determined that the Afghan government does not have the capacity to sustain the project.³⁹ The guidance required USFOR-A, if it determined that the Afghan government lacked the capacity to maintain the project, to provide a description of any arrangements to sustain the project following completion.

DOD, STATE, AND USAID HAVE NOT ASSESSED WHETHER AIF PROJECTS THAT BEGAN IN FY 2011 ACHIEVED THEIR COIN OBJECTIVES

DOD, State, and USAID have not assessed the extent to which the FY 2011 AIF infrastructure projects have achieved their COIN objectives. The Government Accountability Office (GAO) has reported extensively on the benefits of performance measurement,⁴⁰ which includes developing mechanisms to monitor and evaluate performance in achieving objectives, and inform decision-making.⁴¹ In 2014, GAO reported that if agencies do not effectively use performance measures and performance information to track progress, they increase the risk of failing to achieve their goals and objectives.⁴² Furthermore, according to the *Standards for Internal Control in the Federal Government*, agencies should monitor performance and compare actual performance to planned or expected results.⁴³

In July 2012, we reported that FY 2011 AIF projects may not achieve their identified COIN objectives for several years because of project delays and noted that some projects may have adverse COIN effects, particularly if the affected population expects a project to be completed in a certain time frame but is not.⁴⁴ We also reported that the speed at which COIN operations are executed determines their success, with faster operations being more likely to yield positive results. We recommended that DOD, State, and USAID officials clearly identify the amount of time it would take for AIF projects that began in FY 2011 to achieve their

³⁷ National Defense Authorization Act for Fiscal Year 2011, Pub. L. No. 111-383, § 1217, 124 Stat. 4137, 4393-4 (codified as amended at 22 U.S.C. § 7513 note).

³⁸ U.S. Embassy, Kabul, and USFOR-A, *U.S. Civil-Military Strategic Framework*, August 2013.

³⁹ Office of the Under Secretary of Defense (Comptroller), *Afghanistan Infrastructure Fund Guidance*, March 18, 2013.

⁴⁰ GAO, *Managing for Results: Agencies' Trends in the Use of Performance Information to Make Decisions*, GAO-14-747, September 26, 2014; GAO, *Managing for Results: Data-Driven Performance Reviews Show Promise But Agencies Should Explore How to Involve Other Relevant Agencies*, GAO-13-228, February 27, 2013; GAO, *Government Performance: Lessons Learned for the Next Administration on Using Performance Information to Improve Results*, GAO-08-1026T, July 24, 2008; GAO, *Results-Oriented Government: Practices That Can Help Enhance and Sustain Collaboration among Federal Agencies*, GAO-06-15, October 21, 2005; and GAO, *Managing for Results: Critical Actions for Measuring Performance*, GAO/T-GGD/AIMD-95-187, June 20, 1995.

⁴¹ Performance measurement is (1) ongoing in nature, (2) focuses on whether a program is making progress on achieving pre-established objectives, and (3) can serve as an early warning system for improving accountability for the achievement of identified objectives. A program may be any activity, project, function, or policy that has an identifiable purpose or set of objectives (See GAO, *Performance Measurement and Evaluation: Definitions and Relationships*, GAO-11-646SP, May 2, 2011).

⁴² GAO, *Managing for Results: Agencies' Trends in the Use of Performance Information to Make Decisions*, GAO-14-747, September 26, 2014.

⁴³ GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014 and GAO, *Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1, November 1999.

⁴⁴ SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012.

intended COIN objectives. State officials concurred with our July 2012 recommendation and stated that the achievement of COIN benefits will accrue over time and at a higher strategic level. USAID concurred with the recommendation and agreed to work with State and USFOR-A. DOD did not concur with our recommendation, stating in its comments on the report that some COIN benefits are realized before project completion, and the impact, such as employing the local population and contractors, was already apparent.

In March 2013, DOD revised AIF guidance and required additional project documentation related to COIN that outlines a project's (1) benefits during construction, (2) benefits following construction, (3) impact on the local economy, and (4) support from the Afghan government. Table 1 identifies the status of intended COIN objectives by each FY 2011 AIF project.

Table 1 - Status of Intended COIN Objectives by FY 2011 AIF Projects

Project Title	Intended COIN Objectives	Responsible Agency	Performance Metrics	Achievement Status
Nawa to Lashkar Gah road	Provide safe and secure freedom of movement along a critical artery, increase agricultural development and market access, and promote economic development in Helmand province.	DOD	None	Not Determined
PJCs	Increase access to justice by providing a functioning, fair, and transparent dispute resolution and criminal justice system for major populations and strategically important centers, and improve public perception of the Afghan government's commitment to rule of law and good governance by providing a fair and transparent judicial system.	DOD	None	Not Determined
Kandahar Bridging Solution	Provide fuel for generators to enable DABS to provide electricity 24 hours a day in Kandahar City, promote security and stability, economic development, industrial output, improved quality of life, demonstrate the Afghan government's capability to improve living conditions, improve public confidence in the Afghan government, and further and diminish popular support for the insurgency.	DOD	None	Not Determined
SEPS Phase 1	Demonstrate the Afghan government's capability to meet the basic service needs of the local population, promote economic development, and improve security and stability, and contradict insurgency propaganda in Kandahar and Helmand provinces.	DOD	None	Not Determined
NEPS - Chimtala to Ghazni	Demonstrate the Afghan government's ability to build and sustain energy availability, promote economic development, increase security and stability, and reinforce the Afghan government's legitimacy in Wardak and Ghazni provinces.	State/USAID	None	Not Determined

NEPS – Chimtalala to Gardez	Demonstrate the Afghan government’s ability to build and sustain energy availability, promote economic development, increase security and stability, and reinforce the Afghan government’s legitimacy, in Gardez and Paktiya provinces.	DOD	None	Not Determined
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Source: SIGAR analysis of the FY 2011 AIF Congressional notifications and performance indicators and measures requested from DOD, State, and USAID.

Although DOD, State, and USAID initially reported to Congress that each of the six AIF projects that began in FY 2011 supported the U.S. COIN strategy, the implementing agencies did not develop the performance metrics needed to assess the extent to which these objectives were actually achieved, even though such metrics were identified in guidance. At a strategic level, the 2009 *U.S. Government Counterinsurgency Guide*, which applied to U.S. COIN efforts worldwide, states that effective COIN efforts should specify the overarching goals and identify performance metrics that will be used to assess the achievement of those goals.⁴⁵ At an operational level, the 2009 *U.S. Integrated Civilian–Military Campaign Plan* required quarterly interagency assessments of the effectiveness of 11 COIN transformative effects. These assessments were required to show whether and how U.S. activities affect Afghan behavior and perceptions at national, regional, district, and local levels. The February 2011 *U.S. Integrated Civilian–Military Campaign Plan* provided the basis for implementing a whole-of-government effort in Afghanistan that included COIN, which AIF was intended to support. It also specifically cited metrics by which U.S. objectives could be measured, such as the (1) number of districts in which the Afghan government reports that it delivers essential services, (2) the percent of Afghans who approve of the government, (3) number of new Afghan businesses registered and (4) the percent of respondents reporting improvement in the economic situation. USAID’s *Mission for Afghanistan 2011-2015 Post Performance Management Plan* also included indicators that could demonstrate progress in stability operations conducted between 2011 and 2015 at the national and local levels.

The January 2009 *U.S. Government Counterinsurgency Guide* identifies the U.S. ambassador as responsible for managing U.S. government COIN strategies, plans, programs, and activities. However, in March 2017, State officials told us the guide is not applicable to AIF projects that began in FY 2011 because the United States has not been pursuing a COIN strategy in Afghanistan since 2012. However, AIF’s initial appropriating legislation states that any funds allocated to State “shall be returned to the Secretary of Defense if the Secretary of State, in coordination with the Secretary of Defense, determines that the project cannot be implemented for any reason or that the project no longer supports the counterinsurgency strategy in Afghanistan.”⁴⁶ Therefore, if the COIN strategy ceased in 2012 and rendered the *U.S. Government Counterinsurgency Guide* obsolete, it is unclear how the NEPS – Chimtalala to Ghazni project, undertaken by USAID under the authority of State and awarded in March 2014, would align with the stated authorized purpose of AIF funding. To this point, a DOD official told us the Secretary of State and Secretary of Defense did not determine that the funds should be returned because they believed that projects continued to meet the congressional intent of AIF. DOD also noted that the departments provided 12 notifications to Congress informing members of the AIF projects and their objectives. However, as previously noted, DOD’s congressional funding requests for FYs 2012, 2013, and 2014 state that AIF funding provides the resources necessary to execute high-priority, large-scale infrastructure projects in support of COIN objectives.⁴⁷

USAID officials noted that U.S. COIN efforts had evolved since DOD and State initially developed the AIF projects that began in FY 2011, partially because of the security environment and military drawdown. USAID

⁴⁵ U.S. Government Interagency Counterinsurgency Initiative, *U.S. Government Counterinsurgency Guide*, January 2009, Chapter 4, pp. 45–47.

⁴⁶ Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, 125 Stat. 38, 89-90.

⁴⁷ DOD, Fiscal Year 2012 Budget Request Overview, February 2011; DOD, Fiscal Year 2013 Budget Request Overview, February 2012; and DOD, Fiscal Year 2014 Budget Request, May 2013.

officials told us that under normal circumstances, baseline surveys would have been conducted to evaluate how to best develop AIF projects based on the needs in a specific area. However, according to USAID officials, in 2011 the U.S. government's focus was on implementing projects as fast as possible. Although the USAID Mission for Afghanistan's *2011-2015 Post Performance Management Plan* includes stabilization indicators, USAID officials told us the agency did not implement standard practices to develop baselines and performance metrics prior to implementing its AIF project.

During the course of this audit, DOD, State, and USAID officials offered additional explanations for why their agencies did not assess whether the FY 2011 AIF projects were achieving their COIN objectives, including:

- In May 2015, DOD officials told us that U.S. military personnel did not conduct assessments to determine whether COIN objectives were achieved and stated that determining whether a project achieves COIN objectives is an "intuitive process." For example, according to these officials, the Kandahar Bridging Solution provides reliable power in Kandahar City, which in turn leads to infrastructure development, economic stability, and, thus, improvements for the residents of Kandahar.
- In November 2015 and March 2017, State officials told us the department was not an implementer of AIF projects, but did play a role in initially identifying projects and coordinating at a strategic level. They also said State's role in AIF was to identify projects and notify Congress of those projects in coordination with DOD.
- In December 2015, DOD officials told us they did not determine whether the COIN objectives for ongoing or completed FY 2011 AIF projects were achieved because DOD's current counter-terrorism and train, advise, and assist missions do not include measuring COIN objectives of projects that were initiated during an earlier period of the conflict. In addition, they told us that USAID or State would be more suited to measuring whether the AIF projects achieved their COIN objectives because of their long-term development mission.⁴⁸
- In April 2017, DOD, State, and USAID sent us a statement that presented their shared understanding of the strategic framework for U.S. priorities in Afghanistan. This statement identified the U.S. Embassy in Kabul and USFOR-A's March 2012 *Civil-Military Strategic Framework* as the relevant document. This framework outlined an intended shift from COIN and stability operations for the civilian mission toward a more traditional diplomatic and development model through the end of 2014.⁴⁹
- Later, in May 2017, DOD told us that while the U.S. strategic framework for Afghanistan has evolved since 2011, the objectives for AIF projects have not changed and are still valid because they align with congressional intent of the AIF. DOD also noted that AIF's authorizing legislation and the civil-military frameworks do not require the agencies to measure whether the AIF projects have achieved their objectives.
- In October 2017, in their comments on a draft of this report, DOD and USAID stated that they did not measure whether the three ongoing AIF electricity projects because the projects that started in FY 2011 achieved their COIN objectives because the projects were still incomplete.

The rationales offered by DOD, State, and USAID for not measuring the COIN effects of AIF projects that began in FY 2011 are concerning, given the legislative requirement that these projects to support the COIN strategy in

⁴⁸ GAO reviewed foreign assistance monitoring and evaluation policies for six agencies administering the most foreign assistance across the U.S. government—Department of Agriculture, DOD, Department of Health and Human Services, State, USAID, and the Millennium Challenge Corporation. It reported that all agencies, except DOD, established monitoring and evaluation policies that apply to their major foreign assistance programs. GAO noted that DOD is in the process of developing monitoring and evaluation policies for its humanitarian and security assistance programs (see GAO, *Foreign Assistance: Selected Agencies' Monitoring and Evaluation Policies Generally Address Leading Practices*, GAO-16-861R, September 17, 2016).

⁴⁹ U.S. Embassy, Kabul, and USFOR-A, *Civil-Military Strategic Framework*, March 2012.

Afghanistan.⁵⁰ Even assuming the agencies were not legally required to assess the COIN effects of these projects, there was nothing that prohibited them from attempting to measure whether AIF projects were actually supporting U.S. COIN objectives. The lack of project performance metrics and assessments of the six AIF projects that began in FY 2011 limits the U.S. government's ability to measure progress, track accomplishments, and hold agencies accountable for how they have spent, and will spend, U.S. taxpayer funds. Moreover, the lack of performance metrics and the agencies' shifting explanations about the U.S. COIN strategy in Afghanistan mean that it is unlikely that U.S. taxpayers will ever know whether the AIF projects that began in FY 2011 have achieved or will ever achieve their intended COIN objectives.

