

REPORT ON AFGHANISTAN AND PAKISTAN, MARCH 2011

During his March 27, 2009, speech announcing our strategy for Afghanistan and Pakistan, President Obama said "going forward, we will not blindly stay the course. Instead, we will set clear metrics to measure progress and hold ourselves accountable." This report outlines the process underway to fulfill that directive and provides the Administration's most recent assessment. This assessment highlights both positive and negative trends in the implementation of our Afghanistan and Pakistan strategy and identifies issues that may call for policy adjustments over time.

Background

At the President's request and following his March 27, 2009, announcement of a new policy for Afghanistan and Pakistan, the National Security Staff (NSS) and departments and agencies developed a strategic implementation plan and a set of performance measures, or metrics, to track progress in meeting the President's goals and objectives. These metrics were developed with the input from both congressional and academic experts.

The Administration presented its first formal metrics document to the Congress on September 24, 2009, in accordance with Public Law 111-32, section 1117a. That document provided the Congress with a statement outlining the objectives of the U.S. policy for Afghanistan and Pakistan, and the metrics used to assess progress toward achieving these objectives.

Public Law 111-32 also includes a reporting requirement to provide an assessment of our strategy to the Congress starting March 30, 2010, and in 180-day intervals thereafter. This report is the third in this series. As metrics collection in the field occurs quarterly, the assessments of each objective are divided into two separate periods, June 1 - September 30, 2010, and October 1 - December 31, 2010. For each objective, a third post reporting period is included in order to provide an interim assessment for the January 1 - March 2011 portion of the most recent quarter.

Goal and objectives

Following the August 2009 national election in Afghanistan, President Obama led a strategic review of the overall U.S. policy for Afghanistan and Pakistan. On December 1, 2009, in a speech at West Point, New York, the President reaffirmed his

goal in Afghanistan and Pakistan to disrupt, dismantle, and defeat al-Qa'ida and its extremist allies and prevent their return to either country. In December 2010, the NSS completed an annual review of our progress in Afghanistan and Pakistan. The findings from this Afghanistan and Pakistan Annual Review (APAR) are included as the first part of this assessment.

In support of our overarching goal, there are eight objectives that form the framework for our quarterly assessments. The eight supporting objectives, along with the lead responsible departments, are:

1. Disrupt terrorist networks in Afghanistan, and especially Pakistan, to degrade any ability they have to plan and launch international terrorist attacks. (Director of National Intelligence (DNI))
2. Please see the classified annex for details concerning this objective.
3. Assist efforts to enhance civilian control and stable constitutional government in Pakistan. (Department of State (State))
4. Develop Pakistan's counterinsurgency (COIN) capabilities; continue to support Pakistan's efforts to defeat terrorist and insurgent groups. (Department of Defense (DOD))
5. Involve the international community more actively to forge an international consensus to stabilize Pakistan. (State)
6. In Afghanistan, reverse the Taliban's momentum and build Afghan National Security Forces (ANSF) capacity so that we can begin to transition responsibility for security to the Afghan government and decrease our troop presence by July 2011. (DOD)
7. Strategically build the capacity of the Afghan government which enables Afghans to assume responsibility in the four-step process of clear-hold-build-transfer. (State)
8. Involve the international community more actively to forge an international consensus to stabilize Afghanistan. (State)

Classified Annex

Details concerning progress in our first objective to "disrupt terrorist networks in Afghanistan and, especially Pakistan to degrade any ability they have to plan and launch international terrorist attacks" are included within the classified annex. Objective 2 is classified entirely and fully discussed in the classified annex.

Overview of the Afghanistan and Pakistan Annual Review,
December 16, 2010

"Our overarching goal remains the same: to disrupt, dismantle, and defeat al-Qa'ida in Afghanistan and Pakistan, and to prevent its capacity to threaten America and our allies in the future."

- President Barack Obama, West Point, December 1, 2009

Overall Assessment

The core goal of the U.S. strategy in the Afghanistan and Pakistan theater remains to disrupt, dismantle, and eventually defeat al-Qa'ida in the region and to prevent its return to either country.

Specific components of our strategy for Afghanistan and Pakistan are working well, and there are notable operational gains. Most important, al-Qa'ida's senior leadership in Pakistan is weaker and under more sustained pressure than at any other point since it fled Afghanistan in 2001. In Pakistan, we are laying the foundation for a strategic partnership based on mutual respect and trust, through increased dialogue, improved cooperation, and enhanced exchange and assistance programs. And in Afghanistan, the momentum achieved by the Taliban in recent years has been arrested in much of the country and reversed in some key areas, although these gains remain fragile and reversible.

