

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

**SIGAR 22-03 Audit Report**

## Conditions on Afghanistan Security Forces Funding: The Combined Security Transition Command– Afghanistan Rarely Assessed Compliance With or Enforced Funding Conditions, Then Used an Undocumented Approach



OCTOBER  
2021

# SIGAR

## Special Inspector General for Afghanistan Reconstruction

### WHAT SIGAR REVIEWED

Since 2002, Congress has appropriated \$88.3 billion for the Afghan Security Forces Fund (ASFF) to train, equip, and sustain the Afghan National Defense and Security Forces (ANDSF).

Congress authorized the U.S. Department of Defense (DOD) to provide ASFF resources and oversee ASFF contributions, which supplemented the Afghan government's own financial contributions to the ANDSF's budgets. DOD's Combined Security Transition Command-Afghanistan (CSTC-A) was responsible for obligating and overseeing ASFF monies provided to the Afghan Ministry of Defense (MOD) and Ministry of Interior (MOI). In January 2014, to help encourage necessary reforms and build capacity in the security ministries and the ANDSF, CSTC-A began requiring the MOD, the MOI, and the Afghan Ministry of Finance to meet prescribed conditions in order to receive certain ASFF funding. CSTC-A and the Afghan ministries formalized their agreement on conditions in bilateral commitment letters.

The objectives of this audit were to (1) identify the conditions that CSTC-A placed on the MOD and MOI since 2014, and the extent to which CSTC-A enforced the conditions established in commitment letters; and (2) determine the extent to which CSTC-A developed and documented procedures to replace the commitment letters, and established formal conditions on the provision of ASFF to the ANDSF.

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October 2021

Conditions on Afghanistan Security Forces Funding: The Combined Security Transition Command-Afghanistan Rarely Assessed Compliance With or Enforced Funding Conditions, Then Used an Undocumented Approach

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### SIGAR 22-03 AUDIT REPORT

### WHAT SIGAR FOUND

We provided a draft of this report to DOD for comment in July 2021. Therefore, the events of August 2021, including the collapse of the Afghan government and the U.S. withdrawal from Afghanistan, are not considered or incorporated herein. However, this report provides important information about the poor performance of the ANDSF in the months and years before its collapse in August 2021.

This report also demonstrates that DOD failed to hold the Afghan government and ANDSF accountable for their persistent failure to make necessary, agreed upon reforms, which proved the institutions incapable of independently performing the most basic tasks and may have contributed to their ultimate failure. In sum, we found that CSTC-A did not hold the ANDSF to account by enforcing the conditions it established to create a stronger, more professional, and self-reliant ANDSF. As a result, DOD will never know if the ANDSF could have performed at a higher level in the wake of the U.S.'s withdrawal had the department held the ANDSF accountable for failures, rather than performing tasks for them and providing funding regardless of actual progress.

CSTC-A signed its first commitment letters with the MOD and MOI in January 2014, and for 6 years, CSTC-A worked with the MOD and MOI to develop and formalize 684 conditions for the ministries to meet in order to receive certain ASFF funding. The numbers and types of conditions varied through the years, as did the potential penalties and incentives.

Although CSTC-A, MOD, MOI, and the Afghan Ministry of Finance agreed to the conditions and associated penalties and incentives contained in the commitment letters, from 2014 through 2019, CSTC-A did not always determine if the MOD and MOI complied with commitment letters' conditions, nor did CSTC-A have a consistent review process in place to determine if the MOD and MOI met the established conditions. Additionally, CSTC-A rarely assessed penalties when the ministries failed to meet the established conditions. For example, CSTC-A found that MOD did not comply with 12 of 44 conditions in 2016, but assessed penalties on only 2 conditions. Similarly, MOI did not comply with 14 of 49 conditions that year, but CSTC-A assessed associated penalties on only 4 conditions.

CSTC-A officials enforced only a small number of penalties because they believed that penalties would negatively affect the war effort or ANDSF development. Specifically, CSTC-A provided the following reasons for not enforcing agreed upon conditions:

- progress was being made even though all of the condition requirements were not met;

- circumstances outside of the ministries' control prevented the conditions from being met; or
- the imposition of penalties would have been detrimental to the Afghan fighting season.

However, CSTC-A did not document and distribute criteria on when to apply these exceptions to ensure the consistent application of penalties. In July 2015, SIGAR reported that the lack of conditionality-enforcement can be destructive, undermine credibility, and weaken incentives to implement policy reforms. CSTC-A's failure to assess progress against established funding conditions and hold the Afghan government accountable for its failures left CSTC-A without an indication of whether the conditions may have worked as intended to drive change and progress.

In December 2019, CSTC-A officials told SIGAR that it would no longer use commitment letters to ensure accountability and stewardship of the funds it was providing the ANDSF. Instead, from 2019 through 2021, CSTC-A used an ad hoc, undocumented approach that relied on "reliable partners" to establish conditions on ASFF monies provided to MOD and MOI. CSTC-A did not develop written criteria or assessment documentation to identify and track reliable partners. Rather, according to CSTC-A officials, CSTC-A advisors informally assessed their Afghan partners against six key attributes and competencies. CSTC-A said it did not document what conditions it established with its reliable partners during that period, how it established the conditions, or an assessment of MOD or MOI success in meeting the conditions. According to CSTC-A, the undocumented approach allowed for greater flexibility in implementing conditionality. Nevertheless, DOD Instruction 5015.02 states,

Records, regardless of media or security classification, will be created, maintained, used, disposed, and preserved to document the transaction of business and mission in wartime and peacetime. Records are evidence of DOD Component organization, functions, policies, procedures, decisions, and activities...

