



United States Government Accountability Office
Washington, DC 20548

September 20, 2011

Congressional Addressees

Subject: Afghanistan's Donor Dependence

The United States has allocated over \$72 billion to secure, stabilize, and rebuild Afghanistan since 2002, and the President requested over \$18 billion for these purposes for fiscal year 2012. GAO has on numerous occasions raised doubts about the Government of the Islamic Republic of Afghanistan's (GIRoA) ability to fund its public expenditures—funds spent to provide public services to the Afghan population, such as security, infrastructure projects, and government salaries. In 2005, we reported that Afghanistan had limited resources and recommended that the Secretaries of State and Defense develop plans for funding the Afghan national security forces (ANSF).¹ In 2007 and 2008, we reported that it was essential to develop future funding requirements for the ANSF and a strategy for transitioning these responsibilities to GIRoA.² In 2008, Congress also mandated that the Department of Defense provide a long-term plan for sustaining the ANSF, including future funding requirements. The Department of Defense, however, has yet to provide the Congress an estimate of the cost to sustain the Afghanistan National Security Forces.³ In 2011, we again recommended that the U.S. and international partners develop estimates of the future funding needed to grow the Afghan National Army.⁴ We have also raised concerns about Afghanistan's inability to fund planned government expenditures without foreign assistance and raised questions about the sustainability of U.S.-funded efforts to build and enhance Afghanistan's road,

¹GAO, *Afghanistan Security: Efforts to Establish Police and Army Have Made Progress, but Future Plans Need to be Better Defined*, [GAO-05-575](#) (Washington, DC: June 30, 2005).

²GAO, *Securing, Stabilizing, and Reconstructing Afghanistan: Key Issues for Congressional Oversight*, [GAO-07-801SP](#) (Washington, DC: May 24, 2007); *Afghanistan Security: Further Congressional Action May Be Needed to Ensure Completion of a Detailed Plan to Develop and Sustain Capable Afghan National Security Forces*, [GAO-08-661](#) (Washington, D.C.: June 18, 2008); *Afghanistan, Key Issues for Congressional Oversight*, [GAO-09-473SP](#) (Washington, D.C.: April 21, 2009).

³According to the Department of Defense, it is currently working with the Afghan Ministries of Defense and Interior to develop cost-effective and requirement-based estimates for future Afghanistan National Security Forces (ANSF) sustainment costs.

⁴GAO, *Afghanistan Security: Afghan Army Growing, but Additional Trainers Needed; Long-term Costs Not Determined*, [GAO-11-66](#) (Washington, D.C.: Jan. 27, 2011).

agriculture, and water infrastructures.⁵ During a related engagement, we reviewed U.S. efforts to strengthen Afghanistan's public financial management, a critical capability for Afghanistan's fiscal sustainability.⁶

The international community, including about 50 donor countries and international entities such as the World Bank and the United Nations, has also provided significant support to help stabilize and rebuild Afghanistan. At international conferences in London (January 2010) and Kabul (July 2010), officials from some of these countries and organizations committed to supporting Afghanistan but also raised issues about Afghanistan's donor dependence.

Because of the wide range of interest in this topic, we conducted a review of issues related to Afghanistan's donor dependence, including U.S. funding for Afghanistan, under the authority of the Comptroller General to undertake work on his own initiative. In September 2011, we briefed the staff of the Senate Committees on Armed Services and Foreign Relations and House Committees on Armed Services and Foreign Affairs on the interim results of our work. This report provides preliminary observations based on our analysis of U.S. agencies and others' reports on (1) Afghanistan's estimated total public expenditures; (2) estimated public expenditures funded by donors, including the United States; and (3) Afghanistan's domestic revenues. (See enclosure I for the briefing slides.) This report does not include conclusions or recommendations.

To estimate Afghanistan's total public expenditures and the amounts funded by donors, we reviewed and obtained expenditure data from the GIRQA budget and U.S. agencies and publicly available data from the International Monetary Fund (IMF), World Bank, Organization for Economic Cooperation and Development (OECD), other donors, and international trust funds for Afghanistan. We estimated total public expenditures (on and off-budget) disaggregated by security and non-security. We define off-budget amounts as public expenditures that are 100 percent donor funded and are not channeled through the Afghan budget, but are expended for public goods and services such as government wages and salaries, infrastructure projects and equipment. Expenditures to support U.S. and NATO troops are not Afghanistan public expenditures. We use expenditures to refer to funds disbursed. To provide information on Afghanistan's donor dependence, we reviewed publicly available documents and analyses from GIRQA, IMF, World Bank, and other sources. We also interviewed U.S., other donor, and Afghan officials to clarify information collected. Data from some of the sources were preliminary as of August 31, 2011. We plan to continue to update this information when final estimates become available. Past funding and expenditure data report historical information

⁵GAO, *Afghanistan Reconstruction: Progress Made in Constructing Roads, but Assessments for Determining Impact and a Sustainable Maintenance Program Are Needed*, GAO-08-689 (Washington, D.C.: July 8, 2008); *Afghanistan Development: Enhancements to Performance Management and Evaluation Efforts Could Improve USAID's Agricultural Programs*, GAO-10-368 (Washington, D.C.: July 14, 2010); *Afghanistan Development: U.S. Efforts to Support Afghan Water Sector Increasing, but Improvements Needed in Planning and Coordination*, GAO-11-138 (Washington, D.C.: Nov. 15, 2010); GAO, *The Strategic Framework for U.S. Efforts in Afghanistan*, GAO-10-655R (Washington, DC, Jun. 15, 2010).

⁶GAO, *Afghanistan Governance: Performance Data Gaps Hinder Overall Assessment of U.S. Efforts to Build Financial Management Capacity*, GAO-11-907 (Washington, D.C.: Sept. 20, 2011).

and do not imply that these trends will continue in the future. We made necessary assumptions in certain cases such as in converting data from calendar and U.S. fiscal years to Afghan fiscal and solar years.⁷ We performed checks, including consistency with prior GAO reports, to ensure that the data we used were sufficiently reliable for our analyses. See enclosure II for more detailed information on our scope and methodology and data sources.