While the strategy is showing progress across all three assessed areas of al-Qa'ida, Pakistan and Afghanistan, the challenge remains to make our gains durable and sustainable. With regard to al-Qa'ida's Pakistan-based leadership and cadre, we must remain focused on making further progress toward our ultimate end state, the eventual strategic defeat of al-Qa'ida in the region, which will require the sustained denial of the group's safe haven in the tribal areas of western Pakistan, among other factors. And in Afghanistan, we are confronting the inherent challenges of a war-torn nation working to restore basic stability and security in the face of a resilient insurgency that finds shelter in a neighboring sanctuary. More broadly, we must continue to place the Afghanistan and Pakistan challenges in larger and better integrated political and regional contexts.

The accelerated deployment of U.S. and international military and civilian resources to the region that began in July 2009 and continued after the President's policy review last

fall has enabled progress and heightened the sense of purpose within the United States Government, among our coalition partners, and in the region. As a result, our strategy in Afghanistan is setting the conditions to begin the responsible reduction of U.S. forces in July 2011. This review also underscores the importance of a sustained long-term commitment to the region - in Pakistan, by way of our growing strategic partnership; and in Afghanistan, as reflected by our own long-term commitment, as well as the Lisbon North Atlantic Treaty Organization (NATO) Summit's two outcomes: the goal for Afghans to assume the lead for security across the country by 2014, and NATO's enduring commitment beyond 2014.

Summary of Findings

1. Al-Qa'ida

"Our security is at stake in Afghanistan and Pakistan. This is the epicenter of violent extremism practiced by al-Qa'ida. It is from here that we were attacked on 9/11, and it is from here that new attacks are being plotted as I speak."

- President Barack Obama, West Point, December 1, 2009

Our strategy for Afghanistan and Pakistan is centered on disrupting, dismantling, and defeating al-Qa'ida in the theater and preventing its capacity to threaten America, our citizens, and our allies. While it will take time to eventually defeat al-Qa'ida, we are taking steps to prevent terrorist groups from regenerating over time or reestablishing a safe haven in the region that would pose a strategic threat to the U.S. Homeland and to our allies and interests abroad.

There has been significant progress in disrupting and dismantling the Pakistan-based leadership and cadre of al-Qa'ida over the past year. Al-Qa'ida's senior leadership has been depleted, the group's safe haven is smaller and less secure, and its ability to prepare and conduct terrorist operations has been degraded in important ways.

We remain relentlessly focused on Pakistan-based al-Qa'ida because of the strategic nature of the threat posed by its leadership, and in particular the group's continued pursuit of large-scale, catastrophic anti-Western attacks and its influence on global terrorism. We believe core al-Qa'ida continues to view the U.S. Homeland as its principal target, and events over the past year indicate some of its affiliates and allies also are more aggressively pursuing such attacks. Although the global affiliates and allies of al-Qa'ida also threaten the U.S.

Homeland and interests, Pakistan and Afghanistan continue to be the operational base for the group that attacked us on 9/11. The presence of nuclear weapons in the region also lends to its distinct status, highlighting the importance of working with regional partners to prevent extremists, including core al-Qa'ida, from acquiring such weapons or materials.

The compounding losses of al-Qa'ida's leadership cadre have diminished, but not halted, the group's ability to advance operations against the United States and our allies and partners, or to support and inspire regional affiliates. Indeed, terrorist plotting continues against the United States and our allies and partners. Al-Qa'ida's eventual strategic defeat will be most effectively achieved through the denial of sanctuaries in the region and the elimination of the group's remaining leadership cadre. Even achieving these goals, however, will not completely eliminate the terrorist threat to U.S. interests. There are a range of other groups, including some affiliated with al-Qa'ida, as well as individuals inspired by al-Qa'ida, who aim to do harm to our Nation and our allies. Our posture and efforts to counter these threats will continue unabated.

We remain committed to deepening and broadening our partnerships with Pakistan and Afghanistan in a way that brings us closer to the defeat of al-Qa'ida and prevents terrorist groups that pose a strategic threat to our Homeland, our allies, and our interests from reestablishing safe havens in the region.

2. Pakistan

"In the past, we too often defined our relationship with Pakistan narrowly. Those days are over. Moving forward, we are committed to a partnership with Pakistan that is built on a foundation of mutual interest, mutual respect, and mutual trust."