In April 2021, President Biden announced the withdrawal of U.S. combat troops from Afghanistan. Following that announcement, DOD shutdown CSTC-A and replaced it with the Defense Security Cooperation Management Office–Afghanistan.

## WHAT SIGAR RECOMMENDS

SIGAR is not making any recommendations. The draft of this report included a recommendation that the Commander of the Defense Security Cooperation Management Office–Afghanistan document its policies and procedures for (a) establishing conditions for providing funds to the ANDSF, (b) assessing conditions, and (c) determining under what conditions the command will enforce a financial penalty or incentive. However, that recommendation was overtaken by the events of August 2021, including the collapse of the ANDSF and Afghan government. Nevertheless, we encourage DOD to consider the findings of this report should it attempt to encourage security sector reform in developing countries through the use of conditions-based assistance.

SIGAR provided a draft of this report to DOD for review and comment. DOD did not provide comments. DOD told SIGAR that the department is unable to respond to all SIGAR requests and products. Should DOD provide comments at a later date, SIGAR will update the report and post it on its public website. DOD did provide extensive technical comments, which we incorporated into the report as appropriate.



**SIGAR**

Office of the Special Inspector General  
for Afghanistan Reconstruction

October 6, 2021

The Honorable Lloyd J. Austin III  
Secretary of Defense

General Kenneth F. McKenzie Jr.  
Commander, U.S. Central Command

Major General Curtis A. Buzzard  
Director, Defense Security Cooperation Management  
Office–Afghanistan

This report discusses the results of SIGAR’s audit of the Combined Security Transition Command–Afghanistan’s (CSTC-A) use of conditions to build capacity within Afghan ministries and prevent funds from being misappropriated or otherwise misused.<sup>1</sup> We provided DOD with a copy of this report for comment in July 2021. Therefore, the events of August 2021, including the collapse of the Afghan government and the U.S. withdrawal from Afghanistan, are not considered or incorporated herein. In sum, we found that CSTC-A did not hold the Afghan National Defense and Security Forces (ANDSF) to account by enforcing the conditions it established to create a stronger, more professional, and self-reliant ANDSF. As a result, DOD will never know if the ANDSF could have performed at a higher level in the wake of the U.S.’s withdrawal had the department held the ANDSF accountable for failures, rather than performing tasks for them and providing funding regardless of actual progress.

CSTC-A signed the first commitment letters with Afghanistan’s Ministry of Defense (MOD) and Ministry of Interior (MOI) in January 2014. For 6 years thereafter, CSTC-A worked with the MOD and MOI to develop and formalize 684 conditions for the ministries to meet in order to receive certain Afghan Security Forces Fund (ASFF) monies. The conditions included both penalties and incentives related to ASFF, and called for the ministries to perform specific actions, meet key benchmarks, or undertake reforms. The numbers and types of conditions varied through the years, as did the potential penalties and incentives.

We found that CSTC-A inconsistently assessed MOD and MOI compliance with the conditions and rarely enforced penalties. In 2019, CSTC-A leadership decided to no longer use commitment letters to establish formal ASFF conditions with the Afghan ministries. Additionally, from 2019 through 2021, CSTC-A’s approach to establish such conditions was ad hoc and undocumented. Specifically, CSTC-A did not document its approach to establish conditions, monitor and evaluate the MOD’s and MOI’s adherence to the conditions, or determine either penalties or incentives. Department of Defense (DOD) Instruction 5015.02 states,

Records, regardless of media or security classification, will be created, maintained, used, disposed, and preserved to document the transaction of business and mission in wartime and peacetime. Records, are evidence of DOD Component organization, functions, policies, procedures, decisions, and activities...<sup>2</sup>

<sup>1</sup> In June 2021, following completion of our fieldwork for this audit and as part of the U.S. troop withdrawal from Afghanistan, the U.S. Department of Defense shut down CSTC-A and established a new organization, the Defense Security Cooperation Management Office–Afghanistan, which is now responsible for obligating and overseeing ASFF.

<sup>2</sup> DOD Instruction 5015.02, *DOD Records Management Program*, August 17, 2017, pp. 1–2.



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SIGAR is not making any recommendations. The draft of this report included a recommendation that the Commander of the Defense Security Cooperation Management Office–Afghanistan document its policies and procedures for (a) establishing conditions for providing funds to the ANDSF, (b) assessing conditions, and (c) determining under what conditions the command will enforce a financial penalty or incentive. However, that recommendation was overtaken by the events of August 2021, including the collapse of the ANDSF and Afghan government. Nevertheless, we encourage DOD to consider the findings of this report should it attempt to encourage security sector reform in developing countries through the use of conditions-based assistance.