THREE OF THE SIX FY 2011 AIF PROJECTS ARE COMPLETE, BUT THREE POWER SECTOR PROJECTS ARE INCOMPLETE AND BEHIND THEIR ORIGINAL SCHEDULES

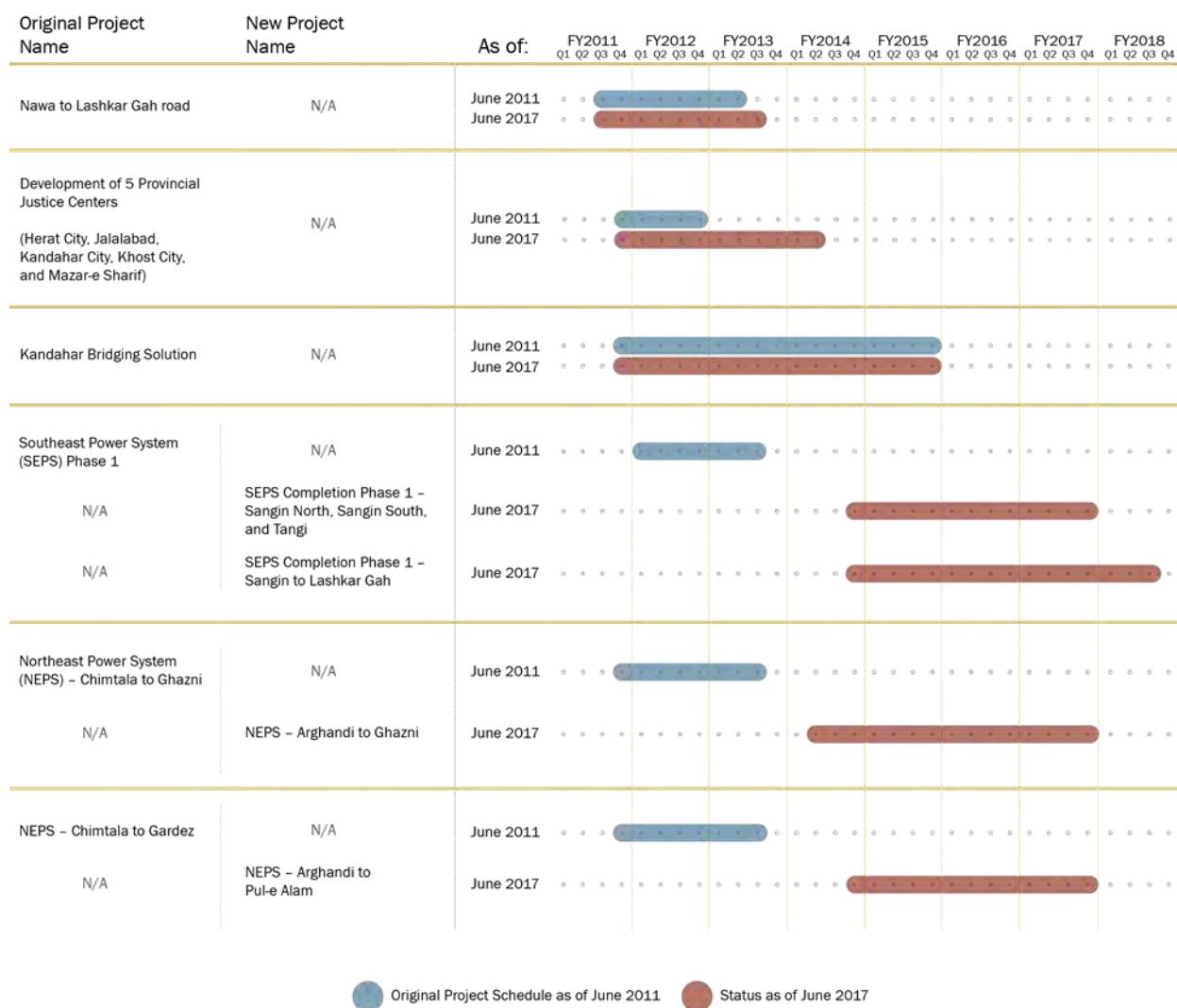
In July 2012, we reported that four of the six AIF projects that began in FY 2011 were between 6 and 15 months behind schedule. During this follow-up audit, we found that the Nawa to Lashkar Gah road and Kandahar Bridging Solution projects were completed within their original time frames, and the PJC project was completed 18 months later than originally scheduled. The SEPS Phase 1, NEPS – Chimtala to Ghazni, and NEPS – Chimtala to Gardez power sector projects are still incomplete and up to 5 years behind their original schedules.⁵¹ As of May 2017, a total of \$398.9 million had been spent to implement the six AIF projects that began in FY 2011.⁵² According to DOD, land acquisition issues, increased security challenges, funding delays, and allegations of contractor fraud extended the completion schedules of those three projects. Figure 2 shows the original and revised schedules for the six FY 2011 AIF projects, as of June 2017.

⁵⁰ Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, 125 Stat. 38, 89-90. See also National Defense Authorization Act for Fiscal Year 2011, Pub. L. No. 111-383, § 1217, 124 Stat. 4137, 4393-4 (codified as amended at 22 U.S.C. § 7513 note).

⁵¹ In addition to the six FY 2011 AIF projects, as of June 2017, DOD and State/USAID were still implementing AIF projects with FY 2012, FY 2013, and FY 2014 funds.

⁵² The total disbursement amount reported includes contracts awarded for the original scopes of FY 2011 AIF projects and subsequent re-awarded contracts to complete portions of the original projects.

Figure 2 - Execution Schedules for AIF Projects that Began in FY 2011, as of June 2017



Source: SIGAR analysis of DOD and USAID data.

Note: The project timelines identified in this chart reflect the original time frames included in our initial AIF report. The revised time frames include information provided by DOD in June 2017.

The Nawa to Lashkar Gah Road and the Kandahar Bridging Solution Were Completed as Originally Scheduled, but the Provincial Justice Centers Were Completed 18 Months Behind Schedule

The Nawa to Lashkar Gah road project was completed in May 2013, which was 1 month behind schedule.⁵³ In June 2011, USACE awarded Unique Builders Construction Co./AET International Joint Venture⁵⁴ a contract to construct a 14-mile-long, 23-foot-wide, asphalt-surfaced road from the rural town of Nawa in Helmand province

⁵³ For purposes of this report, we consider the Nawa to Lashkar Gah road project completed on schedule despite the 1-month delay, which was due to unfavorable weather conditions that were outside of the contractor’s control.

⁵⁴ Unique Builders Construction Co. is an Afghan-owned civil engineering and construction firm founded in 2004, which services infrastructure reconstruction projects in Afghanistan. AET International is a U.S. civil engineering and project management firm that was founded in 2008.

to the provincial capital of Lashkar Gah, which was initially valued at \$17.6 million.⁵⁵ After multiple modifications, the contract value increased to \$18.3 million. This road was intended to (1) serve as a critical local artery for provincial trade, (2) significantly reduce the travel time between the two locations, (3) facilitate the exchange of goods and commerce, and (4) promote further economic development. The contract initially required the Unique Builders Construction Co./AET International Joint Venture to complete this construction project by April 2013. However, because of unfavorable weather conditions, the contractor completed the project in May 2013. According to DOD, the project ultimately cost \$20.5 million.

In September 2015, USFOR–A ceased purchasing fuel for the Kandahar Bridging Solution,⁵⁶ which served as a temporary, multiyear solution for providing diesel fuel for generators at Shorandam Industrial Park and Bag-e Pol.⁵⁷ The U.S. government had subsidized fuel for these generators since April 2011 with AIF funds, at a cost of \$141.7 million, with the goal of providing reliable electricity to Kandahar City until the NEPS, SEPS, and Kajaki Dam power sector projects are completed.⁵⁸ Although the SEPS power sector projects are still incomplete, U.S. funding for the Kandahar Bridging Solution ended on September 30, 2015. Since then, DABS has assumed responsibility for funding, operating, and maintaining the diesel generators to ensure that there is a temporary source of electricity for Kandahar City.

All of the PJC projects were completed by March 2014, 18 months later than their originally scheduled completion date of September 2012. This delay was due in part to the work on this project being spread across 16 contracts awarded from June 2011 through September 2012. During this period, the Combined Joint Interagency Task Force–435 awarded contracts to build and refurbish PJC facilities in the capitals of Balkh, Herat, Kandahar, Khost, and Nangarhar provinces.⁵⁹ These PJCs were built to serve as hubs for rule-of-law activities in strategically important population areas. They were intended to provide the Afghan people access to fair, efficient, and transparent justice based on Afghan law by (1) facilitating a functioning dispute resolution and criminal justice system, (2) increasing the public's access to justice, and (3) improving public perception of the Afghan government's commitment to the rule of law. The total amount spent on these PJCs was \$6.4 million.

Three FY 2011 AIF Power Sector Projects Are Up to 5 Years Behind Schedule

Nearly 5 years after we issued our first AIF report, three FY 2011 AIF power sector projects are still incomplete. In particular, the parts of SEPS Phase I and the NEPS – Chimtala to Gardez projects face land acquisition issues that may negatively affect the local population and further delay the project. As we reported in 2012, some delays were the result of management and contracting decisions by USACE to mitigate project risks and reduce costs. In addition to land acquisition issues, increased security costs, and project re-scoping have

⁵⁵ Although DOD and State notified Congress that the Nawa to Lashkar Gah road would be a 25 miles long road, the contract awarded specified the construction of a 14-mile-long road.

⁵⁶ The Kandahar Bridging Solution used AIF funds from FY 2011 through FY 2014. As we reported in 2012, the plan to construct a bridging solution by providing diesel generators with fuel was initially approved and planned to be a multi-year project. We analyze this project accordingly and include all four years of AIF funding on this project.

⁵⁷ Shorandam Industrial Park and Bag-e Pol are two sites with power generators located in Kandahar province that provide electrical power generated by diesel fuel. Shorandam Industrial Park site has eight generators and Bag-e Pol has nine.

⁵⁸ In 1975, USAID installed two 16.5-megawatt hydropower generators at the Kajaki Dam, located in Helmand province. For the past decade, DOD, USACE, and USAID have implemented several projects associated with the dam, and these efforts have been a central component of the U.S. COIN strategy to provide electric power to the residents of Kandahar and Helmand provinces. The Kajaki Dam is the primary source of power generation for the SEPS project. We are currently conducting a separate audit to assess U.S. efforts to increase the production and distribution of electric power from the Kajaki Dam.

⁵⁹ The Combined Joint Interagency Task Force–435 was established in September 2009 as a subordinate command of USFOR–A. Its efforts were focused on, among other things, providing secure and humane care, custody, and control over detainees, promoting rule of law, and the transition of detainee operations to the Afghan government. The task force disbanded on October 1, 2014.

delayed completion of these projects, which has in turn prevented nearly 2.7 million Afghans from having improved access to electricity. Without electrical power, businesses cannot operate machinery and households continue to lack consistent access to electricity. In addition, the lack of reliable and sustainable power may negatively affect the population's perception of the Afghan government's legitimacy and effectiveness.

In our 2012 report, we found that substantial delays in the execution of FY 2011 AIF projects may delay any potential COIN benefits of those projects for several years, or result in some projects not advancing any COIN objectives or having negative effects. U.S. COIN guidance indicates that the speed at which a COIN project is implemented may determine its success and whether the populace supports it.⁶⁰ With the delays in the three power projects, and the lack of performance metrics, it is still unclear whether (1) any COIN objectives have been achieved, (2) these projects still maintain popular support, and (3) they have negative COIN effects.

The SEPS Phase 1 Project Is 5 Years Behind Schedule

Efforts to complete the SEPS Phase 1 transmission line project are 5 years behind the original schedule. As we reported in July 2012, USACE chose to solicit contractors from two of its multiple award task order contracts to construct the SEPS and NEPS transmission lines and substations projects. USACE believed that awarding these high-priority, large-scale projects through the multiple award task order contracts would be the fastest option to ensure they were awarded before the end of FY 2011. However, USACE could not award contracts for these projects because the bids received were more than double the estimated costs, largely because of security concerns.

In June 2012, USACE awarded a contract to Perini Management Services Inc.⁶¹ The contract was designed to improve electricity transmission infrastructure by installing and repairing transmission lines and towers between Lashkar Gah and the Kajaki Dam, through Helmand and Kandahar provinces.⁶² The contract also called for the refurbishment of substations at the Kajaki Dam and Sangin North, including the construction of new substations at Sangin South and Tangi, in Helmand province.⁶³ The contractor was originally scheduled to complete this project by June 2013, and a total of \$57.5 million was eventually spent.

In May 2014, USACE terminated its contract with Perini Management Services Inc., a \$32 million increase in security funding requests by the contractor. According to DOD officials, this amount was not paid. DOD officials also told us that these security-related cost increases resulted from the withdrawal of coalition forces from the project locations, and the department incorrectly anticipated that security in the region would improve soon after the contract was awarded.

In September 2014, USACE awarded two contracts to different contractors to complete portions of the cancelled contract on a project, which was renamed SEPS Completion Phase 1 and funded with FY 2013 AIF funds.⁶⁴ USACE awarded the first contract, valued at \$41.9 million, to Assist Consultants Inc. to construct

⁶⁰ U.S. Army and U.S. Marine Corps FM 3-24/MCWP 3-33.5, *Counterinsurgency*, December 2006.

⁶¹ Perini Management Services Inc., a U.S.-based entity, is a wholly owned subsidiary of Tutor Perini Corporation, which specializes in construction for U.S. federal agencies, both within and outside the United States.

⁶² In September 2012, USACE awarded another contract with FY 2012 AIF funds called SEPS Phase II to State Corps Inc., which included transmission lines from Durai Junction to Kandahar and substations Maiwand and Pashmul. This contract was terminated for cause in December 2013 and awarded to a new contractor in August 2014.

⁶³ In May 2011, DOD and State notified Congress that the SEPS Phase 1 project would include the design and installation of 136.7 miles of single-circuit, 110-kilovolt transmission lines and towers, and 31 miles of single-circuit, 220-kilovolt transmission lines and towers from Kandahar City to the Kajaki Dam, along with the construction and rehabilitation of several substations in Kandahar and Helmand provinces.

⁶⁴ To complete the remainder of the scope of the SEPS project as notified to Congress, the U.S. government funded two other projects in addition to SEPS Completion Phase I. One project was DOD's August 2014 procurement of SEPS Phase II, funded with FY 2012 AIF funds; SEPS Phase II focuses on completing transmission lines between Maiwand and Durai Junction, including substation work at Maiwand and Durai Junction. The second project was called SEPS Completion Phase II and was awarded in September 2016 with FY 2014 funds. USAID manages this project and funds it through on-budget assistance to DABS. The project will complete the rest of the work in the SEPS Phase I contract, including transmission lines between Tangi and Sangin North, as well as a portion of the Sangin South substation. SEPS Completion Phase II also

transmission lines from Sangin to Lashkar Gah, which was scheduled for completion in December 2016. However, according to DOD, the updated estimated date of completion is April 2018.⁶⁵ In June 2016, the contractor identified 70 of the planned 417 transmission tower locations as having significant issues with local land acquisition, causing multiple delays. According to USACE officials, local landowners in Sangin refused to let the contractor build transmission line towers on their property. The contractor referred these disputes to the Ministry of Energy and Water and DABS, but the Afghan government has not resolved them. USACE officials reported they also expect land disputes over the route of transmission lines and a change to the type of transmission lines that will go through the city of Lashkar Gah to delay this project by more than 1 year. A pending modification would extend the project's completion date to late 2018.