- President Barack Obama, West Point, December 1, 2009

Pakistan is central to our efforts to defeat al-Qa'ida and prevent its return to the region. We seek to secure these interests through continued, robust counterterrorism and counterinsurgency cooperation and a long-term partnership anchored by our improved understanding of Pakistan's strategic priorities, increased civilian and military assistance, and expanded public diplomacy.

Progress in our relationship with Pakistan over the last year has been substantial, but also uneven. We worked jointly in the last year to disrupt the threat posed by al-Qa'ida, and Pakistan has made progress against extremist safe havens, taking action in six of seven agencies of the Federally Administered Tribal Areas (FATA). These gains came at great cost, as Pakistan has endured thousands of casualties in their military ranks and among their civilian population from terrorist attacks. There was improvement in our security assistance, with increased training cooperation, more support for Pakistan's military operations, and greater border coordination.

In 2010, we also enhanced the United States-Pakistan relationship through the Strategic Dialogue. The Dialogue developed mutual trust, prompted attention to reforms critical to long-term stability, and addressed development objectives important to the people of Pakistan. Civilian assistance increased with more aid flowing through Pakistani institutions, improved civilian stabilization activities, the development of critical energy and other infrastructure, and a robust flood response and recovery effort, which NATO directly assisted. We believe our renewed bilateral partnership is helping promote stability in Pakistan. It clearly communicates U.S. commitment to a long-term relationship that is supportive of Pakistan's interests and underscores that we will not disengage from the region as we have in the past.

The review also highlights particular areas in our strategy for Pakistan that require adjustment. Specific components of the strategy, taken individually, indicate we are headed in the right direction, both in terms of U.S. focus and Pakistani cooperation. However, better balance and integration of the various components of our strategy will be required to reach our objectives. For instance, the denial of extremist safe havens will require greater cooperation with Pakistan along the border with Afghanistan. Furthermore, the denial of extremist safe havens cannot be achieved through military means alone, but must continue to be advanced by effective development strategies.

In 2011, we must strengthen our dialogue with both Pakistan and Afghanistan on regional stability. Toward that end, Secretary Clinton plans to host foreign ministers from both countries in Washington for another session of the United States-Afghanistan-Pakistan Trilateral dialogue. On bilateral issues, we must support the Government of Pakistan's efforts to strengthen its economy, improve governance and security, and respond to the development needs of the Pakistani

people. We will continue the United States-Pakistan Strategic Dialogue, and sustain senior level engagement.

3. Afghanistan

"We will pursue the following objectives within Afghanistan. We must deny al-Qa'ida a safe haven. We must reverse the Taliban's momentum and deny it the ability to overthrow the government. And we must strengthen the capacity of Afghanistan's security forces and government so that they can take the lead responsibility for Afghanistan's future."

- President Barack Obama, West Point, December 1, 2009

The U.S. objectives in Afghanistan are to deny safe haven to al-Qa'ida and to deny the Taliban the ability to overthrow the Afghan government. We seek to achieve these objectives by degrading the Taliban insurgency, thereby providing time and space to build sufficient Afghan capacity.

As a result of our integrated efforts in 2010, we are setting the conditions to begin transition to Afghan security lead in early 2011 and to begin a responsible, conditions-based U.S. troop reduction in July 2011. Moreover, at the recent NATO Summit in Lisbon, we forged a broad Afghan and international consensus, agreeing on a path to complete transition by the end of 2014. Beyond these targets, and even after we draw down our combat forces, the United States will continue to support Afghanistan's development and security as a strategic partner, just as the NATO-Afghanistan partnership affirms the broader and enduring international community support to Afghanistan.

In Afghanistan, substantial international resources have been assembled from 49 allied and partner countries to implement a focused, integrated civilian-military approach. International support is evidenced by the growth in the NATO-led coalition, increased Muslim-majority country support in the region, and the continued provision of critical international resources. The United Nation's (U.N.) leadership, including on civilian assistance, has helped garner renewed and strengthened support for key institution building efforts. United States civilian and military integration has significantly improved, with coordinated efforts now occurring at every level.

The surge in coalition military and civilian resources, along with an expanded special operations forces targeting campaign and expanded local security measures at the village level, has reduced overall Taliban influence and arrested the

momentum they had achieved in recent years in key parts of the country. Progress is most evident in the gains Afghan and coalition forces are making in clearing the Taliban heartland of Kandahar and Helmand provinces, and in the significantly increased size and improved capability of the ANSF.