We conducted this performance audit from June to September 2011 in accordance with generally accepted government auditing standards. Those 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Summary

- *Afghanistan's estimated total public expenditures.⁸ Afghanistan's estimated total public expenditures more than doubled from solar year (SY) 2006 to 2010, growing from \$5.5 billion to \$14.3 billion, an increase of 160 percent. Over this 5-year period, about 79 percent of Afghanistan's estimated total public expenditures of \$54 billion were off budget. (See enclosure I, slides 7-10 for further information.)*
- *Donor funding. The United States and other donors funded about 90 percent of Afghanistan's estimated total public expenditures from SY2006 to 2010. In particular, donors funded on average 57 percent of on-budget expenditures and 100 percent of off-budget expenditures. Over this period, the United States provided 62 percent of estimated total public expenditures, while other donors provided 28 percent. The United States funded an estimated 90 percent of Afghanistan's total security expenditures during this time period. The United States funded an estimated 39 percent of Afghanistan's total non-security expenditures during SY2006 to 2010. (See enclosure I, slides 11-14 for further information.)*
- *Afghanistan's domestic revenues. The domestic revenues of GIRoA grew by an average annual rate of 30 percent from SY2006 to 2010, increasing from an estimated total of \$0.62 billion to \$1.66 billion. Customs duties and taxes such as income and property taxes provided the largest share of domestic revenues. However, domestic revenues funded only about 9 percent of Afghanistan's estimated total public expenditures from SY2006 to 2010. (See enclosure I, slides 16-18 for further information.)*

⁷Afghanistan's budget cycle is organized around solar years. For example, solar year 2010/11 begins on March 21, 2010 and ends on March 20, 2011. See enclosure II for details on our data sources, definitions, and methodology.

⁸All expenditures are reported in U.S. nominal dollars for Afghanistan's solar year. The budget of GIRoA uses the Afghan solar year for its fiscal year. The Afghan solar year generally begins on March 21 and ends on March 20 of the following year. For the purposes of this work, we collected data on public expenditures in Afghanistan during the 5 solar years March 2006 through March 2011.

We obtained oral comments on a draft of this product from the Departments of Treasury, State, and Defense and incorporated the comments into the report as appropriate.

We are sending copies of this report to interested congressional committees; to the Secretary of Defense; the Secretary of State; the Administrator of the U.S. Agency for International Development; and the Secretary of Treasury. We will also make copies of this report available to others upon request. We will also make copies available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7331 or johnsoncm@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in enclosure III.



Charles Michael Johnson Jr.
Director, International Affairs and Trade

Enclosures - 3

List of Addressees

The Honorable Carl Levin
Chairman
The Honorable John McCain
Ranking Member
Committee on Armed Services
United States Senate

The Honorable John Kerry
Chairman
The Honorable Richard Lugar
Ranking Member
Committee on Foreign Relations
United States Senate

The Honorable Buck McKeon
Chairman
The Honorable Adam Smith
Ranking Member
Committee on Armed Services
House of Representatives

The Honorable Ileana Ros-Lehtinen
Chairman
The Honorable Howard L. Berman
Ranking Member
Committee on Foreign Affairs
House of Representatives

The Honorable Steve Chabot
Chairman
Subcommittee on the Middle East and South Asia
Committee on Foreign Affairs
House of Representatives

Briefing of Congressional Committees

Afghanistan's Donor Dependence September, 2011

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Background

- The U.S. has allocated over \$72 billion for security, governance, and development in Afghanistan since 2002, and the Government of the Islamic Republic of Afghanistan (GIRoA) has relied on donors to fund its operating and development expenditures.
- GAO has previously raised concerns about Afghanistan's donor dependence, including the lack of cost estimates for developing and sustaining Afghan national security forces. Donors are also concerned about GIRoA's ability to fund its operating expenditures and to sustain foreign investment in the country.^{Note}
- Past funding and expenditure data report historical information and do not imply that these trends will continue in the future.^{Note}

Note: The Department of Defense commented that it is working with the Afghan Ministries of Defense and Interior to develop cost-effective and requirement-based estimates for future Afghanistan National Security Forces (ANSF) sustainment costs. DOD further commented that it anticipates reduced future costs to sustain the ANSF. GAO is reviewing these issues and will report on them in 2012.

Objectives

As part of a body of work focusing on Afghanistan's governance, including a review of its donor dependence, we collected and analyzed data from U.S. agencies and others' reports on:

1. Afghanistan's estimated total public expenditures during Afghan solar years (SY) 2006 to 2010 *See note*
2. Amount U.S. and other donors funded toward Afghanistan's total public expenditures
3. Afghanistan's domestic revenues

Key Terms for Objectives 1 and 2

- **Total Public Expenditures** – funds spent to provide public services to the Afghan population; the sum of on-budget and off-budget public expenditures. We based our analysis on reported expenditures, not on budget estimates.
- **On-Budget (Core) Expenditures** – public expenditures that are in GIRoA's budget funded by domestic revenue and donor contributions, such as donor contributions for wages and salaries of government employees.
- **Off-Budget (External) Expenditures** – public expenditures that are outside of GIRoA's budget and are 100 percent donor funded, such as infrastructure projects.

Note: See enclosure II for details on our data sources, definitions, and methodology.

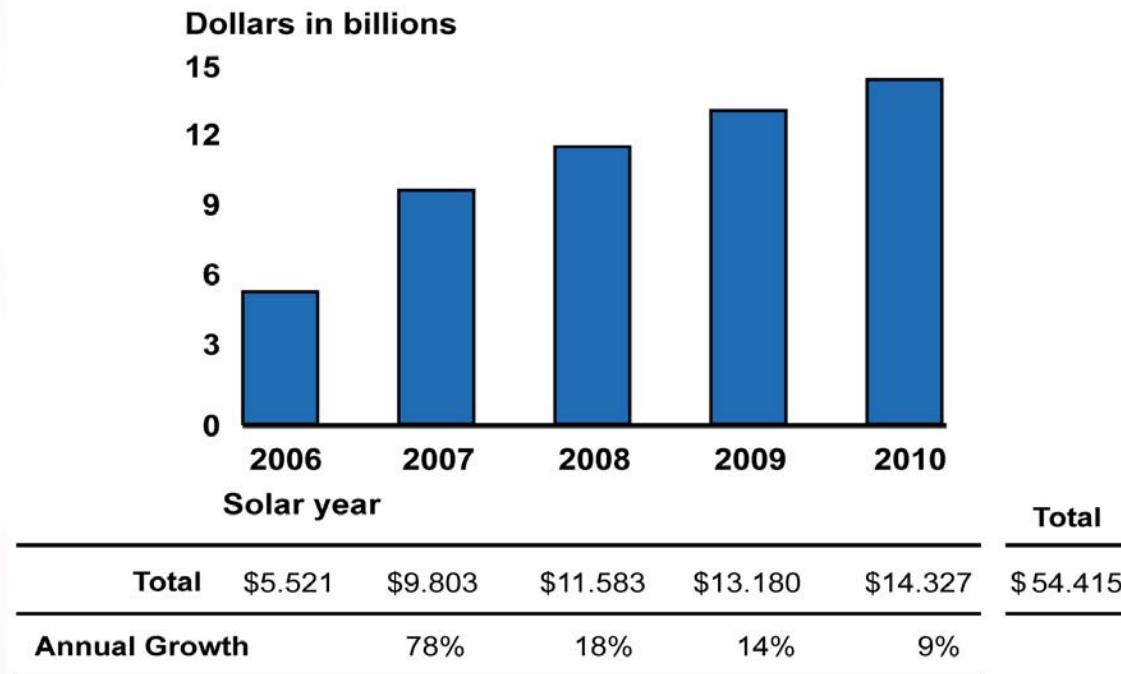
Key Terms for Objectives 1 and 2 (continued)

- **Security expenditures** – on and off budget public expenditures provided to pay, train, equip and build infrastructure for the Afghan National Security Forces. (Expenditures to support U.S. and NATO troops are not Afghanistan public expenditure] .)
 - On-budget security expenditures – total expenditures by the Ministry of Interior (MOI) and the Ministry of Defense (MOD).
 - Off-budget security expenditures – security expenditures that are outside of MOI and MOD budget.
- **Non-security expenditures** – on and off budget public expenditures such infrastructure development projects, and teacher salaries. Generally excludes funds to pay, train, and equip and build infrastructure for the Afghan National Security Forces.