In addition, in September 2014, U.S. Central Command's Joint Theater Support Contracting Command awarded a \$9.3 million contract, administered by USACE, to Choice Made Construction Company to construct substations at Sangin North, Sangin South, and Tangi, which, in June 2017, was scheduled for completion in July 2017, or 5 years behind the project's original schedule.⁶⁶ However, USACE officials told us in August 2017 that the projected completion date for this project was January 2018, but could be extended further because of a problem with the placement of the Tangi substation. These officials also noted that USACE based this projected completion date on the contractor's current schedule for project completion and the contractor's past inability to meet contract completion dates.

NEPS – Chimtala to Ghazni Project is More than 4 Years Behind Schedule

The NEPS – Chimtala to Ghazni transmission line project is now scheduled to be completed more than 4 years behind its original schedule. Originally scheduled for completion by June 2013, delays in transferring FY 2011 AIF funds from DOD through State to USAID contributed to the project's postponement.⁶⁷ In the interim, the Asian Development Bank agreed to fund the completion of transmission lines from Chimtala to the Arghandi substation, both located in Kabul province.⁶⁸ As a result, USAID re-scoped the project to focus on the segment from Arghandi to Ghazni City in Ghazni province and committed \$104.8 million in on-budget assistance to DABS to install transmission lines and substations between the two cities.⁶⁹

In March 2014, DABS awarded KEC International Ltd. a \$56.7 million contract to improve the dependability of the electricity transmission infrastructure that included installing transmission lines and towers between Arghandi and Ghazni City.⁷⁰ That same month, DABS also awarded KEC International a \$48.1 million contract to construct two substations at Sayadabad, in Wardak province, and Ghazni as part of the project. According to the U.S. Embassy in Kabul, security issues and land disputes along the transmission line route prevented the

completes transmission lines between Maiwand and Kandahar City. We did not include SEPS Completion Phase II in this audit, but have included it as part of our ongoing audit of the Kajaki Dam.

⁶⁵ Assist Consultants Inc. is an Afghan-based construction firm founded in 2002.

⁶⁶ Choice Made Construction Company is an Afghan-based, nongovernmental entity that assists with the development, rehabilitation, and reconstruction of Afghanistan.

⁶⁷ When we issued our 2012 report, the memorandum of agreement to transfer funds from DOD to State was still in development at the time funds were scheduled to be transferred (see SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012).

⁶⁸ The Asian Development Bank, which is composed of 67 member nations, is a lead donor organization in Afghanistan's energy sector and provides loans, technical assistance, grants, and equity investments in developing member countries.

⁶⁹ Only \$101.0 million of this amount was obligated with FY 2011 AIF funds. USAID contributed additional funding for this project to exceed the AIF obligation.

⁷⁰ KEC International Ltd. is the self-described flagship company of RPG Group, an Indian construction company, that specializes in the engineering and construction of power distribution infrastructure, cables, water distribution, and renewable energy.

contractor from installing a portion of the lines. However, the project is scheduled for completion in August 2017. As of May 2017, USAID had disbursed \$80.8 million to DABS for both contracts.⁷¹

NEPS – Chimtala to Gardez Project Is More than 4 Years Behind Schedule

The NEPS – Chimtala to Gardez transmission line project is scheduled to be completed more than 4 years behind its original schedule. On September 27, 2012, USACE awarded State Corps Ltd. a \$60.6 million contract to install transmission lines between Chimtala and Gardez.⁷² The project was initially scheduled to be completed by June 2013. However, in December 2013, USACE terminated the contract for cause because of allegations that the contractor committed fraud by misrepresenting its past performance in documents submitted during the bid process.⁷³ DOD reported that USACE had disbursed \$6.2 million on this contract.

According to DOD officials, in August 2014, USACE awarded a new contract for the project to Assist Consultants Inc., and the project was expected to be complete by December 2017. However, private land ownership issues resulted in project delays. DOD officials also reported that funding for this project expires on October 1, 2017, but the department has committed to finding other funding to finish this project if needed. As of May 2017, USACE had disbursed a total of \$47 million on the current and cancelled contracts.

AIF PROJECTS THAT BEGAN IN FY 2011 ARE AT RISK OF NOT BEING SUSTAINED UPON COMPLETION

DOD, State, and USAID did not develop sustainment plans for the six FY 2011 AIF projects. As we recommended in 2012, sustainment plans should include the estimated costs to operate and maintain the projects and an assessment of the Afghan government's capacity to operate and maintain them. Following our July 2012 report, in a March 2013 update to the AIF guidance, DOD added requirements for project approvals that include a description of how proposed projects would be sustained. However, neither the department nor USAID officials said they applied those requirements to the six AIF projects started in FY 2011 because the guidance applied only to new AIF projects. Additionally, the Afghan government has not been able to maintain the three completed FY 2011 AIF projects, and it is unlikely that it will be able to maintain the three remaining power sector projects upon their completion because of challenges with DABS's financial management capacity.

DOD, State, and USAID Did Not Apply Updated Sustainment Guidance to AIF Projects That Began in FY 2011

DOD, State, and USAID did not develop sustainment plans for the six FY 2011 AIF projects to reflect the new AIF requirements included in the March 2013 guidance. Specifically, they did not develop contingency sustainment plans for projects expected to be transferred to an Afghan government entity with little or no capacity to sustain them. The infrastructure program's authorizing legislation and guidance required the agencies to develop a plan for sustainment for each project and include those plans in notifications to

⁷¹ According to State officials, all AIF funds must be disbursed prior to September 30, 2017. After this date, the Afghan government will be responsible for paying the contractor.

⁷² State Corps Ltd. is an Afghan-owned company.

⁷³ According to DOD officials, this and other State Corps Ltd. contracts in Afghanistan were determined to be "void ab initio," or to never have been legally formed, because the company made false representations concerning its experience. On January 22, 2014, the Army entered into a 3-year administrative compliance agreement with State Corps Ltd., in lieu of a debarment. That agreement required the company to remove its president and establish an ethics and corporate compliance program.

Congress.⁷⁴ To fulfill this requirement, the agencies developed plans for sustaining the FY 2011 AIF projects and included those plans in the May 2011 congressional notifications. However, as we previously reported in July 2012, those initial plans did not include accurate sustainment cost estimates.⁷⁵

We made recommendations in July 2012 to DOD, State, and USAID to enhance sustainment plans to avoid a waste of U.S. taxpayer investment in AIF projects at an early stage of the program. Specifically, we recommended that DOD, State, and USAID develop comprehensive sustainment plans for each AIF project, that, at a minimum include (1) realistic cost estimates necessary to operate and maintain the project, the planned source of such funding, and an assessment of the reliability of the planned source; (2) evidence that estimated sustainment costs have been provided to the Afghan government and it has committed to maintaining the project; and (3) a joint assessment of the capacity of the Afghan government entity responsible for operating and maintaining the project.

In March 2013, DOD issued updated sustainment guidance for AIF projects that required six measures:

1. an estimate of the financial and other requirements necessary for the Afghan government to sustain the project on an annual basis after completion of the project;
2. an assessment of the Afghan entity's commitment and capacity to maintain and use the project after completion;
3. an assessment of the project's operation and developmental benefits, as compared to the risks of the project not being sustained;
4. a description of arrangements for the sustainment of the project if the Afghan government lacked the capacity to do so;
5. an assessment of whether the Afghan government has requested or expressed its need for the project; and
6. a description of efforts to build or improve the capabilities of the responsible Afghan entity

When we requested the sustainment and contingency sustainment plans from DOD, State, and USAID, agency officials told us these plans did not exist because the agencies did not apply the new AIF sustainment requirements to the FY 2011 AIF projects. According to DOD, State, and USAID officials, plans to sustain all AIF projects are required and developed in coordination with relevant Afghan ministries, and then are submitted with the congressional notifications. These officials told us that implementing the March 2013 guidance regarding sustainment plans and contingency sustainment plans was required for AIF projects initiated in future fiscal years and did not specify that this new guidance had to be retroactively applied to AIF projects that already had congressional approval, such as the FY 2011 AIF projects. However, as we recommended in the July 2012 report, all AIF projects should have sustainment plans. Furthermore, DOD, State, and USAID agreed that it is important to ensure that the FY 2011 AIF projects are sustained. Unless the DOD, State, and USAID develop and implement more robust sustainment and contingency plans for these three projects, U.S. taxpayer funds spent on FY 2011 AIF projects may be wasted.

⁷⁴ National Defense Authorization Act for Fiscal Year 2011, Pub. L. No. 111-383, § 1217, 124 Stat. 4137, 4393-4 (codified as amended at 22 U.S.C. § 7513 note); and *U.S. Embassy Kabul and U.S. Forces-Afghanistan Consolidated Policy for Executing Afghanistan Infrastructure Fund Procedures*, February 18, 2011.

⁷⁵ SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012.

The Afghan Government Lacks the Capacity and Resources Needed to Maintain AIF Projects that Began in FY 2011

The MOPW and DABS have not maintained the FY 2011 AIF projects DOD transferred to them. For example, DABS has not successfully maintained or purchased fuel for the generators for the Kandahar Bridging Solution after DOD subsidies ceased in September 2015. In addition, the three power sector projects currently under construction are at risk of not being maintained upon completion.

In January 2014, we reported that despite commitments from the U.S. government and other donors to provide at least 50 percent of development aid to Afghanistan through on-budget assistance, Afghan ministries could not manage this assistance.⁷⁶ Specifically, we found that between January 2011 and August 2013, Ernst & Young and KPMG conducted public financial management assessments of 16 Afghan ministries and entities as part of USAID's public financial management risk assessment framework. Ernst & Young and KPMG concluded that the Afghan ministries and entities assessed, which included the MOPW and DABS, were unable to manage and account for funds, and made recommendations to address the risks identified. For example, Ernst & Young found that the MOPW needed improved internal audit, budgeting, procurement, and monitoring and evaluation processes as a part of future pre-award processes for U.S. on-budget assistance. Ernst & Young also identified weaknesses in DABS's financial controls and found that the entity's internal control environment was not fully adequate to mitigate the risk of corruption. USAID's overall conclusion from the assessment at that time was that the agency cannot rely on DABS to manage donor funds.

According to USAID officials, the agency developed a risk mitigation plan to improve DABS's financial management capacity that included actions needed to address the risks identified in the 2013 Ernst & Young assessment. In December 2014, Phoenix IT Solutions Ltd. issued a USAID-commissioned follow-up report regarding DABS's implementation of Ernst & Young's recommendations.⁷⁷ This report stated that DABS had not fully implemented 20, or 77 percent, of the 26 recommendations. In addition, in November 2013, DOD assessed DABS' ability to sustain Afghanistan's electricity infrastructure and determined that DABS possessed the capacity to do so, noting significant improvements in its management, service delivery, and revenue collections, but was focused on DABS' ability to maintain all donor funded projects. In September 2015, after updating the implementation schedule for its electricity infrastructure projects, DOD conducted a follow-up sustainability assessment and concluded that DABS was capable of sustaining electric power projects, but noted that DABS faced significant challenges as it continues to grow and modernize.

In addition, Afghan government officials shared with us significant concerns about the availability of resources needed to sustain FY 2011 AIF projects over the long-term. MOPW officials told us that insufficient funding is the most significant challenge the ministry faces in maintaining its roads. According to these officials, the MOPW has the funding to conduct routine maintenance, but lacks adequate funding to perform periodic maintenance.⁷⁸ MOPW officials told us the lack of sufficient funding introduces significant challenges to conducting necessary maintenance. Satellite imagery of the Nawa to Lashkar Gah road, taken in February 2016, showed two instances of possible road damage. According to DOD officials, funding to operate and maintain the Nawa to Lashkar Gah road is the responsibility of the Afghan government. However, according to our October 2016 report on challenges to sustaining Afghanistan's road infrastructure, DOD officials acknowledged that the Afghan government would not be able to sustain U.S.-funded roads transferred to them.⁷⁹ According to State officials, the department has not provided further sustainment assistance since the

⁷⁶ SIGAR, *Direct Assistance: USAID Has Taken Positive Action to Assess Afghan Ministries' Ability to Manage Donor Funds, but Concerns Remain*, SIGAR 14-32-AR, January 30, 2014.

⁷⁷ Phoenix IT Solutions Ltd., *Follow-up Report on Ernst & Young's Assessment Report on DABS*, December 2014.

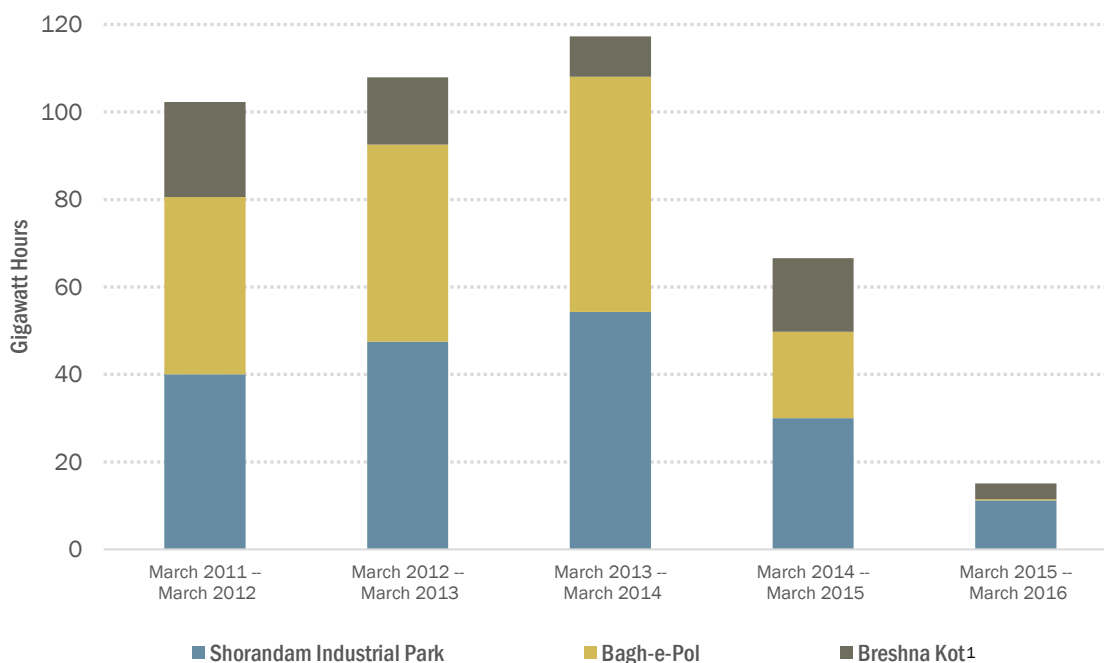
⁷⁸ Routine maintenance is the basic level of service required to ensure the usability of a road and includes patching holes, seasonal maintenance, and roadway clearing. Periodic maintenance, which is usually done at 3- to 5-year intervals, involves refurbishing a road to its original condition by resurfacing, strengthening, and rehabilitating existing pavements.