We provided a draft of this report to DOD for review and comment. DOD did not provide comments. DOD told us that it is unable to respond to all of our requests and products. Should we receive comments at a later date, we will include them in an updated version of the report, which we will post on our website. DOD did provide extensive technical comments, which we incorporated into the 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.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

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## ABBREVIATIONS

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ANDSF	Afghan National Defense and Security Forces
ASFF	Afghanistan Security Forces Fund
CSTC-A	Combined Security Transition Command–Afghanistan
DOD	Department of Defense
FY	fiscal year
MOD	Ministry of Defense
MOI	Ministry of Interior

Since 2002, Congress has appropriated nearly \$144.4 billion for reconstruction and related activities in Afghanistan. Of that amount, \$88.3 billion was designated for the Afghan Security Forces Fund (ASFF) to train, equip, and sustain the Afghan National Defense and Security Forces (ANDSF).<sup>1</sup>

The primary organization responsible for building the ANDSF, and for obligating and overseeing ASFF, was the Department of Defense (DOD)'s Combined Security Transition Command–Afghanistan (CSTC-A).<sup>2</sup> CSTC-A used ASFF to support two primary goals: (1) to develop and sustain the Afghan Ministry of Defense (MOD) and the Ministry of Interior (MOI), and their forces; and (2) to provide the ANDSF with “the financial resources required to sustain high-tempo combat operations,” and become “a reliable counterterrorism partner.”<sup>3</sup>

In January 2014, CSTC-A began requiring the MOD, MOI, and Ministry of Finance to develop and agree to prescribed conditions in order to receive certain ASFF funding. CSTC-A and the ministries formalized this agreement through bilateral financial commitment letters. The change in the operating environment in Afghanistan as the U.S. prepared for the end of its combat mission allowed CSTC-A to impose conditions on the funds it used to directly support the MOD and MOI. However, in a 2015 meeting, the CSTC-A Commanding General told SIGAR that he would not stand idle if an Afghan ministry failure to satisfy conditions threatens loss of life or battlefield defeat, but otherwise believes fiscal-discipline and capacity-building imperatives forbid rescuing Afghan ministries every time they have problems.<sup>4</sup> As a result, CSTC-A used conditions-based assistance “to ensure the proper implementation and integration of financial accounting, payroll, human resources, and real property systems; and provide mechanisms to prevent funds from being misappropriated or otherwise misused.”<sup>5</sup>

In October 2014, the Senate Committee on Foreign Relations Majority staff issued a report that urged the U.S. government to establish more conditions on funding provided to the Afghan government. The report stated that if done properly by ensuring Afghan agreement, conditioning U.S. assistance could improve the accountability of U.S. funding, strengthen reformers and institutions in the Afghan government, and result in better Afghan performance outcomes.<sup>6</sup>

In early 2015, the Special Inspector General for Afghanistan Reconstruction testified before a Senate subcommittee that one way to improve Afghan ministries' ability to manage and account for on-budget assistance is to condition the funds on the ministries taking defined actions to improve their financial management, procurement, strategic planning, and auditing capabilities, among other areas.<sup>7</sup>

After using commitment letters to establish formal conditions with the Afghan government for ASFF since 2014, CSTC-A stated in October 2019 that it would no longer use commitment letters to place conditions on ASFF funding.

The objectives of this audit were to (1) identify the conditions that CSTC-A placed on the MOD and MOI since 2014, and the extent to which CSTC-A enforced the conditions; (2) determine the extent to which CSTC-A

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<sup>1</sup> SIGAR, *Quarterly Report to the United States Congress*, April 30, 2021, p. 35.

<sup>2</sup> In June 2021, following completion of our fieldwork for this audit and as part of the U.S. troop withdrawal from Afghanistan, DOD shut down CSTC-A and established a new organization, the Defense Security Cooperation Management Office–Afghanistan, which is responsible for obligating and overseeing ASFF.

<sup>3</sup> Office of the Secretary of Defense, *Justification for FY 2022 Afghanistan Security Forces Fund (ASFF)*, May 2021, p. 7.

<sup>4</sup> SIGAR, *Quarterly Report to the United States Congress*, July 30, 2015, p. 11.

<sup>5</sup> DOD, *Report on Enhancing Security and Stability in Afghanistan*, June 2015, p. 7.

<sup>6</sup> 113<sup>th</sup> Congress, 2<sup>nd</sup> Session, Committee on Foreign Relations, United States Senate, *Afghanistan in Transition: U.S. Civilian Presence and Assistance Post-2014 A Majority Staff Report Prepared for the Use of the Committee on Foreign Relations United States Senate*, October 27, 2014, p. 7.

<sup>7</sup> SIGAR, Statement for the Record of John F. Sopko, “Improving the Effectiveness of U.S. Reconstruction Efforts in Afghanistan by Enhancing Oversight and Addressing Key Areas of High Risk,” before the U.S. Senate Committee on Appropriations, Subcommittee on the Department of State, Foreign Operations, and Related Programs, Testimony 15-36-TY, February 24, 2015, p. 14.



developed and documented procedures to replace the commitment letters and established formal conditions on the provision of ASFF to the ANDSF.

To address these objectives, we interviewed knowledgeable officials, and reviewed information and documents from DOD, U.S. Central Command, and CSTC-A, including the commitment letters from 2014 through 2019. Additionally, we reviewed reports issued by the DOD Office of Inspector General, as well as DOD's semi-annual report, *Enhancing Security and Stability in Afghanistan*. We conducted our work in Arlington, Virginia, from November 2019 through October 2021, in accordance with generally accepted government auditing standards. Appendix I contains a more detailed discussion of our scope and methodology.