Afghanistan's Estimated Total Public Expenditures (SY2006-SY2010)

- Afghanistan's estimated total public expenditures more than doubled, growing from \$5.5 billion in SY2006 to \$14.3 billion in SY2010, an increase of 160 percent. (slide 8)
- About 79 percent of Afghanistan's estimated total public expenditures of about \$54 billion were off budget during SY2006 to 2010. (slide 9)
 - About 55 percent were non-security related. (slide 10)
 - About 45 percent were security related. (slide 10)

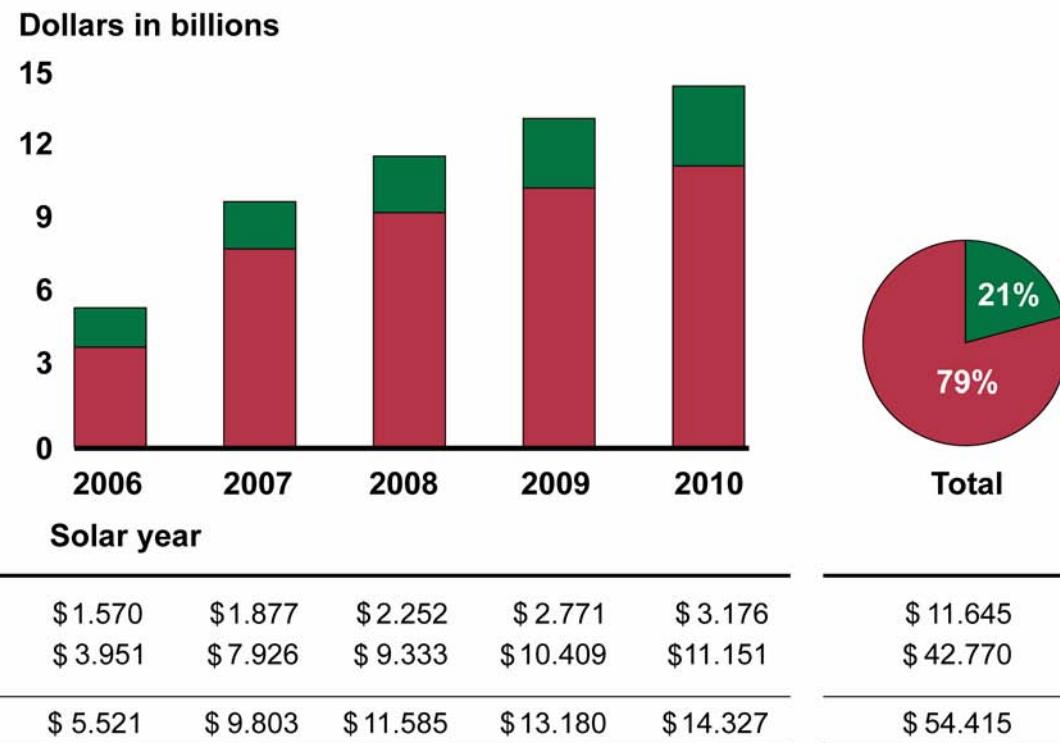
Afghanistan's Estimated Total Public Expenditures More than Doubled (SY2006-SY2010)



Note: For SY 2010 expenditures derived from OECD Development Assistance Committee (OECD/DAC) data, last quarter estimates are based on last quarter actuals in SY 2009. See enclosure II.

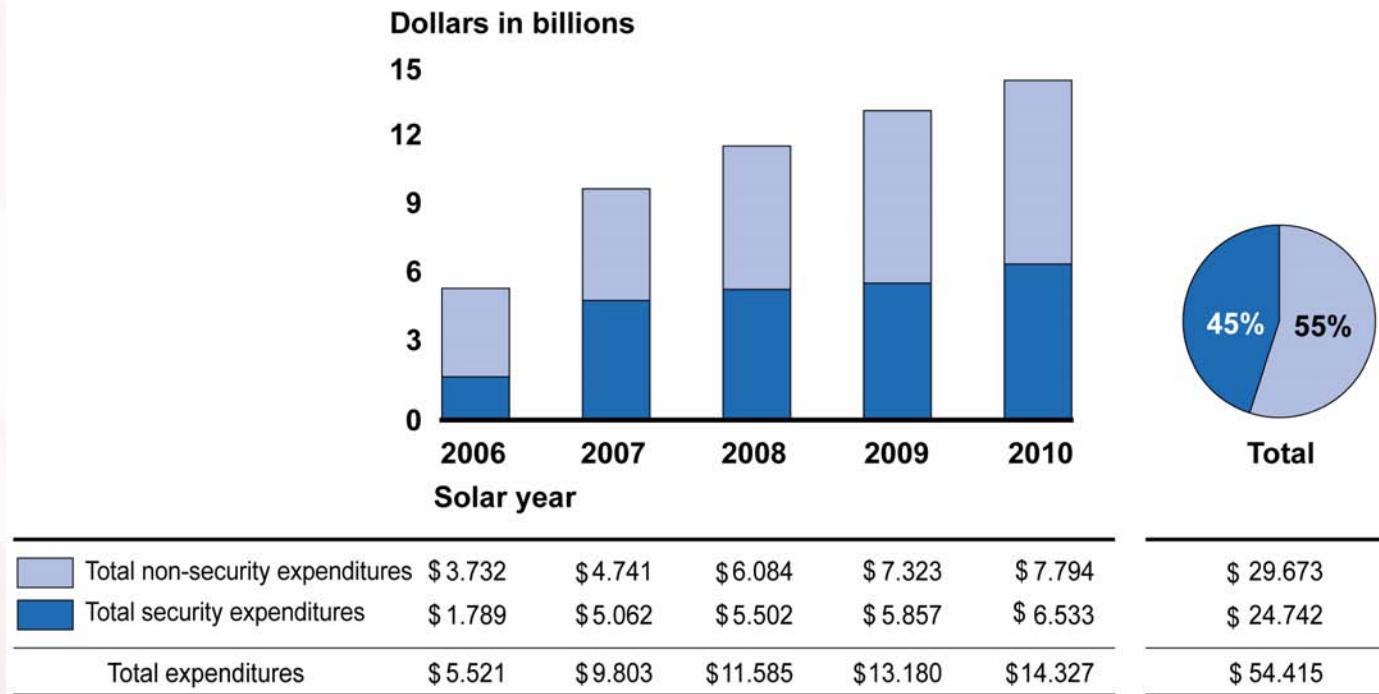
Source: GAO analysis of data from Afghanistan Financial Management Information System, Afghanistan Security Forces Fund (includes contributions from Afghan National Army Trust Fund, including in-kind contributions), Law and Order Trust Fund for Afghanistan, OECD Development Assistance Committee (includes data for Commander's Emergency Relief Program and Provincial Reconstruction Teams), India Development Assistance, and U.S. Department of State (State) International Military Equipment and Training (IMET). See Enclosure II for further information.