⁷⁹ In response to a 2009 SIGAR inspection report, USFOR-A acknowledged that the Afghan government could not sustain DOD-funded roads at the time, and noted that it strived "for a balance between static inaction and dynamic reconstruction

project's completion because the U.S. Embassy in Kabul had previously provided road maintenance training to the MOPW to improve its capacity to maintain roads.

Currently, DABS funds, operates, and maintains the Kandahar Bridging Solution, which generates only a fraction of the electricity it previously produced. Figure 3 shows the individual and aggregate electrical power output for the locations that are part of the Kandahar Bridging Solution from March 2011 through March 2016.

Figure 3 - Kandahar Bridging Solution Electrical Power Production, March 2011 through March 2016



Source: DABS, response to SIGAR data call, April 14, 2016; SIGAR analysis of DABS-provided electricity production reports for Kandahar diesel power plants, July 17, 2016.

¹ USAID funded fuel for the generator at Breshna Kot. It was not a part of the Kandahar Bridging Solution subsidies provided using FY 2011 AIF funds.

From March 2015 to March 2016, the Kandahar Bridging Solution produced only 15.1 gigawatt hours of electricity, which represents a 77 percent decrease from the previous year. In February 2016, a DABS official told us the utility does not have the capacity to continue electric power production at the previous years' rates. According to the official, this decrease in capacity is due to disabled generators for which DABS lacks spare parts and challenges related to customers not paying their electricity bills. The lack of spare parts was also stated by a DABS official in August 2017. In addition, a DABS official told us that, as of February 2016, only 20 percent of Kandahar City residents had access to electricity, and there are no plans to connect more residents to the grid because demand already significantly exceeds supply. The DABS official told us those Kandahar City residents have approximately 1 to 2 hours of electricity per day, a sharp contrast to the 24 hours per day that the Kandahar Bridging Solution was intended to provide. The Afghan government's inability to meet the demand for electrical power in Kandahar City could weaken economic growth, alienate the city's residents, and negate U.S. strategic efforts in a region that is prone to instability.

efforts that move the Afghanistan people forward." See SIGAR, *Afghanistan's Road Infrastructure: Sustainment Challenges and Lack of Repairs Put U.S. Investment at Risk*, SIGAR-17-11-AR, October 27, 2016.

We asked DOD officials about the sustainment of completed FY 2011 AIF projects. They told us the Afghan government assumes all responsibility for AIF projects once the U.S. government officially transfers them, as the department indicated in the AIF notifications to Congress. DOD officials stated that their department does not have the funds, authority, or mission to sustain these projects after completion, and that it is the relevant Afghan entity's responsibility to maintain the projects by developing a sustainment plan and budget. While the Afghan government has taken ownership of three FY 2011 AIF projects, there is still time to improve the sustainment plan for the transfer of the three ongoing power sector projects. A lack of updated sustainment and contingency plans for FY 2011 AIF projects, coupled with the Afghan government's inability to maintain these projects, increases the likelihood that the nearly \$400 million U.S. taxpayers invested in AIF projects that began in FY 2011 projects will have been wasted.

CONCLUSION

Between fiscal years (FYs) 2011 and 2014, Congress appropriated approximately \$1.3 billion to the AIF to fund large-scale infrastructure projects. In FY 2011, DOD and State notified Congress of six projects that would receive funding, consisting of four power sector projects, one road infrastructure project, and one project to refurbish PJs. Although the agencies completed the Nawa to Lashkar Gah road, Kandahar Bridging Solution, and PJC projects, and have transferred them to the Afghan government, the three ongoing power sector projects are up to 5 years behind their original schedule. As we have previously reported, the speed at which COIN operations are executed, and therefore the benefits realized, may determine their success. However, to date, it is unclear whether any of the six projects that began in FY 2011 achieved, or are achieving, their COIN objectives because DOD, State, and USAID have not assessed the projects' performance. Unless agencies assess whether the FY 2011 AIF projects have achieved their objectives, there is the risk that nearly \$400 million spent on major infrastructure projects in Afghanistan will not have made a verified contribution to U.S. COIN strategy and will have been wasted.

While we commend DOD and State for updating the AIF guidance in 2013 to include estimates of financial, technical, human, and other resources in AIF project sustainment plans, the agencies did not develop the needed sustainment plans for AIF projects that began in FY 2011. Also missing are contingency plans for sustaining the FY 2011 AIF projects, which could be used in the event that the Afghan government is unable to maintain these projects. Contingency plans are critical given that to the Afghan government is unlikely to be able to adequately maintain these projects. There is still time for DOD, State, and USAID to ensure that the three projects focused on Afghanistan's electric power infrastructure are transferred and maintained responsibly, or appropriately modified to take into account the Afghan government's limited ability to sustain them. This would entail DOD, State, and USAID taking action in the near term to develop realistic sustainment plans, including contingency plans. If this is not done, there is the risk that additional funding for the three ongoing FY 2011 AIF power sector projects, which are up to 5 years behind schedule and continue to receive funds from the United States.

RECOMMENDATIONS

In recognition of their shared role in implementing FY 2011 AIF projects, we recommend that the Secretary of Defense and USAID Administrator, in coordination with the Secretary of State:

- 1. Conduct assessments of FY 2011 AIF projects to determine the extent to which each project has achieved its stated objectives and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by January 31, 2018.**

To help ensure that AIF projects are sustained by the Afghan government, we recommend that the Secretary of Defense and USAID Administrator, in coordination with the Secretary of State:

2. **Develop and share with the appropriate Afghan government entities by January 31, 2018, comprehensive sustainment plans for the three incomplete FY 2011 AIF power sector projects that include validated estimates of the financial, human, technical, and other resources the Afghan government will require to operate and maintain each project at its intended performance level.**
3. **Conduct an assessment of the financial, human, and technical capacities of each Afghan government entity to which the three ongoing FY 2011 AIF power sector projects will be transferred, to determine whether each entity has the capability to operate and maintain the projects for which it is responsible, and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by March 31, 2018.**
4. **Based on those assessments, develop contingency sustainment plans by May 31, 2018, that specify how and whether the U.S. government or other international donors intend to ensure that the three remaining FY 2011 AIF power sector projects are sustained, should the Afghan government be unable to operate and maintain those projects at their intended performance level.**

AGENCY COMMENTS

We provided a draft of this report to DOD, USAID, and State for comment. DOD's Office of the Under Secretary of Defense for Policy, USAID's Office of Afghanistan and Pakistan Affairs, and State's Bureau of South and Central Asian Affairs provided written comments. DOD, USAID, and State concurred with two of our recommendations and did not concur with the other two. State indicated that it fully supported DOD's and USAID's responses to the recommendations. DOD's, USAID's, and State's comments are reproduced in appendices V, VI, and VII, respectively, along with our responses to those comments. The agencies also provided technical comments, which we incorporated into the report, as appropriate.

DOD, USAID, and State concurred with our first recommendation to determine the extent to which each project has achieved its stated objectives and report these findings to Congress by January 2018. However, USAID suggested reporting on this after the projects are complete. Similarly, DOD stated that once the projects are complete, the department will work with USAID and State to share the report with Congress. However, given the importance of these infrastructure projects and the likelihood that additional funds will be spent on ongoing projects, it would be reasonable for the agencies to conduct assessments that would inform current planning and operations.

DOD, USAID, and State did not concur with the second recommendation regarding sustainment planning. DOD indicated that its level of coordination with the Afghan government was sufficient, and more formal sustainment planning was not needed. USAID stated that it would be counterproductive to U.S. goals of reinforcing Afghan government legitimacy and increasing Afghan self-reliance to create sustainment plans. We disagree. We are not suggesting that the agencies allocate additional funding for these projects. Instead, we contend that there would be a greater likelihood that the Afghan government could sustain these projects if it is fully apprised of what it will take to do so.

DOD, USAID, and State concurred with our third recommendation to conduct an assessment of the financial, human, and technical capacities of Afghan government entities to which the three ongoing FY 2011 power sector projects will be transferred. USAID said it already completed this by assessing DABS' operational capacity in mid-2017. DOD said USAID would brief its interagency partners on the results of the assessment. We consider this recommendation open until the agencies share this assessment with us, and we can confirm that it fully assesses DABS' financial, human, and technical capacities to maintain electric power projects.

DOD, USAID, and State did not concur with the fourth recommendation, which called for them to plan whether they will sustain the three remaining AIF power sector projects in the event that the Afghan government cannot. However, we regard both DOD's and USAID's statements as generally responsive to this recommendation. Both

DOD and USAID indicated that they do not expect or intend to pay for the sustainment of these projects once they are transferred to the Afghan government. SIGAR appreciates the agencies' decisiveness, but maintains that developing a contingency plan for each project would nonetheless be a reasonable way of taking into account the possibility that circumstances might change so as to necessitate continued U.S. government support.

APPENDIX I - STATUS OF RECOMMENDATIONS FROM SIGAR'S JULY 2012 REPORT

In our July 2012 report, we made recommendations to the Department of Defense (DOD), the Department of State (State), and the U.S. Agency for International Development (USAID). Table 2 provides each agency's response and the status of each recommendation.

Table 2 - Status of Recommendations from SIGAR July 2012 Report

No.	Recommendation	DOD Status	State Status	USAID Status
1	Define and identify all Afghanistan Infrastructure Program projects, including projects funded by the Afghanistan Infrastructure Fund (AIF) and the Economic Support Fund, and include this information in required congressional reports.	N/A	Closed; implemented	Closed; implemented
2	Define the roles and responsibilities for lead and secondary agencies for the implementation and oversight of Afghanistan Infrastructure Program projects.	Closed; implemented	Closed; implemented	Closed; implemented
3	Develop a shared or web-based database, or include Afghanistan Infrastructure Program projects into an existing database, to monitor project implementation and track progress.	Closed; not implemented	Closed; implemented	Closed; not implemented
4	Develop a project execution schedule of U.S.-funded interrelated infrastructure projects to determine and communicate the "critical path" to stakeholders and implementers, and incorporate the schedule into the master plan for Afghanistan's energy sector being developed by the Asian Development Bank.	Closed; implemented	Closed; implemented	Closed; implemented
5	Expedite the transfer of \$101 million of fiscal year 2011 AIF funds from DOD to State—and ultimately to USAID—for the implementation of the Northeast Power System project from Dast-e-Barchi to Ghazni.	Closed; implemented	Closed; implemented	N/A
6	Clearly indicate the amount of time that infrastructure projects will take to achieve counterinsurgency benefits identified in congressional notifications required by the Afghanistan Infrastructure Program authorizing legislation.	Closed; implemented	Closed; implemented	Closed; implemented
7	Revise Afghanistan Infrastructure Program guidance and project selection criteria to ensure that projects have the support of the affected population.	Closed; implemented	Closed; implemented	Closed; implemented
8	Develop a comprehensive sustainment plan for each Afghanistan Infrastructure Program project that, at a minimum, includes (a) a realistic estimate of sustainment costs; (b) evidence that the Afghan government has committed to sustain the project; and (c) a joint assessment of the capacity of the Afghan government entity responsible for sustaining the project.	Closed; implemented	Closed; implemented	Closed; implemented
9	Clarify and formalize the requirements and format for Afghanistan Infrastructure Program notification and reporting packages and the approval process, including expected time frames, for providing notifications and reports to Congress.	Closed; implemented	Closed; not implemented	N/A

Source: SIGAR analysis of DOD, State, and USAID responses to recommendations; SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012; SIGAR, *Department of State: Nearly 75 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented*, SIGAR-14-83-AR, July 17, 2014; SIGAR, *U.S. Agency for International Development: More than 80 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented*, SIGAR-15-1-AR, October 3, 2014; and SIGAR, *Department of Defense: More than 75 Percent of All SIGAR Audit and Inspection Report Recommendations Have Been Implemented*, SIGAR-15-29-AR, January 15, 2015.

APPENDIX II - SCOPE AND METHODOLOGY

This report provides the results of SIGAR's follow-up audit of six Afghanistan Infrastructure Fund (AIF) projects began in fiscal year (FY) 2011. The objectives of this follow-up audit were to determine the extent to which (1) the Department of Defense (DOD), the Department of State (State), and the U.S. Agency for International Development (USAID) assessed whether the six AIF projects that began in FY 2011 achieved their intended counterinsurgency (COIN) objectives; (2) the agencies made progress completing the projects; and (3) the projects will be sustained once completed and transferred to the Afghan government.

To determine the extent to which the agencies assessed whether the six AIF projects that began in FY 2011 achieved their intended COIN objectives, we reviewed the Afghanistan infrastructure program's authorizing legislation and the AIF appropriation, the 2009 *U.S. Government Counterinsurgency Guide*, the 2009 *U.S. Government Integrated Civilian–Military Campaign Plan for Support to Afghanistan*, the 2011 *U.S. Government Integrated Civilian–Military Campaign Plan for Support to Afghanistan*, the 2012 *Civil-Military Strategic Framework*, the 2013 *U.S. Civil–Military Strategic Framework for Afghanistan*, the February 2010 and March 2013 AIF guidance, FY 2011 AIF project approval packages, and AIF congressional notifications.⁸⁰ We compared COIN-related guidance, recommendations from our July 2012 report on the AIF, and AIF congressional notifications to determine whether these approaches were applied to FY 2011 AIF projects.⁸¹ We also interviewed officials from DOD, State, and USAID.

To determine the extent to which DOD, State, and USAID made progress in completing the six FY 2011 AIF projects, we reviewed U.S. strategic plans, FY 2011 AIF project approval packages, contract documents, monthly reports, schedule updates, AIF quarterly program status reports, and all AIF congressional notifications. This documentation provided information on the scope, costs, planned implementation dates, summaries of monthly project outcomes, and contract execution issues that hindered the timely accomplishment of project schedules. Since DOD and State notified Congress, the power sector projects that began in FY 2011 have undergone substantial changes in scope and budget. Based on our analysis, as of May 2017, \$398.9 million has been spent on those six projects using AIF funds from FYs 2011 to 2014. We included funds from other fiscal years in our analysis because these additional funds were needed to complete the scopes that initially began with FY 2011 funds. We also reviewed the Federal Acquisition Regulation. Additionally, we interviewed officials from DOD, State, USAID, the Ministry of Public Works (MOPW), and Da Afghanistan Breshna Sherkat (DABS) to obtain updates on AIF project schedules and outcomes.