## BACKGROUND

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The ability of MOD and MOI to develop forces capable of securing Afghanistan depended, in part, on addressing key capability gaps, and developing reliable and effective systems and processes. CSTC-A was the U.S. military command in Afghanistan responsible for the mission to “train, advise, and assist” the ANDSF with this capacity-building and process development. DOD reported to Congress in June 2020 that CSTC-A was focusing its advisory efforts on areas where it could have the greatest impact on ANDSF development, make a positive contribution to the U.S. campaign objectives, and increase an immediate return on U.S. and coalition investment.<sup>8</sup>

CSTC-A advisors at MOD and MOI headquarters mentored ANDSF leaders to develop institutional capacity and provide guidance on budgeting, acquisition, planning, procurement, financial management, and contract management and oversight. MOD forces provided security to the Afghan people through the execution of combat operations against potential threats.<sup>9</sup> MOI forces were primarily responsible for community policing and enforcing the rule-of-law.<sup>10</sup> In addition, the MOI conducted counter-corruption and counternarcotic operations. Collectively, MOD and MOI forces made up the ANDSF.

As of April 31, 2021, more than 61 percent of the \$144.4 billion appropriated since 2002 for the U.S. reconstruction of Afghanistan has been security-related. For much of that time, funds were provided to the ANDSF without conditions because the “exigent demands of fighting a war trumped many other considerations.”<sup>11</sup> However, in January 2014, CSTC-A began using commitment letters with the Afghan government to formally place conditions on the provision of ASFF monies to the MOD and MOI. Every year from 2014 through 2019, CSTC-A, MOD, MOI, and the Afghan Ministry of Finance signed bilateral financial commitment letters (hereafter referred to as commitment letters) that committed CSTC-A to fund specified portions of the MOD and MOI budget, while allowing CSTC-A to establish conditions that the MOD or MOI should meet in order to receive ASFF funds.<sup>12</sup> DOD told Congress in 2015 that the CSTC-A conditions were “intended to ensure the proper implementation and integration of financial accounting, payroll, human

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<sup>8</sup> DOD, *Enhancing Security and Stability in Afghanistan*, June 2010, p. 13.

<sup>9</sup> MOD forces included the Afghan National Army, the Afghan Air Force, the Afghan Special Security Forces, the Afghan National Civil Order Force, and the Afghan Border Force.

<sup>10</sup> MOI was responsible for the Afghan National Police, which included the Afghan Uniform Police, the Public Security Police, the Afghan Border Police, the Afghan Anti-Crime Police, and the General Directorate for Intelligence and Counter Crime. The Afghan National Police also contained two sub-organizations, the Counter Narcotics Police of Afghanistan and the Afghan Public Protection Force. The Afghan Public Protection Force was a fee for service organization and received no funding from DOD.

<sup>11</sup> SIGAR, Quarterly Report to the United States Congress, July 30, 2015, p. 3.

<sup>12</sup> Commitment letters identified the conditions under which CSTC-A would provide funding to the Afghan government and documented both governments' agreement to those conditions. The letters were bilateral agreements and not intended to bind either government under international law. Commitment letters generally covered the period from December to December. For example, the commitment letter for 2014 covered the period from December 2013 to December 2014. However, the 2018 commitment letters covered the period from December 2017 to December 2019.

resources, and real property systems; and provide mechanisms to prevent funds from being misappropriated or otherwise misused.”<sup>13</sup>

Commitment letters included both incentives and penalties for the MOD and MOI meeting or not meeting specific conditions. Incentives released additional funding or services; penalties were funding or service reductions. As we reported in July 2015, the use of both penalties and incentives was intended to achieve a variety of outcomes, including

- securing policy, program, or process changes;
- prompting specific security or developmental outcomes;
- influencing recipient attitudes and behavior; and
- improving visibility and accountability for donor’s money.<sup>14</sup>

## **CSTC-A ESTABLISHED 684 CONDITIONS FOR MOD AND MOI ASFF FUNDING, BUT INCONSISTENTLY ASSESSED COMPLIANCE AND RARELY ENFORCED PENALTIES FOR NONCOMPLIANCE**

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For the 6 years from 2014 through 2019, CSTC-A worked with the MOD and MOI to develop commitment letters and implement 684 specific conditions for the ministries to meet in order to receive certain ASFF funding. The extent and types of conditions varied throughout the years, as did the potential penalties and incentives. However, we found that CSTC-A inconsistently assessed MOD and MOI compliance with the conditions. Moreover, when CSTC-A did determine that MOD or MOI did not comply with a condition, CSTC-A rarely enforced penalties, citing a variety of reasons, including that penalties would be detrimental to the ANDSF capabilities during the Afghan fighting season.

### **CSTC-A Commitment Letters Established 684 Conditions for MOD and MOI ASFF Funding**

From 2014 through 2019, CSTC-A placed 684 specific conditions on the ASFF monies it provided to the MOD and MOI through a series of commitment letters. Our review of the letters found that the total number of conditions placed upon the MOD and MOI varied from year to year. For example, in the 2014 letter, CSTC-A established 75 total conditions for the MOD and MOI. CSTC-A increased the total number of conditions covering both ministries to 133 in 2015, and established total 179 conditions in 2018 and 2019. We also found that not all conditions included a specific corresponding incentive or penalty; specifically, of the 684 conditions established in the commitment letters, only 540 included a corresponding incentive or penalty. Table 1 shows the total number of conditions included in the commitment letters signed between CSTC-A and the MOD and MOI that were in effect during calendar years 2014 through 2019, and the number of penalties or incentives included in the letters.