About 79 Percent of Afghanistan Public Expenditures Were Off-Budget (SY2006-SY2010)



Source: GAO analysis of data from Afghanistan Financial Management Information System, Afghanistan Security Forces Fund (includes contributions from Afghan National Army Trust Fund, including in-kind contributions), Law and Order Trust Fund for Afghanistan, OECD Development Assistance Committee (includes data for Commander's Emergency Relief Program and Provincial Reconstruction Teams), India Development Assistance, and U.S. Department of State (State) International Military Equipment and Training (IMET). See Enclosure II for further information.

Afghanistan Non-Security Expenditures Were 55 Percent of Total Public Expenditures (SY2006-SY2010)



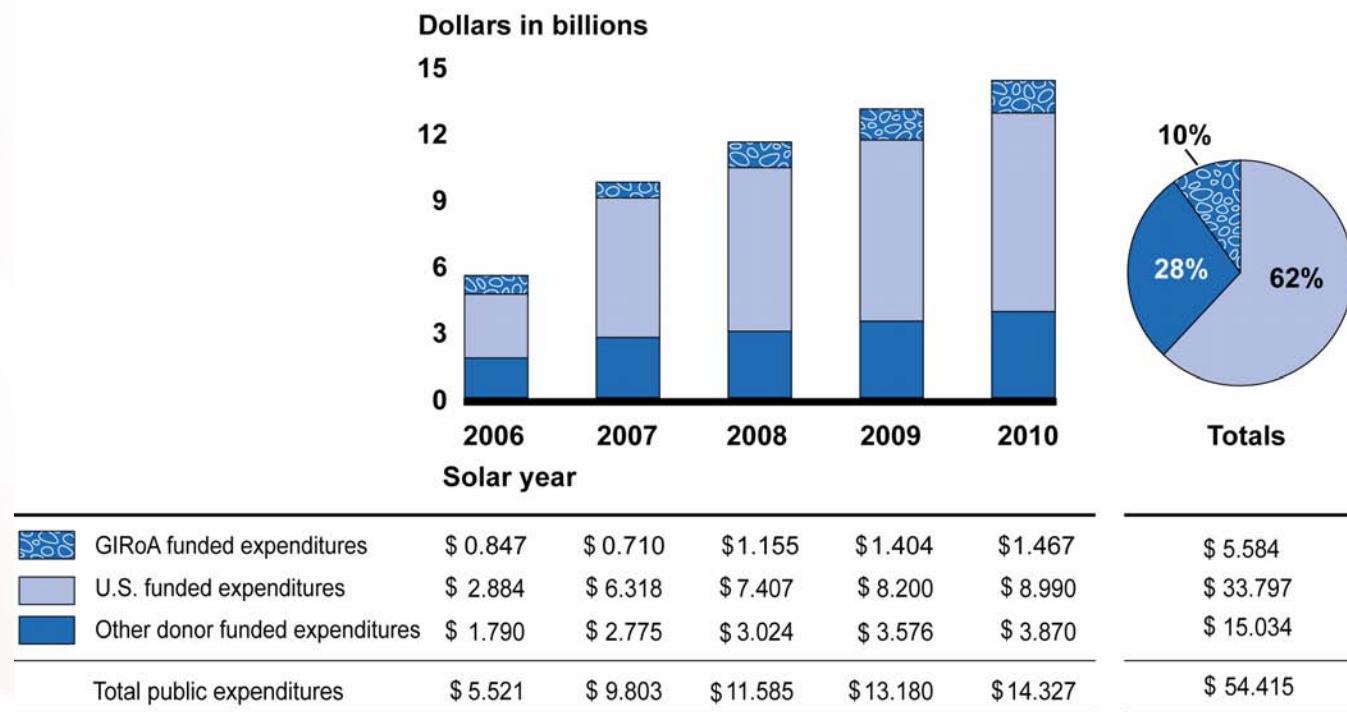
Note: For SY 2010 expenditures derived from OECD Development Assistance Committee (OECD/DAC) data, last quarter estimates are based on last quarter actuals in SY 2009. See enclosure II.

Source: GAO analysis of data from Afghanistan Financial Management Information System, Afghanistan Security Forces Fund (includes contributions from Afghan National Army Trust Fund including in-kind contributions), Law and Order Trust Fund for Afghanistan, OECD Development Assistance Committee (includes data for Commander's Emergency Relief Program and Provincial Reconstruction Teams), India Development Assistance, and U.S. Department of State (State) International Military Equipment and Training (IMET). See Enclosure II for further information.

Afghanistan's Estimated Total Public Expenditures Funded by Donors (SY2006-SY2010)

- The United States and other donors funded about 90 percent of Afghanistan's estimated total public expenditures. The United States provided 62 percent, while other donors provided 28 percent. (slide 12)
- The United States funded an estimated 90 percent of Afghanistan's total security expenditures, while other donors provided about 4 percent and Afghanistan provided 6 percent. (slide 13)
- The United States funded an estimated 39 percent of Afghanistan's total non-security expenditures, while other donors provided about 47 percent and Afghanistan provided 14 percent. (slide 14)