To determine the extent to which the projects will be sustained once completed and transferred to the Afghan government, we reviewed AIF authorizing legislation, February 2011 and March 2013 AIF guidance, all AIF congressional notifications, and recommendations from our July 2012 report. We compared sustainment requirements to project congressional notifications to determine whether these requirements were applied to FY 2011 AIF projects. We also reviewed the Foreign Assistance Act of 1961 to identify U.S. government requirements for providing and overseeing funding assistance. Additionally, we met with officials from DOD, State, USAID, U.S. Embassy Kabul, the MOPW, and DABS.

⁸⁰ National Defense Authorization Act for Fiscal Year 2011, Pub. L. No. 111-383, § 1217, 124 Stat. 4137, 4393-4 (codified as amended at 22 U.S.C. § 7513 note); Department of Defense and Full-Year Continuing Appropriations Act, 2011, Pub. L. No. 112-10, 125 Stat. 38, 89-90; U.S. Government Interagency Counterinsurgency Initiative, *U.S. Government Counterinsurgency Guide*, January 2009; U.S. Embassy, Kabul, and U.S. Forces–Afghanistan, *U.S. Government Integrated Civilian–Military Campaign Plan for Support to Afghanistan*, August 10, 2009; U.S. Embassy, Kabul, and U.S. Forces–Afghanistan, *U.S. Government Integrated Civilian–Military Campaign Plan for Support to Afghanistan*, Revision 1, February 2011; U.S. Embassy, Kabul, and U.S. Forces–Afghanistan, *Civil–Military Strategic Framework*, March 2012; U.S. Embassy, Kabul, and U.S. Forces–Afghanistan, *U.S. Civil–Military Strategic Framework for Afghanistan*, August 2013; and U.S. Embassy, Kabul, and U.S. Forces–Afghanistan, *Consolidated Policy for Executing Afghanistan Infrastructure Fund Procedures*, February 18, 2010; and Office of the Under Secretary of Defense (Comptroller), *Afghanistan Infrastructure Fund Guidance*, March 18, 2013.

⁸¹ SIGAR, *FY 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012.

We did not rely on computer-processed data for the purpose of the audit objectives. To assess internal controls, interagency procedures for planning projects were analyzed with funding guidance and reporting requirements, as well as the development of project approval packages and congressional notifications. The results of our assessment are included in the body of the report.

We conducted audit work in Washington, D.C., and Bagram and Kabul in Afghanistan from November 2014 through October 2017, in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The audit was performed by SIGAR under the authority of Public Law No. 110-181, as amended, and the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

APPENDIX III - ALL AIF PROJECTS FROM FISCAL YEARS 2011 THROUGH 2014

Congress authorized funding for Afghanistan Infrastructure Fund (AIF) projects from fiscal year (FYs) 2011 through 2014. Table 3 provides detail on the allocated and obligated amounts of all AIF projects.

Table 3 - All AIF Projects, FYs 2011 through 2014, as of May 2017

Fiscal Year	Project Name	Implementing Agency	Infrastructure Category	Allocated Amount (\$ million)	Obligated Amount (\$ million)	
2011	Kandahar Power Bridging Solution	DOD ^a /DLA ^b	Power	\$40.5	\$39.1	
	Southeast Power System (SEPS) – Kajaki Dam to Lashkar Gah	DOD/USACE ^c	Power	130.0	57.5	
	Northeast Power System (NEPS) – Arghandi to Ghazni	State/USAID	Power	101.0	101.0	
	NEPS I – Arghandi to Pul-e Alam	DOD/USACE	Power	93.7	50.3	
	Nawa to Lashkar Gah Road	DOD/USACE	Transportation	22.0	20.5	
	Provincial Justice Centers	Task Force-435	Other	12.8	6.5	
	Total			400.0	274.9	
2012	Kandahar Power Bridging Solution	DOD/DLA	Power	67.0	64.7	
	SEPS II - Maiwand to Durai Junction	DOD/USACE	Power	40.0	28.7	
	Dahla Dam Phase 1 Intake Tower and Valve House	DOD/USACE	Water	83.1	82.0	
	Kajaki Dam (Valves Replacement)	DOD/USACE	Water	26.2	25.3	
	Regional Command-East Border Transport Corridor: Saracha Bridge	DOD/USACE	Transportation	8.0	6.8	
	Regional Command-East Border Transport Corridor: Ghulam Khan Corridor	DOD/USACE	Transportation	27.6	12.7	
	Parwan-Bamyan Road: Section 6.2	DOD/USACE	Transportation	7.0	7.0	
	Parwan-Bamyan Road: Section 6.1	DOD/USACE	Transportation	3.0	3.0	
	Helmand Irrigation	DOD/USACE	Water	6.9	6.7	
	NEPS II – Pul-e-Alam to Gardez	DOD/USACE	Power	77.5	69.2	
	NEPS III – Charikar to Gul Bahar and Nejrab	DOD/USACE	Power	42.5	38.8	
	Dahla Dam Phase 2 - Site Preparation	DOD/USACE	Water	11.2	7.2	
	Total			400.0	352.1	
2013	Kandahar Power Bridging Solution	DOD	Power	37.0	34.0	
	Dahla Dam Phase 2 - 5 to 8 Meter Embankment Raise	DOD/USACE	Water	0.5	0.4	
	NEPS III – Charikar to Gul Bahar and Nejrab	DOD/USACE	Power	33.0	24.1	
	SEPS Completion Phase 1	SEPS – Civil Works (3 substations)	DOD/USACE	Power	15.0	63.1
		SEPS I – Sangin to Lashkar Gah	DOD/USACE		60.0	
	NEPS-SEPS Connector – Ghazni to Kandahar	State/USAID ^d	Power	179.5	179.5	
	Total			325.0	301.1	
2014	Kandahar Bridging Solution	DOD	Power	4.0	3.9	
	Ghulam Khan Corridor Phase 2	DOD	Transportation	10.0	5.0	
	SEPS Completion Phase 2	State/USAID	Power	55.0	55.0	
	NEPS IV – Gardez to Khost	DOD/USACE	Power	130.0	121.3	
	Total			\$199.0	\$185.2	
		Totals		\$1,324.0	\$1,113.3	

Source: SIGAR analysis of DOD data.

^a DOD stands for the Department of Defense.

^b DLA stands for the Defense Logistics Agency.

^c USACE stands for the U.S. Army Corps of Engineers.

^d USAID stands for the U.S. Agency for International Development.

APPENDIX IV - STATUS OF FISCAL YEAR 2011 AIF PROJECTS

Table 4 identifies the status of projects originally started in fiscal year (FY) 2011 and funded by the Afghanistan Infrastructure Fund (AIF). The table lists the projects, their current names, and modified scopes. The table also identifies the implementing U.S. government agency, the contractor, and the total amount spent on each contract, as of May 31, 2017.

Table 4 - Funds Spent on Projects Beginning in FY 2011, as of May 2017

Original Project Title	Revised Project Title	Status	Implementing Agency	Contractor	Total Spent (\$ million)
Nawa to Lashkar Gah Road	N/A	Complete	U.S. Forces–Afghanistan (USFOR–A)	Unique Builders Construction Co./AET International Joint Venture	\$20.5
Development of Five Provincial Justice Centers (Herat City, Kandahar City, Khost City, Jalalabad, and Mazar-e -Sharif)	N/A	Complete	USFOR–A and the Combined Joint International Task Force–435	Multiple	\$6.4
Kandahar Bridging Solution	N/A	Complete	USFOR–A and the Defense Logistics Agency	DLA	\$141.7 ^a
Southeast Power System (SEPS) Phase 1	<i>Initial FY 2011 Award: SEPS Phase 1 – Kajaki Dam to Lashkar Gah^b</i>	Terminated	USFOR–A	Perini Management Systems	\$57.5
	<i>FY 2013 Award: SEPS Completion Phase 1</i>	Ongoing	USFOR–A	Choice Made Construction Company/ Assist Consultants Inc.	\$45.0
Northeast Power System (NEPS) – Chimtala to Ghazni	NEPS – Arghandi to Ghazni	Ongoing	U.S. Agency for International Development (USAID)	DABS On-Budget to KEC International, Limited	\$80.8
NEPS – Chimtala to Gardez	<i>Initial FY 2011 Award: NEPS – Arghandi to Gardez</i>	Terminated	USFOR–A	State Corps Limited	\$6.2 ^c
	<i>Re-award in FY 2011: NEPS – Arghandi to Pul-e Alam</i>	Ongoing	USFOR–A	Assist Consultants Inc.	\$40.8
Total:					\$398.9

Source: SIGAR analysis of Department of Defense, Department of State, and USAID data.

^a The Kandahar Bridging Solution used AIF funds from FY 2011 through FY 2014. As we reported in 2012, the plan to construct a bridging solution by providing diesel generators with fuel was initially approved and planned to be a multi-year project. Because funding from all 4 years was required to complete the project, we included all 4 years of AIF funding to determine the amount disbursed on this project.

^b The scope of the terminated SEPS Phase I project is being completed by two AIF projects: SEPS Completion Phase I and SEPS Completion Phase II, which are funded with FY 2013 and FY 2014 AIF funds, respectively. SEPS Completion Phase II, which USAID implements on-budget to DABS, is intended to construct substations at Kajaki, Tangi, and Sangin South, and transmission line between Kandahar East and Maiwand substations and between Kajaki and Sangin North substations. The portion of transmission lines between Kandahar East and Maiwand completes a FY 2012 AIF project, which was outside of our audit scope.

^c According to DOD officials, this contract was determined to be “void ab initio,” or to never have been legally formed, because the company made false representations concerning its experience. However, because \$6.2 million was disbursed on this contract, we include it in our audit scope along with the reprocedured Arghandi to Pul-e Alam contract, which used FY 2011 AIF funds.

APPENDIX V - COMMENTS FROM THE DEPARTMENT OF DEFENSE



ASIAN AND PACIFIC
SECURITY AFFAIRS

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
2700 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-2700

OCT 18 2017

The Honorable John Sopko
Special Inspector General for Afghanistan Reconstruction
1550 Crystal Drive, 9th Floor
Arlington, VA 22202


Dear Mr. Sopko:

Thank you for the opportunity to review the Special Inspector General for Afghanistan Reconstruction (SIGAR) draft audit report, *"Afghanistan Infrastructure Fund: DOD, State, and USAID Have Not Assessed Whether Six Fiscal Year 2011 Projects, Worth \$474 Million, Achieved Their Counterinsurgency Objectives."*

DoD has worked closely with SIGAR staff since the audit began in November 2014. As described in the enclosure, we are concerned that the draft report includes factual errors (including the dollar amount in the title of the report) and excludes information and context that DoD provided to SIGAR during the audit process that impacts the findings and recommendations.

Since 2011, DoD and our interagency partners have continuously assessed and adjusted our implementation of the Afghanistan Infrastructure Fund projects in response to unanticipated events and Afghanistan's challenging security environment. We appreciate SIGAR's review of this difficult work and understand the challenge of trying to reconstruct facts and figures from a program that began six years ago. We look forward to working with your team to address these concerns together.

Sincerely,


Dr. Colin F. Jackson
Deputy Assistant Secretary of Defense
for Afghanistan, Pakistan and Central Asia

Enclosure:
Comments to SIGAR Draft Audit Report



Department of Defense Comments on SIGAR Draft Audit Report

Below are the Department of Defense (DoD) comments on SIGAR's draft audit report, "*Afghanistan Infrastructure Fund: DOD, State, and USAID Have Not Assessed Whether Six Fiscal Year 2011 Projects, Worth \$474 Million, Achieved Their Counterinsurgency Objectives.*" Included is a brief overview of the Afghanistan Infrastructure Fund (AIF) and its relationship to the Afghanistan Infrastructure Program (AIP), general comments on the draft report's main findings, and our response to the report's recommendations. The response has been coordinated with the Department of State (State) and the U.S. Agency for International Development (USAID).

Overview

In November 2010, the Secretaries of State and Defense requested that Congress create the Afghanistan Infrastructure Fund (AIF) to enable the U.S. Government, in consultation with the Afghan Government, to execute high-priority, large-scale infrastructure projects in support of the civil-military campaign in Afghanistan. The AIF was the Department of Defense's (DoD) contribution to a joint, interagency effort called the Afghanistan Infrastructure Program (AIP) that included complementary projects funded by State's Economic Support Funds and implemented by USAID. The AIP was implemented to bridge DoD and State resources and capabilities that served the missions of both departments in supporting projects critical to counterinsurgency objectives and Afghanistan's economic development.

Congress appropriated approximately \$1.3 billion for AIF between fiscal years 2011 and 2014. DoD and USAID ultimately obligated \$1.1 billion, the majority of which went toward power sector projects that continue to be fully supported by the Afghan Government. Aside from completing the AIF projects that are not yet finished, DoD currently has no funding or plans for additional large-scale economic development projects in Afghanistan.

General Comments

Assessment of Counterinsurgency Objectives

As DoD experts explained to SIGAR staff throughout the audit, the primary reason for not measuring project impact is that the three large power projects – representing more than 75 percent of the obligated fiscal year (FY) 2011 funds (\$208.8 of \$274.9 million) – are not complete. This critical point is omitted from the report's discussion on assessing impacts. Rather, in the section describing DoD's rationale for not assessing the impact of the FY 2011 AIF projects, the report highlights comments made by project managers in the U.S. Forces-Afghanistan's (USFOR-A) engineering office, personnel with no role in measuring counterinsurgency impacts.

Although projects can have positive benefits prior to completion, such as the hiring of local workers, the primary impact of increasing electrical capacity cannot be assessed until the projects are complete and electricity is available. SIGAR acknowledged this point in its 2012 audit report of these same projects. In response to DoD's comments on the report about initial

SIGAR Comments 1 and 2

counterinsurgency impacts, SIGAR stated “Most of these stated benefits [of the FY 2011 AIF projects] depend on completed projects.”

Of the other three FY 2011 projects referenced in the current draft report, one was a temporary effort to provide fuel and support for generators in Kandahar City, and two involved relatively small infrastructure projects – a road improvement project in Helmand Province and an effort to construct or repair five provincial justice centers (PJs). These were two among many U.S. and coalition projects at the time. As DoD explained to SIGAR in December 2015, isolating and measuring the counterinsurgency impact of individual projects are difficult. Although the civil-military plans in that period called for regular campaign assessments, the assessments did not attempt to isolate the impact of individual projects. Rather, the assessments were designed to measure the collective impact of all activities, including military operations, within districts, provinces, and regions.