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<sup>13</sup> DOD, *Enhancing Security and Stability in Afghanistan*, June 2015, p. 12.

<sup>14</sup> SIGAR, Quarterly Report to the United States Congress, July 30, 2015, p. 16.

**Table 1 - Number of Conditions Established through Commitment Letters by Year and by Ministry**

Year	# of MOD Conditions	# of MOD Penalties	# of MOD Incentives	# of MOI Conditions	# of MOI Penalties	# of MOI Incentives	Total # of Conditions	Total # of Penalties	Total # of Incentives
2014	42	23	7	33	15	2	75	38	9
2015	58	23	9	75	35	14	133	58	23
2016	80	47	14	90	70	9	170	117	23
2017	57	42	5	70	49	6	127	91	11
2018 & 2019*	95	72	18	84	62	18	179	134	36
<b>Total</b>							<b>684 Total Conditions</b>	<b>438 Total Penalties</b>	<b>102 Total Incentives</b>

Note: The table contains the total number of conditions, penalties, and incentives contained within each commitment letter. Penalties and incentives could overlap with the same condition, and thus are not mutually exclusive.

\*The 2018 commitment letters covered the period from December 2017 to December 2019.

Our review of the commitment letters also found that the types and scope of conditions varied from year to year. For example, conditions in the 2014 MOD commitment letter included

- requiring the MOD to provide Mobile Training Teams capable of teaching budget and financial management;
- barring the MOD from using the ASFF to pay for contracted defense articles acquired from the Russian arms exporter, Rosoboronexport, because of U.S. sanctions on the company; and
- prohibiting the MOD from using the ASFF to buy or lease land.

Those three conditions changed in the MOD's 2015 commitment letter:

- CSTC-A removed the Mobile Training Teams condition, and did not reintroduce it in any later commitment letter to the MOD.
- CSTC-A added additional prohibitions on top of the conditions listed in the 2014 letter regarding the Rosoboronexport condition. The addition required the MOD to “seek specific approval from CSTC-A prior to entering into a contract with the Russian arms dealer Rosoboronexport.”<sup>15</sup>
- CSTC-A revised the land acquisition condition; the condition's new language continued to prohibit using the ASFF to buy lands, but did not mention or prohibit leasing.<sup>16</sup>

In addition, the conditions that specified a monetary penalty or incentive did not always identify the amount of ASFF funding that would be withheld if a ministry failed to meet the requirement. At other times, conditions specified a particular portion of the MOD or MOI budget to deny or apply from ASFF contributions. For example, a 2017 condition required the MOD to “maintain Tashkil slotting at or above 95 [percent] in the Afghan Human Resources Information Management System each month,” and to meet the condition by July 1, 2017.<sup>17</sup> If the MOD did not meet this condition by the deadline, CSTC-A asserted that it would not fund salaries for MOD personnel who were not in the system. This condition also included an additional penalty: CSTC-A could withhold up to 5 percent per quarter from ASFF contributions earmarked to pay for MOD's personnel salaries. Although the MOI had a similar condition in its 2017 letter, CSTC-A's 2017 commitment letter with the MOI did not spell out a financial penalty related to a specific portion of the MOI budget. Instead, according to the commitment letter, CSTC-A could withhold up to 5 percent of total ASFF funding per quarter. The commitment letter did not provide an end date for the potential penalties; however, commitment letters were generally only in effect for 1 year, and then would be superseded by the following year's letter.

<sup>15</sup> CSTC-A, *Bilateral Financial Commitment Letter Between Combined Security Transition Command–Afghanistan and the Government of the Islamic Republic of Afghanistan Ministry of Defense*, December 2014, p. 31.

<sup>16</sup> The 2016 commitment letter re-introduced the prohibition on the MOD use of ASFF to lease land.

<sup>17</sup> The *Tashkil* is a document that prescribes the standard equipment for an ANDSF unit for combat or service under normal operating conditions. CSTC-A, *FY1396 Bilateral Financial Commitment Letter: Ministry of Defense: Government of the Islamic Republic of Afghanistan*, December 2016, p. 16.

Finally, although most of the conditions associated with ASFF were included in the commitment letters, CSTC-A also established funding conditions through other mechanisms. For example, CSTC-A determined that it was not appropriate to include operational and tactical goals for the ANDSF in commitment letters because much of the information pertaining to the ANDSF's operating status was classified. As a result, CSTC-A established Operational Memorandums of Understanding with MOD and MOI in 2016, which were similar to commitment letters but focused on specific operational conditions and defined operational performance measurements of the forces under each ministry's command, and were aimed at ensuring that ministerial and operational performance would continue to improve. Both ministries agreed to implement and enforce the specified operational conditions. As with commitment letters, CSTC-A could penalize the ministries if they did not meet operational conditions. CSTC-A did not provide us with the memorandums, and therefore, we could not determine the extent to which they contained penalties or incentives related to operational conditions.<sup>18</sup>

## **CSTC-A Inconsistently Assessed Compliance and Rarely Enforced Penalties When MOD or MOI Did Not Achieve Commitment Letter Conditions**

We found that CSTC-A did not always determine if the MOD and MOI complied with commitment letter conditions from 2014 through 2019, nor did CSTC-A have a consistent review process in place to assess compliance with established conditions. According to a December 2016 report by the DOD Office of Inspector General, CSTC-A began conducting formal quarterly commitment letter reviews in 2016 to identify whether the MOD and MOI were meeting commitment letter conditions.<sup>19</sup> After each quarterly review, recommendations regarding penalties and incentives were reviewed by its Security Forces Assistance Board and then forwarded to the CSTC-A Commanding General for final approval. However, our review of CSTC-A documents showed that 2016 was the only year in which CSTC-A completed all four quarterly reviews. For example, CSTC-A did not assess compliance in the fourth quarter of 2017, first quarter of 2018, or any quarter during 2019.