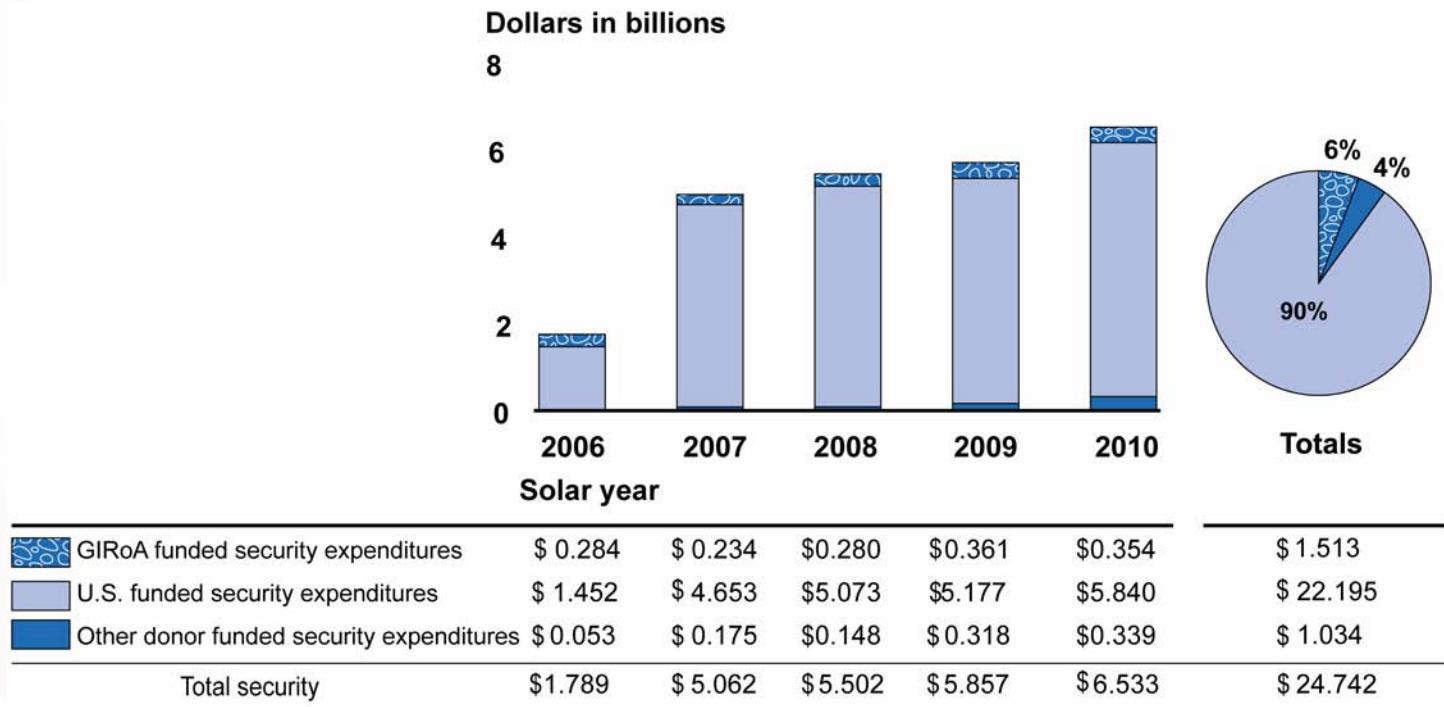
U.S., Other Donors Funded about 90 Percent of Afghanistan's Total Public Expenditures (SY2006-SY2010)



Note: For SY 2010 expenditures derived from OECD Development Assistance Committee (OECD/DAC) data, last quarter estimates are based on last quarter actuals in SY 2009. See enclosure II.

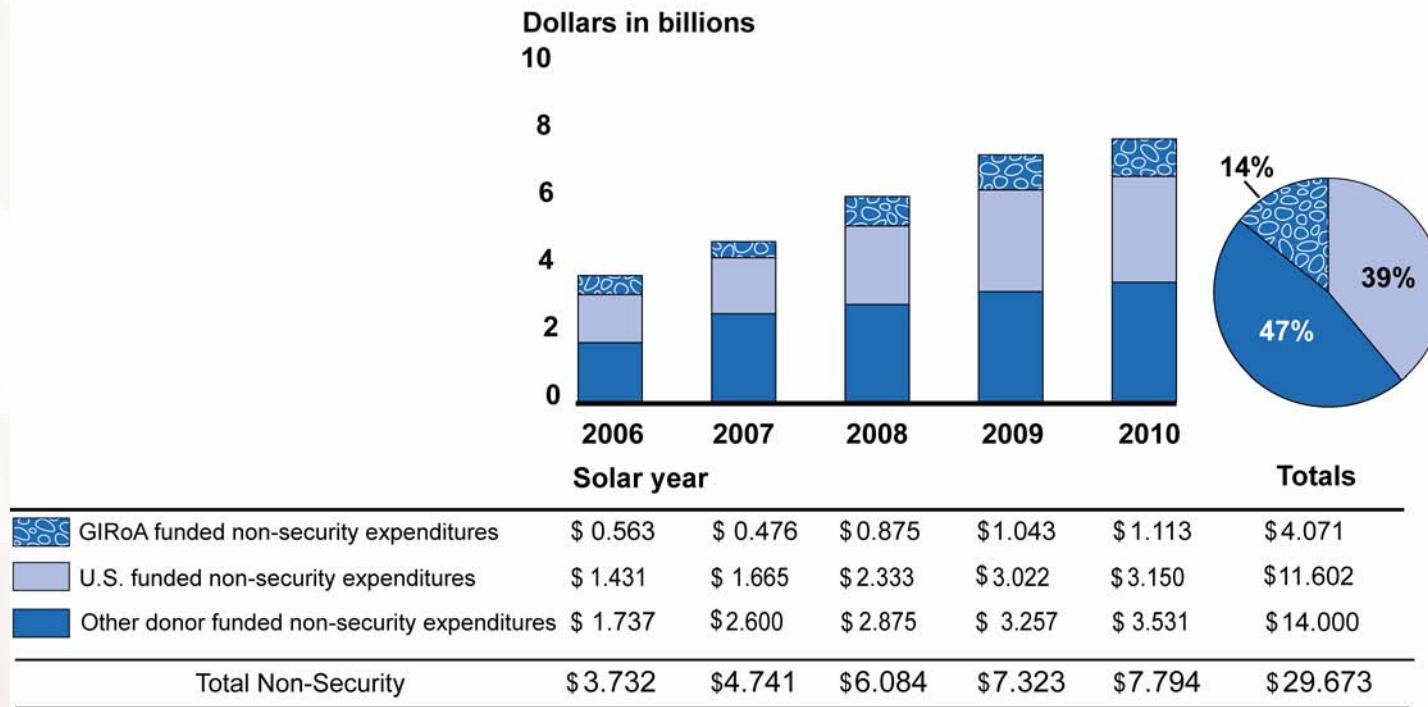
Source: GAO analysis of data from Afghanistan Financial Management Information System, Afghanistan Security Forces Fund (includes contributions from Afghan National Army Trust Fund including in-kind contributions), Law and Order Trust Fund for Afghanistan, OECD Development Assistance Committee (includes data for Commander's Emergency Relief Program and Provincial Reconstruction Teams), India Development Assistance, and U.S. Department of State (State) International Military Equipment and Training (IMET). See Enclosure II for further information.