SIGAR Comment 3

Finally, DoD believes the report mischaracterizes what it describes as DoD, State, and USAID’s “shifting explanations about the U.S. counterinsurgency strategy in Afghanistan,” leading SIGAR to question whether the FY 2011 power project undertaken by USAID aligned with the authorized purpose of AIF. To address SIGAR’s misunderstanding, DoD, State, and USAID provided SIGAR civil-military plans that explained the evolution of the U.S. Government’s counterinsurgency efforts and the importance of completing infrastructure projects. We also provided a joint statement clarifying our shared understanding of the strategic framework for AIF projects and our shared belief that all AIF projects were aligned with the authorized purpose of AIF. Each AIF project was notified to Congress in advance, and Congress provided funding through FY 2014 to ensure their completion.

SIGAR Comment 4

Project Timelines

The draft SIGAR report states that the three FY 2011 power projects are incomplete and behind their original schedules. As SIGAR acknowledged in its 2012 audit, the initial project schedules were early estimates that were impacted by security concerns and funding and acquisition delays. Pre-contract award schedules are routinely revised as operational requirements are clarified and, when necessary, adjusted later in response to unanticipated events, particularly in a contingency environment like Afghanistan. These and other changes to the schedules of the power projects were communicated to Congress through formal notifications and briefings to defense and foreign affairs committee staffs.

SIGAR Comment 5

The draft report also states that schedule delays have “prevented nearly 2.7 million Afghans from having improved access to electricity.” Although delays are never desirable, it is important to note that some delays were the result of responsible project management and contracting decisions to mitigate risks and reduce costs in a difficult operating environment. Unfortunately, the draft report characterizes U.S. efforts as preventing improved access rather than commenting on the combined diligent efforts of U.S. personnel in Afghanistan and our international partners to provide electricity to a country and a people that need and want it. The lack of affordable, reliable electricity is a major impediment to Afghanistan’s economic development, and negatively impacts security, private sector investment, education, healthcare, and more.

Sustainment

Plans to transfer each completed AIF infrastructure project to the Afghan Government were coordinated with DoD, State, USAID, and the Afghan Government before each project began. Simultaneous with project construction were efforts by USAID and international partners to increase the ability of the relevant Afghan ministries and entities to operate and maintain the projects after transfer. Afghan officials, particularly those from the Ministry of Energy and Water (MEW) and Da Afghanistan Breshna Sherkat (DABS) (Afghanistan’s national power utility), are actively involved with the ongoing projects and meet regularly with stakeholders to discuss project status, execution challenges, system configuration, and turnover plans.

For the two completed FY 2011 infrastructure projects – the road improvement project and the PJs – we do not have an official update on their current status; they were completed and transferred to the Afghan government in 2013 and 2014, respectively. However, it is our understanding that the road is in use and the Afghan government is training new judges at the PJs.

We note with concern that the draft report includes a misleading statement about U.S.-funded roads. The draft report states that “according to (the SIGAR) October 2016 report on challenges to sustaining Afghanistan’s road infrastructure, DOD officials acknowledged that the Afghan government would not be able to sustain U.S.-funded roads transferred to them.” The report implies that we were building roads in 2016 with the knowledge that the Afghans could not sustain them. However, the comment cited in the 2016 report was made by an official in a 2009 memorandum, and that official went on to state that in executing the USFOR-A mission, “we will continue to strive for a balance between static inaction and dynamic reconstruction efforts that move the Afghanistan people forward at a rate that is self-sustainable by (the Afghan government).”¹ Since 2009, DoD has initiated significantly fewer transportation projects.

SIGAR Comment 6

The current draft report also discusses the conclusion of the Kandahar Bridging Solution (KBS) – a temporary effort to fuel and operate diesel generators in Kandahar City. As the Department of State reported to SIGAR in May 2015 regarding a separate SIGAR inquiry, KBS was always intended to be a short-term effort and was never intended to provide the basis for an indefinite power supply for Kandahar. The conclusion of KBS in December 2015, which was planned and coordinated with Afghan officials, was calibrated to balance stabilization requirements and our responsibility to taxpayers; indefinite fuel subsidies would have cost the United States hundreds of millions of dollars. Importantly, the Afghan government did not request additional assistance beyond the agreed upon end-date of KBS.

SIGAR Comment 7

As noted earlier, the majority of AIF resources went toward improving and expanding Afghanistan’s power grid. Despite this focus on the power sector projects, the draft SIGAR report does not mention that DoD, with the assistance of USAID, assessed DABS in 2013 and 2015. DoD found that DABS faced challenges as it continued to grow and modernize, but it had

¹ Appendix C – Comments from U.S. Forces-Afghanistan, 2009 SIGAR Report, “Inspection of Mahmood Raqi to Nijrab Road Project in Kapisa Province: Contract Requirements Met; But Sustainability Concerns Exist,” SIGAR Inspection 09-02, October 2, 2009

demonstrated an ability to maintain Afghanistan's existing system (including more than 4,000 kilometers of transmission and distribution lines) and had made progress in management and service delivery with the assistance of USAID and the Asian Development Bank's (ADB) capacity-building efforts, which were to continue. As DoD reported to SIGAR in December 2015, all large infrastructure projects have an element of risk, particularly when developed in a contingency environment. However, based on the assessment, DoD was reasonably confident that DABS would have the capability to sustain the power sector projects as the grid expanded over the coming years and as DABS continued to grow its customer base.

Additional Concerns

The actual scope of the audit is unclear. SIGAR officials informed DoD that the audit was intended to cover the scope of each of the six FY 2011 AIF projects as they were notified to Congress; however, the report does not cover the scope of each original project, nor is the report limited to FY 2011 funded projects.

- For example, the Southeast Power System (SEPS) project notified to Congress in FY 2011 was eventually implemented in phases involving multiple contracts funded in different fiscal years. The report, however, covers only the scope of the first contract that was cancelled and a portion funded in FY 2013. The report does not include portions funded in FY 2012 and FY 2014 that are also part of the original scope notified to Congress.
- Similarly, the report covers the first half of the Northeast Power System (NEPS) Arghandi-to-Gardez Phase I project, but not Phase II, which was included in the original scope notified to Congress.
- Finally, although the audit was intended only to cover the FY 2011 projects, the report includes the FY 2012, FY 2013, and FY 2014 KBS projects. Although the KBS projects are properly listed as separate fiscal year projects in Appendix III, they are improperly grouped together as one FY 2011 project in Appendix IV, resulting in a \$102.6 million miscalculation in the total contract value in Appendix IV.

SIGAR Comment 8

SIGAR Comment 9

We are also concerned about factual errors in the draft report. This includes the title of the report, which states that the FY 2011 projects are worth \$474 million. Congress appropriated \$400 million for AIF in FY 2011, of which DoD and USAID obligated approximately \$275 million (Appendix III of the report). The report mistakenly includes nearly \$55 million in costs associated with a cancelled contract and nearly \$4 million of non-AIF funds associated with the project implemented by USAID. In addition, the report includes the value of projects not funded by FY 2011 AIF as described in the \$102.6 million KBS projects miscalculation above.

SIGAR Comment 10

Additional errors also occur in the report. For example, the draft report misstates the number of contracts associated with projects, incorrectly attributes contracts to DoD that DoD did not award, and misstates the fiscal year in which AIF was used to fund certain projects. These concerns and others were highlighted in prior correspondence and meetings with SIGAR staff preparing the report; however, they remain unresolved in the current draft. We hope to continue to work collaboratively to improve the accuracy of the report.

Recommendations

Recommendation 1: *Conduct assessments of FY 2011 AIF projects to determine the extent to which each project has achieved its stated objectives and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by January 31, 2018.*

Concur with comment: The three large power projects, which received 75 percent of the FY 2011 AIF funds, are not yet complete. When the three projects are completed, and data on their impact is available, DoD will work with our interagency partners to report the findings to the appropriate congressional committees.

It is worth noting that in August 2017, the Asian Development Bank (ADB) conducted an independent evaluation of one of its power projects that included the rehabilitation and construction of transmission and distribution lines. The report rated the project impact as “highly satisfactory” and stated that survey data “revealed extremely positive impacts or outcomes attributable to the project.”²

For the two smaller completed infrastructure projects (the road improvement project in Helmand Province and the PJs), DoD will analyze pertinent data, including regional polling data from the Asia Foundation’s annual *Survey of the Afghan People*, to assess the impact of broader infrastructure development efforts in the relevant areas.

Recommendation 2: *Develop and share with the appropriate Afghan government entities by January 31, 2018, comprehensive sustainment plans for the three incomplete FY 2011 AIF power sector projects that include validated estimates of the financial, human, technical, and other resources the Afghan government will require to operate and maintain each project at its intended performance level.*

Non-concur: The Afghan government formally accepted responsibility for the three power projects and is responsible for determining how it will operate and maintain them. As discussed above, DABS and MEW officials meet regularly with power sector stakeholders, including USAID and USFOR-A, to discuss a range of issues, including turnover plans and design changes to ensure systems will meet DABS’s needs. USFOR-A has provided the MEW and DABS with project designs to ensure compatibility with Afghan systems and Afghan technicians’ familiarity with the power systems’ software and hardware. The vendors for the control systems were reviewed and accepted by DABS based on DABS’s current configuration and in-house expertise. MEW and DABS personnel participated in conferences with donors, other Afghan ministries, and U.S. partners to discuss the overall strategy for power in Afghanistan and to ensure the projects are successful.

As the three FY 2011 power projects near completion, USACE will provide the MEW and DABS with As-Built Drawings and Operations & Maintenance manuals that detail the

² Asian Development Bank Independent Evaluation, “Afghanistan: Power Transmission and Distribution Project,” Validation Report, August 2017.

SIGAR Comment 11

installation, operating, service, and maintenance instructions to enable DABS to operate, maintain, dismantle, reassemble, adjust, service, and repair the systems. In addition, USACE contractors will train DABS personnel on the overall operation of substation equipment and transmission lines, including individual component training, the Supervisory Control and Data Acquisition (SCADA) system, and the Power Line Carrier Communication (PLCC) system. The training also covers the plumbing, electric, and HVAC systems for the sub-station life support systems.

Recommendation 3: *Conduct an assessment of the financial, human, and technical capacities of each Afghan government entity to which the three ongoing FY2011 AIF power sector projects will be transferred, to determine whether each entity has the capability to operate and maintain the projects for which it is responsible, and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by March 31, 2018.*

SIGAR Comment 12

Concur with comment: USAID initiated an evaluation of DABS earlier this year and has agreed to brief the results to interagency partners, the House and Senate committees, and the Afghan Government.

Recommendation 4: *Based on those assessments, develop contingency sustainment plans by May 31, 2018, that specify how and whether the U.S. government or other international donors intend to ensure that the three remaining FY 2011 AIF power sector projects are sustained, should the Afghan government be unable to operate and maintain those projects at their intended performance level.*

Non-concur: DoD agrees with our interagency partners that additional donor funding would create a disincentive for the Afghan Government to take full responsibility for its own infrastructure. In the 2017 ADB project evaluation described above, the ADB analyzed DABS's cost and revenue data, tariff rates, currency depreciation trends, and additional investments in the power sector by ADB, the World Bank, the German Development Bank, and the U.S. Government. Based on this analysis, the ADB rated its similar power project as "likely sustainable."

SIGAR Comment 13

With offices in all 34 Afghan provinces, DABS is committed to operating and maintaining the power projects. DABS has demonstrated its ability to operate and maintain Afghanistan's existing power systems, including more than 4,000 kilometers of transmission and distribution lines. In addition, the ADB, World Bank, and USAID continue to work actively with DABS to build its managerial and technical capacity.

SIGAR's Response to the Department of Defense's (DOD) Comments

SIGAR Comment 1: DOD stated that its experts explained to us that the primary reason for not measuring project impact is that the three large power projects are not complete and that this point is omitted from this report. This statement provides another example of the varying explanations DOD provided for why counterinsurgency (COIN) impacts were not measured. In addition to this and the other explanations discussed in our report, in response to our July 2012 Afghanistan Infrastructure Fund (AIF) report, the Deputy Assistant Secretary of Defense for Afghanistan, Pakistan, and Central Asia stated, "The COIN impact of some of these projects is already apparent." This official stated in 2012 that COIN effects are not measured by the completion of projects. DOD stated in its 2012 general comments to our report that COIN benefits are realized long before the project is completed.⁸² In short, DOD appears to be offering two contradictory explanations: (1) that COIN impacts can be tracked beginning immediately after project inception and as the project is implemented; and (2) that COIN impacts cannot be tracked until a project is complete. Regardless of DOD's position, the agencies have not measured the COIN impacts of the three ongoing FY 2011 AIF power projects or the three completed projects. Given that this infrastructure spending was intended to support the U.S. COIN strategy in Afghanistan, measuring the effectiveness of this spending would help determine the success of this effort and provide greater accountability regarding how U.S. taxpayer funds were spent.

SIGAR Comment 2: In its comments and during our fieldwork, DOD stated that U.S. Forces-Afghanistan (USFOR-A) project managers were not appropriate personnel to ask about the measurement of COIN impacts for these projects. We disagree and contend that it was appropriate to ask USFOR-A, DOD's implementing entity for AIF projects, what the impact of the AIF projects were, and how they would be tracked, particularly since USFOR-A was directly responsible for managing one of the projects, the Kandahar Bridging Solution, in conjunction with the Defense Logistics Agency.

SIGAR Comment 3: Although measuring the COIN impacts of individual projects may be difficult, each AIF project had specific goals. For example, the Kandahar Bridging Solution was intended to provide fuel for generators to enable DABS to provide electricity 24 hours a day in Kandahar City. Table 1 in the report lists the proposed benefits of each FY 2011 AIF project. Accordingly, it would be reasonable for implementing agencies to measure whether projects that have cost U.S. taxpayers hundreds of millions of dollars have actually contributed to the U.S. COIN strategy for Afghanistan or otherwise enhanced the legitimacy of the Afghan government.

SIGAR Comment 4: DOD believes that our report mischaracterizes DOD, State, and USAID's explanations about the U.S. counterinsurgency strategy in Afghanistan. We disagree. State, DOD, and USAID officials provided numerous and sometimes contradictory explanations about how and whether COIN would be measured, which agency was responsible for doing so, and how long projects would take to achieve COIN benefits.

SIGAR Comment 5: Regarding project schedules, in this report, we documented the actions DOD entities took to mitigate the risks and reduce costs associated with working in a difficult operating environment. We are aware that these projects were, and still are being, completed in a kinetic environment. However, three of the power sector projects are still not complete for a variety of reasons, as discussed in this report.