In addition to inconsistent assessments, CSTC-A rarely enforced penalties for failing to meet conditions or making insufficient progress toward meeting conditions. For example, in 2016, CSTC-A found that MOD did not comply with 12 of 44 conditions, but CSTC-A enforced penalties for failure to meet only 2 of those 12. Similarly, in 2016, MOI did not comply with 14 of 49 conditions, but CSTC-A enforced penalties for failure to meet only 4 of those 14. The trend continued during 2017; in its 2017 third quarter assessment, CSTC-A found that MOD did not comply with 11 of 15 conditions, but enforced penalties for failure to meet only 5 conditions. For the same period, CSTC-A found that MOI did not comply with 17 of 19 conditions, but enforced penalties for failure to meet only 12 conditions. In 2018, CSTC-A enforced penalties in the fourth quarter for failure to meet 8 conditions for MOD and 6 for MOI. CSTC-A did not enforce penalties related to any commitment letter conditions in 2019.

CSTC-A only enforced a small number of penalties because CSTC-A officials believed that penalties would negatively affect the war effort or ANDSF development. Specifically, CSTC-A provided the following reasons for not enforcing agreed-upon conditions:

- progress was being made even though all of the condition requirements were not met;
- circumstances outside of MOD's or MOI's control prevented the condition's satisfactory completion; or
- the imposition of penalties would have been detrimental to the Afghan fighting season.

However, CSTC-A did not document criteria on when to apply these exceptions to ensure consistent application across the command. In July 2015, we noted that when "aid agencies often fail to enforce conditions, this

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<sup>18</sup> Although CSTC-A did not provide us with the requested memoranda, we found three examples of operational conditions and the penalties imposed by CSTC-A contained in DOD's reports to Congress and in a prior SIGAR Lesson's Learned Report (see, DOD, *Enhancing Security and Stability in Afghanistan*, December 2018, pp. 43–45; SIGAR, *Reconstructing The Afghan National Defense and Security Forces: Lessons From The U.S. Experience In Afghanistan*, September 2017, p. 66).

<sup>19</sup> DOD Office of Inspector General, *Combined Security Transition Command–Afghanistan Needs to Strengthen the Controls Over U.S. Direct Assistance*, DODIG-2017-027, December 1, 2016, p. 8.

pattern undermines the credibility of conditionality, weakening incentives to implement policy reforms.”<sup>20</sup> Furthermore, we reported

Whether the lack of conditionality-enforcement rigor stems from unclear requirements, loss aversion, security concerns, or other sources, the effect can be pernicious. Aid-receiving country leaders may conclude that donors’ political sensitivities about perceptions of failure, reluctance to write off gains, or prioritization of strategic over developmental objectives will shield them against donor enforcement of conditions.<sup>21</sup>

CSTC-A’s failure to assess progress against established funding conditions and hold the Afghan government accountable for its failures means that the command’s 5-year experiment with conditions-based assistance cannot be reliably assessed. Subsequently, DOD is left without any indication of whether the conditions may have worked to drive change and progress had the command held Afghan partners accountable. As we warned in July 2015, the CSTC-A conditions were, rightly, “...perceived as empty threats that will not or cannot be carried out.”<sup>22</sup>

## **CSTC-A STOPPED USING COMMITMENT LETTERS IN FAVOR OF AN AD HOC, UNDOCUMENTED APPROACH FOR CONDITIONING MOD AND MOI ASFF MONIES**

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In April 2019, CSTC-A told us that its Commanding General directed a review of the current bilateral financial commitment letter process. In December 2019, CSTC-A told us that it would no longer use commitment letters to ensure accountability and stewardship of the funds it provides to the ANDSF. CSTC-A provided multiple reasons why it no longer uses commitment letters, including:

- The MOD’s and MOI’s institutional capability had not matured as hoped.
- Commitment letters did not provide for sustainable outcomes or lead to an institutionally viable force.
- Penalties do not work and were insulting to CSTC-A’s Afghan partners.
- A reduction in CSTC-A staff and security concerns made it impossible for the command to oversee all commitment letter requirements and document all associated decisions.

However, DOD Instruction 5015.02 states,

Records, regardless of media or security classification, will be created, maintained, used, disposed, and preserved to document the transaction of business and mission in wartime and peacetime.