U.S. Funded about 90 Percent of Afghanistan Total Security Expenditures (SY2006-SY2010)



Source: GAO analysis of data from Afghanistan Financial Management Information System, Afghanistan Security Forces Fund (includes contributions from Afghan National Army Trust Fund, including in-kind contributions), Law and Order Trust Fund for Afghanistan, and U.S. Department of State (State) International Military Equipment and Training (IMET). See Enclosure II for further information.

U.S. Funded about 39 Percent of Afghanistan's Total Non-Security Expenditures (SY2006-SY2010)



Note: For SY 2010 expenditures derived from OECD Development Assistance Committee (OECD/DAC) data, last quarter estimates are based on last quarter actuals in SY 2009. See enclosure II.

Source: GAO analysis of data from Afghanistan Financial Management Information System (AFMIS), OECD Development Assistance Committee (OECD/DAC), which includes data for Commander's Emergency Relief Program and Provincial Reconstruction Teams, Afghanistan Reconstruction Trust Fund (ARTF), and India Development Assistance.

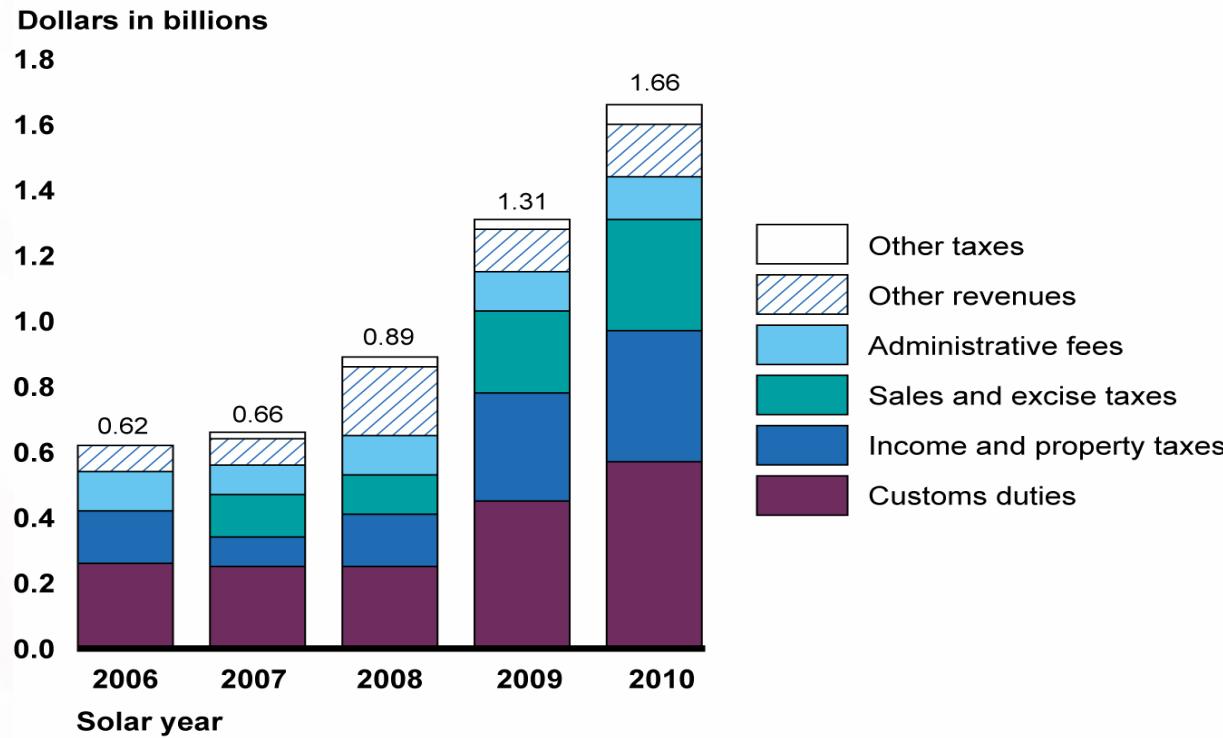
Key Terms for Objective 3

- **Total On-Budget Expenditures** – public expenditures that are in GIRoA’s budget funded by domestic revenue and donor contributions, such as donor contributions for salary support for government employees. These expenditures are broken out into two categories:
 - **Operating Expenditures** – government wages and salaries, goods and services, social security benefits, and equipment.
 - **Development Expenditures** – GIRoA development project expenditures including contracts, goods and services, and capital expenditures (such as infrastructure and equipment).
 - **Total Off-Budget (External) Expenditures** – public expenditures that are outside of GIRoA’s budget and are 100 percent donor funded, such as donor-funded infrastructure projects.
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Afghanistan's Domestic Revenues (SY2006-SY2010)

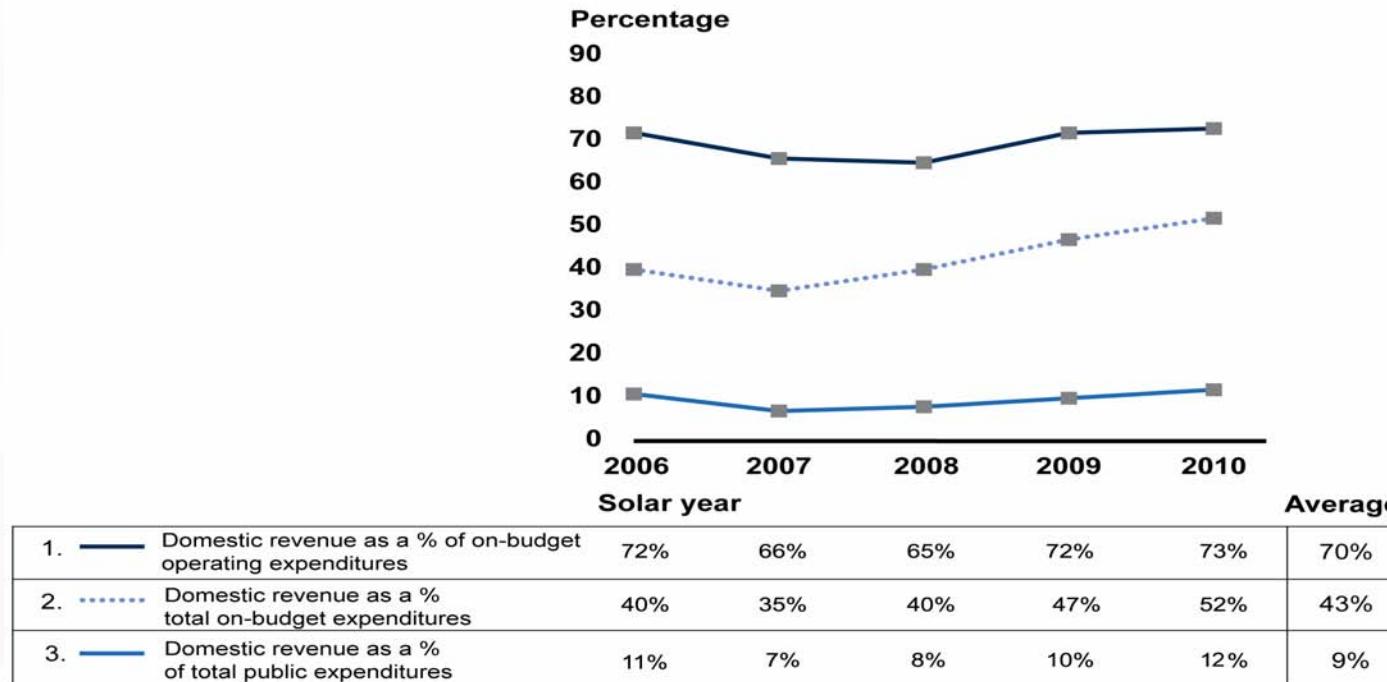
- Domestic revenues increased from an estimated total of \$0.62 billion to \$1.66 billion from SY2006 to 2010. (slide 17)
- Domestic revenues from SY 2006 to 2010 have covered an average of: (slide 18)
 1. 70 percent of on-budget operating expenditures.
 2. 43 percent of on-budget expenditures, including operating and development project expenditures.
 3. 9 percent of total public expenditures, including on- and off-budget expenditures.