We stand by our statement that land acquisition issues, increased security costs, and project re-scoping have delayed completion of these projects, and consequently prevented nearly 2.7 million Afghans from increased access to electric power. We understand that in some instances project re-scoping was necessary to mitigate risks and reduce costs. However, it is undisputed that these projects are behind schedule and, as DOD stated in its comments, "the lack of affordable, reliable electricity is a major impediment to Afghanistan's economic development, and negatively impacts security, private sector investment, education, healthcare, and more."

⁸² SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012, pp. 48-49.

SIGAR Comment 6: Based on DOD's comments about our discussion of U.S.-funded roads, we included additional context in the body of this report noting that DOD acknowledged in 2009 that the Afghan government was unable to sustain DOD-funded roads.

SIGAR Comment 7: With regard to sustaining the power projects, we address our analysis of the Kandahar Bridging Solution in comment 9. As we noted in this report, DABS faces substantial human, financial, and technical challenges. For example, senior Afghan officials told us electric power losses on the Afghan power grid range from 33 percent and 45 percent, compared with a 2014 World Bank global average of 8.3 percent.⁸³ Even if DABS already maintains an existing power grid of more than 4,000 kilometers of transmission lines, to lose a third or nearly half of the electricity transmitted on those lines should create a cause for concern. In the report, we included references to DOD's assessments of DABS from 2013 and 2015 on page 18. However, these assessments focused on DABS's ability to maintain electric power projects from all donors rather than at a project level as stated in the 2013 AIF guidance. The assessments cited figures about DABS, but did not constitute a comprehensive sustainment plan as we recommended in 2012. Therefore, before these projects are transferred to the Afghan government, it would be reasonable for DOD and USAID to develop comprehensive sustainment plans so DABS has a complete understanding of what it will need to do to sustain these projects in absence of U.S. taxpayer support.

SIGAR Comment 8: DOD raised concerns about the scope of this audit, citing the termination, re-scoping, and re-awarding of contracts for of the Southeast Power System (SEPS) and the Northeast Power System (NEPS)-Arghandi to Gardez projects. The evolution of FY 2011 AIF projects is complex, and we determined the most appropriate combination of AIF projects that were initiated with FY 2011 AIF funds.

As we reported in 2012, and in this report, in DOD's and State's initial notification to Congress, the SEPS Phase I project was one project, but was later split into multiple projects and combined with AIF allocations from other fiscal years. Transmission lines from Kajaki Dam to Lashkar Gah, and accompanying substations, were eventually funded as part of this SEPS project with FY 2011 funds. Our analysis focused on the SEPS Phase I and SEPS Completion Phase I projects, which was the most logical break between FYs 2011 and 2012 AIF funds that we could make given the scope of DOD's re-awarding the contracts for the SEPS project. As indicated in this report, we did not include the USAID-implemented SEPS Completion Phase II project in our analysis because this FY 2014 AIF project completed both original FYs 2011 and 2012 AIF projects, and we could not sufficiently isolate the funds that were used on the project beginning in FY 2011. Regarding NEPS, we focused on Arghandi to Pul-e Alam exclusively because, unlike the SEPS project, this segment of transmission lines and substations was re-awarded with FY 2011 AIF funds directly. We also account for the terminated contract for the Chimtala to Gardez section because this project began as a FY 2011 AIF project.

SIGAR Comment 9: We included all 4 years of the Kandahar Bridging Solution within the scope of this report because the project began in FY 2011 and the fundamental objective of funding fuel purchases and maintenance was consistent across those fiscal years. As we reported in 2012, the plan to construct a bridging solution by providing diesel generators with fuel was initially approved and planned to be a multi-year project. We contend that it is appropriate to analyze this project accordingly.

SIGAR Comment 10: DOD raised concerns about the \$474 million total contract valuation that was included in the title of this draft report. Our draft report included the values associated with AIF projects which began in FY 2011 as originally awarded and their subsequent de-obligations. For the three completed projects, we included the final amount spent --\$168.6 million--on those projects. For the ongoing projects, we included the contract values as specified in the contract and subsequent updates obtained from DOD's AIF expenditure tracker. For the SEPS Phase I project, which was terminated, we had sufficient evidence from DOD in the form of its AIF project expenditure tracker and contract close-out documentation to determine that the amount spent through

⁸³ Electrical losses in a power system are caused by either the physical properties of the components of the power system, such as power lost in transmission lines and transformers because of internal electrical resistance or are caused by actions external to the power system such as theft, unbilled accounts, and errors due to the approximation of consumption by un-metered supplies and metering errors.

termination was \$57.5 million. However, for the initial award of the NEPS – Chimtala to Gardez project, which was also terminated, we originally calculated the total contract value based on the original contract documentation. A recent update and documentation from DOD provided updated disbursed data—\$6.2 million—and is reflected in this report.

Nevertheless, in response to these concerns, and to make it clearer to readers of this report, we updated the report, including the title, to instead discuss the total amount spent on AIF projects that started in FY 2011, instead of using the contract value. Based on documents DOD provided to us, we determined that as of May 2017, \$398.9 million had been spent on AIF projects that began in FY 2011.

SIGAR Comment 11: DOD did not concur with recommendation 2, stating that the Afghan government formally accepted responsibility for the three power projects and is responsible for determining how it will operate and maintain them. We recognize that basic operation and maintenance training for the Afghan government entities will take place. However, we are recommending that DOD and USAID, in light of having already identified issues with DABS' capacity, create sustainment plans that will put DABS on notice as to what will be required to maintain these multi-million dollar projects at their intended performance levels. This recommendation does not suggest that the agencies obligate additional funds for sustainment. Instead, it simply recommends that the agencies take a reasonable step to ensure that the Afghan government understands what will be needed to sustain these electric power projects at their intended performance levels.

SIGAR Comment 12: We are encouraged by DOD's concurrence with recommendation 3 and will continue to monitor progress through our recommendation follow-up process.

SIGAR Comment 13: Although DOD states that it did not concur with recommendation 4, we regard its response as sufficient for the purposes of this recommendation. In particular, DOD's suggestion that it does not expect or intend to provide additional funding for sustainment of the three remaining AIF projects that began in FY 2011 is responsive to our recommendation that it determine whether the U.S. government intends to sustain these projects in the event that the Afghan government cannot. We appreciate DOD's confidence in suggesting that it does not intend to spend additional taxpayer funds on the sustainment these projects. However, we maintain that developing a contingency plan for each project would nonetheless be a reasonable way of taking into account the possibility that circumstance might change so as to warrant continued U.S. government support.

APPENDIX VI - COMMENTS FROM THE U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



MEMORANDUM

October 17, 2017

TO: John F. Sopko
Special Inspector General for
Afghanistan Reconstruction (SIGAR)

FROM: Greg Huger, Assistant to the Administrator, Office of
Afghanistan and Pakistan Affairs *GHM*

SUBJECT: Mission Response to Draft SIGAR Audit Report titled:
"Afghanistan Infrastructure Fund: State and USAID Have Not
Assessed Whether Six Fiscal Year 2011 Projects worth \$474
Million, Achieved Their Counterinsurgency Objectives"
(SIGAR 18-X-AR/102A)

REF: SIGAR Transmittal email dated September 28, 2017

USAID thanks SIGAR for the opportunity to comment on the audit of the FY 2011 Afghanistan Infrastructure Fund (AIF), which includes six activities funded by the Department of Defense and Full-Year Continuing Appropriations Act, 2011. Of the six projects listed in SIGAR's report, USAID is responsible for one, the Arghandi-Ghazni (A/G) transmission lines and substations, and we closely coordinate USAID's project with the Departments of Defense and State.

Following the President's announcement on August 21, 2017 of a new U.S. South Asia strategy, and recognizing the many challenges of expanding power in Afghanistan, USAID began a review of our power sector initiatives and how they align with the new strategy. USAID, the Department of Defense (DoD), and the

U.S. Agency for International Development
1300 Pennsylvania Avenue, NW
Washington, DC 20523
www.usaid.gov

Department of State (DOS) together are continuing to assess the energy sector and U.S. Government projects, jointly with the Government of Afghanistan. The socio-economic impacts of the Arghandi-Ghazni (A/G) transmission lines and substations cannot be fully assessed until the areas that will benefit from the power receive the additional electricity. Since 2004, USAID has been collecting data about Afghans' perceptions about electricity through The Asia Foundation's "The Survey of the Afghan People," and reviewing economic growth data from the World Bank and other sources. However, USAID, along with DoD and DOS, want further details on the impact of specific power projects. DoD and DOS agreed with USAID's plan to conduct a focused survey about access to electricity, as well as economic and social metrics. USAID will share this information with our interagency partners and with House and Senate committees.

SIGAR Comment 1

The power projects funded under the AIF contribute to the overarching objectives that are noted in the April 20, 2017, interagency joint statement given to SIGAR (included in this response): "Although the framework for U.S. strategy in Afghanistan has evolved since 2011, State, DoD, and USAID continue to support whole of government efforts to advance economic development." The A/G project is part of a larger USAID economic growth strategy to expand access to electricity to more Afghans while enhancing the legitimacy of the Afghan government.

USAID works closely with interagency partners and collaborates with DoD for its annual report to the U.S. Congress. Additionally, along with the DoD and State, USAID has provided regular briefings to House and Senate committees, keeping them aware of developments and answering their questions. We will continue to do so.

USAID has worked with Da Afghanistan Breshna Sherkat (DABS), the Afghan government-owned electric company, on the A/G transmission lines and substations project. To date, DABS has completed over 90 percent of the A/G construction, including 423 transmission towers, 110 kilometers of high voltage transmission lines and two substations with associated site improvements. DABS is in the final acceptance phase of this construction.

We have been working to improve DABS' ability to operate and maintain its power infrastructure, and increase its revenue collection capabilities to ensure it has the resources necessary to remain financially self-sufficient. DABS is maturing as a commercial entity and has made progress toward operating and maintaining the energy system, but is still a relatively young institution operating in a challenging environment. We, USAID and the Departments of Defense and State, will continue to work with the Afghan government to build DABS' capacity.

We have coordinated our response to this report with the Departments of Defense and State.

SIGAR Recommendation 1: *Conduct assessments of FY 2011 AIF projects to determine the extent to which each project has achieved its stated objectives and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by January 31, 2018.*

USAID Response: USAID concurs with this recommendation for the power projects; however, we suggest a later date, after the projects are complete and results can be observed. As noted above, since 2004, USAID has been collecting data about Afghans' perceptions about electricity through The Asia Foundation's "The Survey of the Afghan People," and reviewing economic growth data from the World Bank and other sources. However, USAID, along with DoD and DOS, want further details on the impact of specific power projects. DoD and DOS agreed with USAID's plan to conduct a focused survey about access to electricity, as well as economic and social metrics, which will fulfill this recommendation. USAID will share this information with our interagency partners and with House and Senate committees.

SIGAR Comment 2

SIGAR Recommendation 2: *Develop and share with the appropriate Afghan government entities, by January 31, 2018, comprehensive sustainment plans for the three incomplete FY 2011 AIF power sector projects that include validated estimates of the financial, human, technical, and other resources the Afghan government will require to operate and maintain each project at its intended performance level.*

USAID Response: USAID does not concur with this recommendation and requests that it be withdrawn. USAID agrees that the Afghan government is responsible for operating and maintaining infrastructure provided by the U.S. Government. USAID’s on-budget assistance with FY 2011 AIF for the A/G transmission lines and substations includes a comprehensive operations and maintenance plan. Section 20.5 “Installation, Operation, Service, and Maintenance Manuals” of the DABS on-budget contract requires that “the Contractor shall submit... fully detailed installation, operating, service and maintenance instructions for the Sections of the Works, in sufficient detail for the Employer to operate, maintain, dismantle, reassemble, adjust, service and repair the Works.” DABS’ contractor is required to provide the plan to DABS prior to contract closeout on January 31, 2018.

SIGAR Comment 3

Additionally, it would be counterproductive to the U.S. goals of reinforcing Afghan government legitimacy and increasing Afghan self-reliance if the U.S. Government were to develop a sustainment plan for DABS. DABS and the Afghan government are responsible for the sustainment of its overall power system. This would include planning for, funding, and implementing their own sustainment plans. USAID is improving DABS’ ability to sustain its projects through technical assistance and capacity-building programs. USAID provides assistance to increase revenue generation and capacity building for DABS to improve their business operations. USAID also supports DABS in using utility-management software in Kabul, Mazar-e Sharif, Herat, and Jalalabad, while reducing technical and commercial losses through training and support. These efforts are strengthening DABS’ corporate governance, financial management, procurement, human resource management, and business planning capabilities. In contrast, any donor-funded contingency plan would disincentivize the Afghan government from planning for, funding and implementing its own sustainment plans, which would run counter to our shared strategic objectives.

SIGAR Recommendation 3: *Conduct an assessment of the financial, human, and technical capacities of each Afghan government entity to which the three ongoing FY 2011 AIF power sector projects will be transferred, to determine whether each entity is has the capability to operate and maintain the projects for*

which it is responsible, and report the findings to the House and Senate Armed Services Committees and Appropriations Committees by March 31, 2018.

USAID Response: USAID concurs with this recommendation in principle and has already completed it. USAID requests that SIGAR close this recommendation.

In mid-2017, USAID initiated an evaluation of DABS' operational capacity. We will brief our interagency partners, House and Senate committees, and the Afghan government, about this evaluation. USAID, with our interagency partners, also started a more in-depth review of the entire energy sector, which will assess optimum ways to increase access to electricity in Afghanistan.

DABS has committed to operate and maintain the A/G transmission line and two substations. DABS has demonstrated that it has the capacity to operate and maintain USAID projects that are economically viable. In October 2016, DABS completed installation of the second turbine at Kajaki Dam and upgraded the dam's powerhouse operating systems, marking completion of its first on-budget project funded by USAID. Since then, DABS has successfully operated and maintained the facility, and is delivering increased power to southern Afghanistan. USAID's evaluation will help DABS and the Afghan government determine further steps that should be undertaken to further improve DABS' operations.

SIGAR Recommendation 4: *Based on those assessments, develop contingency sustainment plans by May 31, 2018, that specify how and whether the U.S. government or other international donors intend to fund the three remaining FY 2011 AIF power sector projects, should the Afghan government be unable to operate and maintain these projects at their intended performance level.*

USAID Response: USAID does not concur with this recommendation and requests that it be withdrawn. USAID, and our interagency partners the Departments of Defense and State, as responsible stewards of American taxpayer dollars, do not plan to fund these projects in perpetuity. USAID is concerned that if such a contingency plan were to be developed at this time – and thereby show donor commitment to pay for the power sector projects' operations and

SIGAR Comment 4

maintenance – it could create a moral hazard causing the Afghan government to act differently. If the Afghan government were to become aware of a donor contingency plan to protect against the risk of non-maintenance, the Afghan government might look upon such plan as a commitment to cover these costs. Moreover, it might be a disincentive for the Afghan government to stop budgeting for such operations and maintenance which it has promised to cover. As mentioned earlier, DABS has committed to operate and maintain the A/G transmission lines and two substations. Furthermore, it already operates and maintains over 4,200 kilometers of transmission line and 69 substations as part of Afghanistan's existing energy grid.