Records are evidence of DOD Component organization, functions, policies, procedures, decisions, and activities...<sup>23</sup>

Despite the DOD Instruction 5015.02 requirements, CSTC-A replaced the formal commitment letter process with an ad hoc, undocumented approach to establish conditions on ASFF monies provided to MOD and MOI. CSTC-A said it used positive reinforcement to encourage change, in contrast to the previous CSTC-A practice of levying penalties that it described as detrimental and unrealistic. As noted previously, though, the commitment letters contained both incentives and penalties. In a March 2020 meeting, CSTC-A officials told us that the new approach allowed for greater flexibility in implementing conditionality, and provided CSTC-A more opportunities to determine where it could get the “most bang for the buck.” However, according to CSTC-A, it did not document the incentives or associated conditions the command established under the ad-hoc undocumented approach because incentives are determined on a case-by-case basis.

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<sup>20</sup> SIGAR, Quarterly Report to the United States Congress, July 30, 2015, p. 11.

<sup>21</sup> SIGAR, Quarterly Report to the United States Congress, July 30, 2015, p. 10.

<sup>22</sup> SIGAR, Quarterly Report to the United States Congress, July 30, 2015, p. 13.

<sup>23</sup> DOD Instruction 5015.02, *DOD Records Management Program*, August 17, 2017, pp. 1–2.



According to CSTC-A, the ad hoc, undocumented approach was possible because CSTC-A identified “reliable partners” who proved through their words and actions their desire to work with Resolute Support to build an institutionally viable MOD and MOI.<sup>24</sup> However, CSTC-A officials said the command has no written criteria or assessment documentation to identify and track reliable partners. CSTC-A officials also told us that reliable partners and leaders were critical to accomplishing their ANDSF goals, and were expected to increasingly leverage opportunities to improve ANDSF effectiveness, affordability, and sustainability. The process of designating a reliable partner depends on advisor experience, judgment, and intuition, while observing the partner’s behavior, attitude, and overall leadership, according to CSTC-A officials. CSTC-A officials stated that CSTC-A advisors informally assessed their Afghan partners against six key attributes and competencies, including character, intellect, influence, leadership, achievement, and supervision. Poor performance in the character competency due to corruption may have been enough to render a partner unreliable. However, CSTC-A’s designating a partner as reliable did not guarantee that the partner would have remained reliable. CSTC-A said it could have later reassessed a reliable partner as unreliable.

According to CSTC-A, because of its reduced staff, the command could not document all actions it took when it interacted with the ANDSF. CSTC-A also did not document the conditions it established with its reliable partners, or the ministries’ successes or failures in meeting conditions, and had no documentation to explain how it established conditions. Additionally, CSTC-A informed us that there was no written guidance issued that specifically outlined the switch from commitment letters to the approach initiated in 2020. While a reduced staff may have made it more difficult to document all of the interactions between CSTC-A and the ANDSF, the lack of documentation of the ANDSF’s commitments will make understanding the collapse of the ANDSF more difficult.

Because CSTC-A advisors did not document MOD or MOI successes in meeting conditions, we asked CSTC-A how its leadership determined if the ANDSF should receive an incentive payment. CSTC-A responded that its directorates and advisors reported to leadership through email, biweekly situational reports, briefings, and face-to-face communication when needed or when directed. CSTC-A advisors and leadership used this communication to evaluate ANDSF progress towards self-sustainability and determine appropriate actions. CSTC-A refused to provide us with examples of the documents used to brief leadership.

## CONCLUSION

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Since at least 2014, Congress, DOD, SIGAR, and others have emphasized the utility and importance of conditioning U.S. assistance to the Afghan government on the accomplishment of needed reforms and capacity development. When designed thoughtfully, used effectively, and enforced consistently, conditions can be a tool to facilitate an agency’s efforts to improve accountability, encourage reforms, and strengthen institutions. However, CSTC-A did not adhere to these core principles, and instead, inconsistently assessed and rarely enforced agreed-upon conditions. As we previously warned, failing to reliably assess and enforce conditions may have weakened CSTC-A’s credibility and lessened Afghan government motivation to implement needed changes because its leadership knew there would be few consequences. Additionally, because CSTC-A did not hold the ANDSF to account by enforcing the conditions it established, and perhaps creating a stronger, more professional ANDSF, DOD will never know if the ANDSF could have performed at a higher level in the wake of the U.S.’s withdrawal. Moreover, CSTC-A’s failure to reliably assess and enforce conditions demonstrated that the command’s 2019 decision to stop using formal commitment letters to establish funding conditions was based on incomplete data and a fundamental lack of understanding about what conditions worked and why. From 2019 through 2021, CSTC-A purportedly continued using conditions-based approaches to its provision of ASFF. However, even though DOD Instruction 5015.02 requires commands like CSTC-A to create, maintain, and preserve DOD records, CSTC-A did not document how its new approach worked, including how it used incentives to encourage behavior, assessed partners to be reliable, or achieved consistent accountability. This

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<sup>24</sup> SIGAR, *Quarterly Report to the United States Congress*, January 30, 2020, pp. 74, 107.

lack of documentation of the ANDSF's commitments will make reviews of the Afghan ministries' and ANDSF's collapse more difficult.

## RECOMMENDATIONS

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SIGAR is not making any recommendations. The draft of this report included a recommendation that the Commander of the Defense Security Cooperation Management Office–Afghanistan document its policies and procedures for (a) establishing conditions for providing funds to the ANDSF, (b) assessing conditions, and (c) determining under what conditions the command will enforce a financial penalty or incentive. However, that recommendation was overtaken by the events of August 2021, including the collapse of the ANDSF and Afghan government. Nevertheless, we encourage DOD to consider the findings of this report should it attempt to encourage security sector reform in developing countries through the use of conditions-based assistance.