Domestic Revenues Grew by Average Annual Rate of 30 Percent (SY2006-2010)



Note: Administrative fees include overflight fees and passport fees. Other revenues include retirement contributions and sale of land and buildings.
Source: GAO analysis of data from Afghanistan Financial Management Information System (AFMIS).

Afghan Domestic Revenues Fund Varying Percentage of Public Expenditures (SY2006-2010)



Note: For SY 2010 expenditures derived from OECD Development Assistance Committee (OECD/DAC) data; last quarter estimates are based on last quarter actuals in SY 2009. See enclosure II.

Source: GAO analysis of data from Afghanistan Financial Management Information System, Afghanistan Security Forces Fund (includes contributions from Afghan National Army Trust Fund including in-kind contributions), Law and Order Trust Fund for Afghanistan, OECD Development Assistance Committee (includes data for Commander's Emergency Relief Program and Provincial Reconstruction Teams), India Development Assistance, and U.S. Department of State (State) International Military Equipment and Training (IMET). See Enclosure II for further information.

Enclosure II: Scope and Methodology

This enclosure provides additional details about our scope and methodology, including additional information on data sources, definitions, data analysis, and assumptions and limitations.

Scope and Methodology

To estimate Afghanistan's total public expenditures, we reviewed GIRQA's budget (revenues, expenditures, and donor contributions) and expenditure data from DOD and State in addition to publicly available expenditure data from the IMF, the World Bank, and international trust funds for Afghanistan. Based on our analysis of these documents, we estimated Afghanistan's total public expenditures, on and off budget, disaggregated by security and non-security expenditures. Our estimates are based on reported expenditures, not budget estimates. See the "Definitions" section below for the definitions that we used for total public expenditures, on-budget expenditures, off-budget expenditures, and other key terms.

To estimate donor dependence for Afghanistan, we reviewed publicly available documents and analyses from the Afghan government, the IMF, the World Bank, and other relevant sources. We also interviewed U.S., other donor, and Afghan officials to clarify information collected and analyzed about Afghanistan's donor dependence.

We conducted this performance audit from June 2011 to September 2011 in accordance with generally accepted government auditing standards. Those 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 our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Data Sources

- Afghanistan Financial Management Information System (AFMIS) provides information on on-budget Afghan expenditures.
- Afghanistan Security Forces Fund (ASFF) is a U.S. and NATO fund created by the U.S. Congress primarily to fund the training, equipping, and building up of the Afghan National Army (ANA) and Afghan National Police (ANP). The U.S. Department of Defense (DOD) provided us with ASFF financial data, including expenditures. DOD allocates funds to three budget activity groups within the ASFF:
 - Defense Forces (ANA)
 - Interior Forces (ANP)
 - Related Activities (primarily Detainee Operations)

Some ASFF expenditures are made on budget and some are made off budget. The North Atlantic Treaty Organization Training Mission – Afghanistan (NTM-A) and Combined Security Transition Command - Afghanistan (CSTC-A) are responsible for managing the use of ASFF funds.

- Afghanistan National Army Trust Fund (ANATF) is a multi-donor NATO-managed trust fund that provides funding for the ANA. Funds are transferred to the ASFF and managed by NTM-A/CSTC-A.
- NTM-A-CSTC-A. Equipment donated to the ANA--estimated amounts delivered from SY 2006 to 2009. After this time, ANA funds were reported in the ASFF.
- Afghanistan Reconstruction Trust Fund (ARTF) is a multi-donor trust fund managed by the World Bank that provides funding for development and reconstruction activities.
- India provided development assistance for the reconstruction of Afghanistan; based on India's detailed budget information, we included the amount of funding India provided.
- Law and Order Trust Fund for Afghanistan (LOTFA) is a multi-donor trust fund that provides funding to the ANP and is managed by the UN Development Program (UNDP).
- Organization for Economic Cooperation and Development (OECD)/Development Assistance Committee (DAC) Official Development Assistance (ODA) database includes information on donor development assistance provided to Afghanistan.
- U.S. Department of State (State) provided budget data on its International Military Equipment and Training account. (See final section of this enclosure, "Assumptions and Limitations of Analysis.")

Definitions

Total Public Expenditures: funds spent to provide public goods, services, and capital investments to the Afghan population; includes spending by both GIRoA and international donors for development projects and procurement of non-financial assets (such as infrastructure and equipment), as well as GIRoA recurrent operational costs (such as wages and supplies for government workers, including security forces). We used reported expenditures, not budget estimates.

On-Budget Expenditures: public sector expenditures within GIRoA's fiscal control, including donor contributions that are included in the AFMIS.

Off-Budget (External) Expenditures: public expenditures not channeled through the GIRoA's budget process. These are donor expenditures that are not included in the national budget that would generally be expended by the government. We assume that these expenditures would fund public goods and services. Off-budget expenditures are calculated by summing the total off-budget security plus off-budget non-security expenditures.

Total Security Expenditures: the sum of on-budget security expenditures and off-budget security expenditures.

On-Budget Security Expenditures: spending by the Ministry of Interior (MOI) and the Ministry of Defense (MOD).⁹ The Afghan government defines security more broadly, to include also the Ministry of Foreign Affairs, the General Directorate of National Security, and the Presidential Protective Services. We define the security sector to be limited to spending in MOI and MOD as there is transparency from donor contributions, which are reimbursements provided to security ministries. Also, the MOI and MOD account for more than 90 percent of the security budget reported in AFMIS.