Encl: Joint Statement, April 20, 2017, from Department of Defense,
Department of State, and USAID to SIGAR

cc: Ravindral Suaris, Controller, USAID/Afghanistan
Joan Simon Bartholomaus, U.S. Embassy/Kabul
OAPA Audit
Ryan Knight, Acting Infrastructure Office Director, USAID/Afghanistan

SIGAR-102A Inquiry Response, FY2011, Afghanistan Infrastructure Fund

State, DOD, and USAID would like to take this opportunity to clarify our shared understanding of the strategic framework for AIF projects.

At the 2008 NATO Summit in Bucharest, NATO leaders set out a strategic vision for Afghanistan that was guided by four principles, including a firm and shared long-term commitment, and a comprehensive approach by the international community, bringing together civilian and military efforts.¹ NATO leaders reaffirmed this commitment at the Strasbourg/Kehl Summit in 2009 and noted that “to help the [Afghan] Government expand its reach and effectiveness, greater civilian assistance is required. Greater and coordinated efforts, including at the provincial and district level, are needed to accelerate the development of Afghan capacity to deliver justice, basic services and employment opportunities.”²

In November 2010, Secretaries Clinton and Gates wrote to Congress requesting their support “in establishing an Afghanistan Infrastructure Fund (AIF) that would enable the U.S. Government (USG), in consultation with the Government of the Islamic Republic of Afghanistan (GIRoA), to execute high-priority, large-scale infrastructure projects in support of our civil- military campaign in Afghanistan.” They noted that the AIF would “serve the missions of both Departments in supporting projects critical to counterinsurgency objectives and economic development.”³ Congress responded by establishing the AIF in FY 2011 to fund infrastructure projects “in support of the counterinsurgency strategy” in Afghanistan.⁴

At the time, the USG Integrated Civilian-Military Campaign Plan (ICMCP Rev 1) for Support to Afghanistan provided the framework for implementing the USG whole-of-government effort in Afghanistan, including counterinsurgency.⁵ The ICMCP cited the USG’s strategic vision, which FY 2011 AIF projects would support, as follows: “enable the Afghan Government and its people to: counter the insurgency and prevent the use of Afghan territory by international terrorists, build a state that is accountable and responsive to its people, and establish a foundation for longer-term development.”⁶

Starting in July 2011, and in accordance with the agreement by NATO leaders at the November 2010 Lisbon Summit to transition responsibility for security to Afghan forces over the next four years, the U.S. military mission began to gradually shift focus from combat operations against the insurgency to the transition of security responsibility from U.S. and NATO forces to GIRoA.⁷ In March 2012, a new Civil-Military Strategic Framework (CMSF) supplanted the ICMCP as the USG’s operational framework for comprehensive civilian and military efforts in Afghanistan. It clarified the meaning of this security transition for the whole-of-government: “For the civilian U.S. mission, ‘transition’ means not only a shift in full security responsibility to the ANSF, but also a shift from counterinsurgency and stability operations toward a more traditional diplomatic and development model. Through December 31, 2014, the broader transition process will allow the

¹ http://www.nato.int/cps/en/natohq/official_texts_8443.htm

² http://www.nato.int/cps/en/natohq/news_52836.htm

³ Sent as attachment.

⁴ <https://www.gpo.gov/fdsys/pkg/PLAW-112publ10/html/PLAW-112publ10.htm>

⁵ In reference to counterinsurgency, the 2009 USG COIN Guide defines counterinsurgency as “comprehensive civilian and military efforts designed to simultaneously contain insurgency and address its root causes.”

<https://www.state.gov/documents/organization/119629.pdf>. Joint Doctrine retains the 2009 definition (with one addition) today: http://www.dtic.mil/doctrine/new_pubs/jp3_24.pdf.

⁶ <http://nsarchive.gwu.edu/NSAEBB/NSAEBB370/docs/Document%209.pdf>

⁷ https://www.defense.gov/Portals/1/Documents/pubs/October_2011_Section_1230_Report.pdf; http://www.nato.int/cps/en/natohq/official_texts_68828.htm

United States Government (USG) to focus on supporting GIRoA's efforts to enhance its legitimacy and improve its capacity to deliver security, governance, development, and rule of law."⁸

The new U.S. strategy called for the Afghans to take the lead in countering the insurgency by the end of 2014 while the USG would continue other activities that have the effect of supporting counterinsurgency objectives, such as economic development to enhance the Afghan government's legitimacy, through the end of 2014 and beyond. The CMSF explained further: "By the time security transition is complete at the end of 2014... The mission of Coalition forces will have changed from combat to support operations, based on a shared commitment to peace." Notably, it singled out the completion of infrastructure projects as a high priority, as well as an "important way to promote economic growth, attract private sector investment, and support sustainable trade and commerce while integrating Afghanistan into the regional economy."

Shortly after the CMSF was issued, in May 2012, the United States and Afghanistan also signed a long-term Strategic Partnership Agreement to frame a cooperative relationship beyond 2014. Through it, the United States sought (and still seeks) "to support Afghanistan's continuing social and economic development, long-term security, good governance and regional cooperation while the Afghan government commits to strengthening accountability, transparency, oversight, and the protection of human rights."⁹

In June 2013, the ANSF officially assumed the lead for security nationwide, and ISAF shifted to a Train, Advise, and Assist (TAA) Mission.¹⁰ In August 2013, the CMSF was revised to reflect the "general shift from providing to advising, preserving gains, and preparing for program implementation and monitoring in a resource and access constrained environment."¹¹ It reiterated the "U.S. policy shift towards a more traditional diplomatic and development model," and noted that the USG would continue to support the Afghan government's "efforts to enhance legitimacy, exercise sovereignty, and instill confidence in government institutions." The revised CMSF also identified GIRoA as having the lead in counterinsurgency efforts: "A strong Afghan civil-military partnership, in tandem with successful execution of a GIRoA counterinsurgency campaign with ISAF supporting, will build the confidence of the Afghan people."

As Operation Enduring Freedom (OEF) drew to a close, the U.S. Embassy in Kabul worked to "consolidate civilian programs under a normal diplomatic mission structure," and bring "previous civilian-military activities that had a significant role for coalition military forces... under the aegis of the Chief of Mission (COM)." According to the transition plan, development priorities would be "balanced against the full range of diplomatic priorities, including economic development, technical assistance and other traditional Embassy and USAID programs."¹² This transition—from COIN operations to TAA for DoD, and from ISAF-led civil-military activities to traditional diplomatic and development activities for civilian agencies—officially concluded with the end of OEF on December 31, 2014.

Nevertheless, State, DoD, and USAID efforts continue to support the Afghan government's counterinsurgency campaign including by supporting the long-held strategic objective of enhancing the Afghan government's legitimacy through economic development, including infrastructure projects. The COM's current Integrated Country Strategy, for example, cites the following as a main U.S. goal: "A stronger socio-economic system, characterized by a

⁸ Sent as attachment.

⁹ https://www.defense.gov/Portals/1/Documents/pubs/1230_Report_final.pdf

¹⁰ https://www.defense.gov/Portals/1/Documents/pubs/October_1230_Report_Master_Nov7.pdf

¹¹ <https://publicintelligence.net/us-civil-military-afghan-framework/>

¹² https://www.defense.gov/Portals/1/Documents/pubs/October_1230_Report_Master_Nov7.pdf

responsible Afghan government budget and private-sector led, inclusive, and sustainable economic growth in key sectors; improved economic infrastructure; enhanced regional integration; and improved, more sustainable social service delivery.”¹³ Although the framework for U.S. strategy in Afghanistan has evolved since 2011, State, DoD, and USAID continue to support whole-of-government efforts to complete AIF projects which counter the insurgency and advance economic development.

¹³ Sent as attachment.

SIGAR's Response to the U.S. Agency for International Development's (USAID) Comments

SIGAR Comment 1: USAID states that the socio-economic impacts of the Arghandi-Ghazni transmission lines and substations cannot be fully assessed until the areas that will benefit from the power receive the additional electricity. However, some of the projects discussed in this report are already complete. Additionally, in its response to our first Afghanistan Infrastructure Fund (AIF) report in July 2012, the Department of Defense (DOD) stated that the COIN effects of fiscal year (FY) 2011 AIF projects were already being felt in changed tribal dynamics and loyalties shifting from the Taliban to the Afghan government and stated that "COIN effects are not measured by the completion of projects."⁸⁴ Therefore, given the apparent importance of these projects to the Afghanistan reconstruction effort, it would be reasonable for USAID to assess whether they have provided any COIN benefits even prior to their completion. Such an assessment would enable the agency to adjust current operations and spending based on whether the projects are actually providing COIN benefits.

SIGAR Comment 2: USAID concurred with our first recommendation to determine the extent to which each FY 2011 project has achieved its stated objectives, but suggested a date later than January 31, 2018, so the projects could be completed and the results observed. We welcome a more focused survey on electricity, as well as economic and social metrics. However, given that the AIF projects discussed in this report have taken many years to implement, some are still being implemented, and agencies are continuing to spend U.S. taxpayer funds on implementation, at least a preliminary assessment prior to project completion would be warranted. Such an assessment could guide future project planning and inform the extent to which ongoing projects may be improved in order to contribute to the achievement of COIN goals.

SIGAR Comment 3: Operation and maintenance clauses are common in many contracts, and it will be incumbent upon the contractor to adequately provide the instructions specified in the transmission line and substation contracts between DABS and the contractor. However, simply providing those instructions to DABS does not help ensure that the utility can sustain the project. Given the challenges we identified with DABS' capacity to sustain these multi-million dollar electricity projects, we contend it is imperative that USAID and DOD create sustainment plans for what will be required to maintain this and the other FY 2011 projects at their intended performance levels. This recommendation is not a suggestion that USAID provide additional funds for sustainment; rather, it is a suggestion that the agencies develop comprehensive sustainment plans that would fully inform the Afghan government of what it will need to do in order to independently sustain these projects.

SIGAR Comment 4: USAID did not concur with our recommendation to develop contingency plans that take into account whether the U.S. government or other international donors will fund the ongoing FY 2011 AIF projects once they are complete, should the Afghan government be unable to operate and maintain those projects. However, we regard USAID's statement as generally responsive to this recommendation. We interpret USAID's statement that it does "not plan to fund these projects in perpetuity," as an expectation that it will not pay for the sustainment of these projects once they are transferred to the Afghan government or to at the very least establish a date certain for ending sustainment support. SIGAR appreciates USAID's decisiveness, but maintains that developing a contingency plan would nonetheless be a reasonable way of taking into account the possibility that circumstances might change so as to warrant continued U.S. government support.

⁸⁴ SIGAR, *Fiscal Year 2011 Afghanistan Infrastructure Fund Projects Are behind Schedule and Lack Adequate Sustainment Plans*, SIGAR Audit 12-12, July 30, 2012.

APPENDIX VII - COMMENTS FROM THE DEPARTMENT OF STATE



United States Department of State

Washington, D.C. 20520

www.state.gov

October 18, 2017

Gabriele A. Tonsil
Assistant Inspector General for Audits and Inspections
Special Inspector General for Afghanistan Reconstruction (SIGAR)
1550 Crystal Drive, Suite 900
Arlington, VA 22202

Dear Ms. Tonsil:

Thank you for the opportunity to review SIGAR's draft report "Afghanistan Infrastructure Fund: DOD, State, and USAID have not assessed whether Six Fiscal Year 2011 Projects, worth \$474 Million, achieved their Counterinsurgency Objectives." From the time Secretaries Clinton and Gates requested the creation of the Afghanistan Infrastructure Fund (AIF) in 2010, the State Department has coordinated closely with the Department of Defense (DOD) and USAID on all AIF projects, including those examined in this report. We have coordinated our reviews of this report, and the State Department fully supports DOD and USAID in their responses to the four recommendations addressed to them as the implementing agencies.

All three agencies have worked closely with SIGAR since the audit began in November 2014, and we appreciate SIGAR's review of these infrastructure projects. We took care to clarify SIGAR's mischaracterization of the strategic framework for AIF projects in earlier drafts of this report, through a joint written statement and multiple joint engagements with SIGAR staff. We are disappointed to see that statements made by agency officials to help improve SIGAR's work have been taken out of context and used to create the impression that the three agencies gave "shifting explanations" of U.S. strategy in Afghanistan. We continue to believe that AIF projects support the long-held objective of enhancing the Afghan government's legitimacy through economic growth and development.

SIGAR Comment 1

From the start of AIF, State, DOD, and USAID have provided regular notifications, reports, and briefings to Congress to keep our stakeholders informed about the successes and challenges we have faced in implementing major infrastructure projects in Afghanistan. We will continue to do so as we undertake an interagency review of ongoing infrastructure projects in light of the Administration's new South Asia strategy.

Sincerely,

Henry Ensher
Acting Deputy Assistant Secretary for
Afghanistan and Central Asian Affairs

SIGAR's Response to the Department of State's (State) Comments

SIGAR Comment 1: Through a joint statement with the Department of Defense (DOD) and the U.S. Agency for International Development (USAID), that outlined the strategic framework associated with the implementation of AIF projects in Afghanistan, State noted that it took care to clarify our “mischaracterization” of the framework in previous drafts of this report. State added that it was disappointed to see that statements were taken out of context in this report and that we provided a false impression of the agencies’ explanations of the U.S. strategy in Afghanistan.

We disagree with this statement. In this report, we discussed the perspectives State, DOD, and USAID provided on the strategic framework for AIF in April 2017. We found that the agencies’ made conflicting statements about how or whether COIN would be measured, which agency was responsible for doing those measurements, and how long projects would take to achieve COIN benefits. Given that \$1.3 billion of taxpayer money was allocated to the AIF to support the COIN strategy, it is critical to the success of this effort that agencies responsible for overseeing and implementing the fund share the same understanding of this core strategic aspect of the program. Over the course of our fieldwork, we obtained additional perspectives from State, DOD, and USAID so we could comprehensively and accurately characterize the strategic framework for AIF and report on how the agencies explained it to us.

APPENDIX VIII - ACKNOWLEDGMENTS

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