## AGENCY COMMENTS

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We provided a draft of this report to DOD for review and comment. DOD did not provide comments. DOD told us that it is unable to respond to all of our requests and products. Should we receive comments at a later date, we will include them in an updated version of the report, which we will post on our website. DOD did provide extensive technical comments, which we incorporated into the report as appropriate.

## APPENDIX I - SCOPE AND METHODOLOGY

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This report discusses the results of SIGAR's audit of the Combined Security Transition Command–Afghanistan's (CSTC-A) implementation of conditionality at the Afghan Ministries of Defense (MOD) and Interior (MOI). Our objectives were to (1) identify the conditions that CSTC-A placed on the MOD and MOI since 2014, and the extent to which CSTC-A enforced the conditions established in commitment letters; and (2) determine the extent to which CSTC-A developed and documented procedures to replace the commitment letters and established formal conditions on the provision of Afghan Security Forces Funds (ASFF) to the Afghan National Defense and Security Forces (ANDSF).<sup>25</sup> We completed substantive field work for this audit in March 2021, and provided DOD with a copy of the report in July 2021. Therefore, the events of August 2021, including the collapse of the Afghan government and the U.S. withdrawal from Afghanistan, were not considered or incorporated into our report.

For both objectives, we met with SIGAR's subject matter experts who had been collecting information from the U.S. Department of Defense (DOD) regarding CSTC-A's implementation of conditionality since January 2014 as part of our quarterly reporting to Congress. This information included qualitative CSTC-A responses to requests for information; CSTC-A's quarterly commitment letter assessment charts summarizing the total number of conditions assessed and progress made; memos highlighting CSTC-A assessments during a specific quarter that identified the condition; and CSTC-A assessment efforts and the penalty or assessment decisions. We also met with and obtained information for both objectives from DOD personnel, including officials representing the Office of the Undersecretary of Defense for Policy, U.S. Central Command, U.S. Forces–Afghanistan, and CSTC-A.<sup>26</sup>

To answer the first objective, we analyzed the commitment letters to determine the number of conditions that CSTC-A established for the MOD and MOI between 2014 and 2019, and whether CSTC-A used penalties or incentives to encourage compliance. However, we were not able to determine the full extent to which CSTC-A enforced the established conditions because CSTC-A did not provide all the information necessary to do so. Nevertheless, using information collected as part of our quarterly reporting, as well as reports from the DOD Office of Inspector General and DOD's semi-annual reports to Congress, we believe that the information and evidence obtained provides a reasonable basis for our finding.<sup>27</sup> In addition, CSTC-A provided limited information on its decision to stop using commitment letters, and did not provide any documentary evidence of the approach and procedures that it implemented to replace commitment letters.

We also obtained and analyzed documents related to (1) CSTC-A assessments of MOD and MOI compliance with commitment letter conditions, and (2) penalties CSTC-A enforced. These documents included narrative responses to quarterly requests for information and source documents, such as assessment results and penalty letters. In addition, we used information from DOD Office of Inspector General reports related to conditionality in Afghanistan. We analyzed this information to determine whether CSTC-A consistently assessed MOD and MOI compliance with conditions, and whether CSTC-A assessed penalties for noncompliance.

To determine the extent to which CSTC-A developed and documented procedures to replace the commitment letters and establish formal conditions on the provision of ASFF to the ANDSF, we obtained and analyzed information from DOD related to its incentive-based approach following the cessation of commitment letters, including narrative responses from CSTC-A detailing the command's communication process to its leadership.

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<sup>25</sup> In June 2021, following completion of our fieldwork for this audit and as part of the U.S. troop withdrawal from Afghanistan, DOD shut down CSTC-A and established a new organization, the Defense Security Cooperation Management Office–Afghanistan, which was responsible for obligating and overseeing ASFF.

<sup>26</sup> We provided three requests for information to CSTC-A associated with this audit. However, we received only narrative responses to two of the requests, and the response to the third request was of limited usefulness.

<sup>27</sup> Since 2014, SIGAR has been requesting information and documents concerning the “financial levers” (i.e., “conditions”) implemented by CSTC-A to bring positive behavioral change at MOD and MOI. We relied on this data because CSTC-A was unable to provide any historical data on conditions and commitment letters.



We did not use or rely on computer-processed data for purposes of our objectives. While CSTC-A had an internal control program, the lack of documentation of the specific processes used to establish and enforce conditions for providing the MOD and MOI with ASFF prevented us from determining with reasonable assurance that CSTC-A achieved its objectives for establishing and implementing internal controls related to conditions for funding.

We conducted our work in Arlington, Virginia, from November 2019 through October 2021. We believe that the evidence obtained provides a sufficient and reasonable basis for our findings and conclusions based on our objectives. We conducted this audit under the authority of Public Law No. 110-181, as amended; the Inspector General Act of 1978, as amended; and in accordance with generally accepted government auditing standards.

## APPENDIX II - COMMENTS FROM THE DEPARTMENT OF DEFENSE

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The Department of Defense (DOD) did not provide comments. Should DOD provide comments at a later date, we will update the report to include DOD's comments and our response.

## APPENDIX III - ACKNOWLEDGMENTS

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