U.S. government on-budget security expenditures go towards LOTFA and NTM-A/CSTC-A, which are responsible for managing the use of funds from the ASFF and the ANATF. There are also on-budget expenditures made by other donors via LOTFA that do not come from ASFF.

Off-Budget Security Expenditures: Spending that is not identified in the Afghanistan on-budget security expenditures. We estimated these expenditures by adding up U.S. government and NATO off-budget security expenditures. These expenditures provide the Afghan National Security Forces (ANSF) with equipment, supplies, services, and training, as well as facility and infrastructure repair, renovation, and construction. The primary organization responsible for building the ANSF is the North Atlantic Treaty Organization (NATO).

We calculated U.S. government off-budget security expenditures as ASFF minus LOTFA (U.S.) minus CSTC-A (U.S.), which comprise the U.S. government on-budget security expenditures. NATO expenditures are reported in the ASFF as a separate line item. The source of NATO disbursements is the ANATF. We assume that all NATO expenditures that have accrued in 2010/11 (approximately \$22.5 million) are off budget because these expenditures are not reported in the Afghan budget.

Total Non-Security Expenditures: the sum of on-budget non-security expenditures and off-budget non-security expenditures.

On-Budget Non-Security Expenditures: total on-budget expenditures minus on-budget security (MOD and MOI). These amounts include reimbursements as well as direct assistance provided to non-security ministries. An example of these expenditures would be the ARTF, donations that are used toward operating costs and reconstruction programs.

Off-Budget Non-Security Expenditures: non-security spending not identified in the Afghanistan on-budget non-security expenditures. GAO is estimating off-budget non-security spending as donor disbursements from OECD/DAC Official Development Assistance. OECD/DAC ODA excludes all security expenditures (defined by OECD/DAC as military expenditures). We identified and subtracted from ODA disbursements all LOTFA disbursements reported by several countries to prevent double counting of LOTFA disbursements.

Domestic Revenues: Domestic revenues are revenues collected by GIRoA such as customs duties, income, property, sales, excise and other taxes. GIRoA, World

⁹Ministry of Interior manages the Law and Order Trust Fund for Afghanistan (LOTFA), which funds the Afghan National Police, while the Ministry of Defense funds the Afghan National Army.

Bank, IMF, and international donors use domestic revenues as a percentage of on-budget operating expenditures as a measure of fiscal sustainability for Afghanistan. This excludes on-budget development expenditures and off-budget expenditures. In our analysis, we present data for 2006/07 to 2010/11 showing (1) domestic revenues as a percentage of on-budget operating expenditures, (2) domestic revenues as a percentage of total on-budget expenditures, and (3) domestic revenues as a percentage of total public expenditures.

Data Analysis

We analyzed actual GIRoA expenditure and revenue data reported monthly by the Ministry of Finance through AFMIS. The data were available in digital form, which minimized entry errors. To verify and validate the data, we spot checked them using the Ministry of Finance's quarterly and annual budget reports.

The budget of GIRoA uses the solar year for measuring their fiscal year. A solar year generally begins on March 21 and ends on March 20 of the following year. We analyzed data for the 5 solar years from 1385 to 1389. The table below presents the comparison between the solar year and U.S. calendar-year equivalents running from March 21 to March 20:

Afghan fiscal/solar year	1385	1386	1387	1388	1389
U.S. calendar year, Mar. 21 to Mar. 20	2006/07	2007/08	2008/09	2009/10	2010/11

Assumptions and Limitations of Analysis

2010 Non-Security Expenditures: OECD DAC sent us preliminary data for 2010. The data provided were only for bilateral donors; multilaterals were not included, except for the European Union. We estimated 2010 expenditures for other multilaterals based on prior year percentage expenditures and added this to the preliminary 2010 data provided. We confirmed the expenditures on U.S. government 2010 assistance with USAID officials responsible for providing U.S. assistance data to the OECD/DAC.

OECD/DAC data covers the calendar year. We estimated solar year data by summing three-quarters of amount for year t and one-quarter for year (t+1). For example, Afghan solar year 2006/7 is the sum of three-quarters of U.S. calendar year 2006 plus one-quarter of year 2007. Lacking any data for calendar year 2011, we used the 2010 calendar year data for 2010/11.

We used OECD/DAC's list for donors providing help to Afghanistan.¹⁰ However, there might be other non-developed countries offering help.¹¹ For example, we were able to identify India as one such country.

We obtained data for State's International Military Education and Training (IMET) account covering the period from fiscal year 2006 through U.S. fiscal year 2010. In the absence of more information, we divided the total amount by the number of years to estimate the yearly expenditures during solar years 2006/07 to 2010/11.

U.S. government-contributed portion of LOTFA and ARTF funds: AFMIS reports the total expenditures by the trust funds. In order to isolate the U.S. proportion, we used the U.S. contributions as reported by UNDP from publicly available documents and applied that share to the trust fund expenditures as reported as AFMIS.

¹⁰Based on data for 2006 to 2010 from the OECD/DAC database, Afghanistan has received donor assistance from more than 49 official donors including at least 33 countries and at least 16 multilateral entities. The following DAC member-countries have disbursed funds to Afghanistan: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Korea, Luxemburg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States. In addition, the following non-DAC member-countries have also provided assistance that is included in the OECD/DAC database: the Czech Republic, Hungary, Iceland, Poland, the Slovak Republic, Slovenia, Thailand, Turkey, the United Arab Emirates, and other countries not specifically identified in the database. The multilateral entities which have disbursed funds to Afghanistan and are included in the OECD/DAC database are: European Union institutions; Arab agencies; the Asian Development Fund; the International Monetary Fund through the Structural Adjustment Facility, the Enhanced Structural Adjustment Facility, and the Poverty Reduction and Growth Facility; the Global Environment Facility; the Global Alliance for Vaccination and Immunization; the Global Fund; the International Atomic Energy Agency; the International Development Association; the International Fund for Agricultural Development; the United Nations Development Program; the United Nations Population Fund; the United Nations High Commissioner for Refugees; the United Nations Children's Fund; United Nations agencies that have provided technical assistance; and the United Nations World Food Program.

¹¹The Government of Afghanistan has developed a Donor Assistance Database (DAD), which includes donor reported foreign assistance to Afghanistan from other countries. However, the database is incomplete. It also contains data on assistance to Afghanistan from countries that are not included in the OECD/DAC data such as China, Iran, Pakistan, the Russian Federation, and Saudi Arabia. We could not check the data against an official source from those countries and, therefore, did not include in our estimates data from those countries.

Enclosure III: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

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