The Afghan Ministries of Defense and Interior, with help from the NATO Training Mission-Afghanistan, have exceeded ANSF growth targets, implemented an expanded array of programs to improve the quality and institutional capacity of the ANSF, and sharply improved their training effectiveness. The International Security Assistance Force (ISAF) and the Afghan government have also adopted a robust partnering plan that has accelerated tactical-level development of Afghan forces' leadership and units, although significant development challenges remain. Efforts are also underway to support and encourage further development of local police forces to promote security and stability across the country, especially in rural areas. Emphasis must continue to be placed on the development of Afghan-led security and governance within areas that have been a focus of military operations.

While the momentum achieved by the Taliban in recent years has been arrested in much of the country and reversed in some key areas, these gains remain fragile and reversible. Consolidating those gains will require that we make more progress with Pakistan to eliminate sanctuaries for violent extremist networks. Durability also requires continued work with Afghanistan to transfer cleared areas to their security forces. We are also supporting Afghanistan's efforts to better improve national and sub-national governance and to build institutions with increased transparency and accountability to reduce corruption - key steps in sustaining the Afghan government. And we have supported and focused investments in infrastructure that will give the Afghan government and people the tools to build and sustain a future of stability.

As President Obama emphasized in 2010, our civilian and military efforts must support a durable and favorable political resolution of the conflict. In 2011, we will intensify our regional diplomacy to enable a political process to promote peace and stability in Afghanistan, to include Afghan-led reconciliation, taking advantage of the momentum created by the recent security gains and the international consensus gained in Lisbon. As we shift to transition, a major challenge will be demonstrating that the Afghan government has the capacity to consolidate gains in geographic areas that have been cleared by ISAF and ANSF.

Background

The APAR was directed by President Obama in December 2009 to be a NSS-led assessment of our strategy in Afghanistan and Pakistan. The President further directed that the annual review be diagnostic in nature.

The 2010 annual review began with a data collection phase conducted from October 12 through November 10, 2010. A series of eight working group and deputy level meetings were convened from November 16 through December 1, 2010, to discuss various inputs, identify findings, and assess the trajectory and pace of progress. A draft classified report, which took into account significant comments from departments and agencies, was reviewed in a series of formal Deputies Committee, Principals Committee, and National Security Council meetings held from December 3-14, 2010.

Inputs to the review came from across the United States Government. An interagency team visited Afghanistan and Pakistan from October 25 through November 4, 2010, to discuss the situation with key leaders in the field and witness elements of the strategy firsthand. In addition, the review built heavily on the outcomes of the November 2010 NATO Summit held in Lisbon. Finally, in coordination with the U.S. Embassies in Pakistan and Afghanistan, the U.S. Mission to NATO, and the Department of State, the review included consultation with key allies and partners on the situations in Afghanistan and Pakistan.

Semi-Annual Assessment of Progress Against the Eight Objectives, March, 2010

Objective 1: Disrupt terrorist networks in Afghanistan and, especially Pakistan to degrade any ability they have to plan and launch international terrorist attacks. (DNI)

Details of progress on this objective can be found in the classified annex.

Objective 2: Details on this objective can be found in the classified annex. (State)

Objective 3: Assist efforts to enhance civilian control and stable constitutional government in Pakistan. (State)

July 1 - September 30, 2010, Reporting Period: Overall, indicators and metrics against this objective remained static during this reporting period.

During this quarter, the stability of Pakistan's civilian government was susceptible to internal political challenges and faced fresh obstacles posed by exogenous factors. Historic and unprecedented flooding that began in late July placed Prime Minister Gilani, President Zardari, and the civilian bureaucracy under heavy criticism for its underperformance in the flood response. This pressure was bolstered by a growing confrontation between the Supreme Court and the government over sanctions to prosecute President Zardari and other top leaders for corruption. Negotiations on this issue continued throughout the reporting period, but no clear consensus on a path to change the government emerged.

Evolving political tensions were influenced by a stagnant and fragile economic situation. Record flooding slowed economic growth, especially in the agricultural sector and caused billions of dollars worth of damage. The World Bank and Asian Development Bank estimated damages at \$9.7 billion and reconstruction costs at \$7.7 to \$9.1 billion - costs that increased Pakistan's dependency on foreign assistance and further exposed the civilian government's capacity problems. The government attempted to implement structural reforms to put the economy on a positive trajectory; for example, it made some progress in rationalizing energy prices this quarter by increasing electricity rates as part of a January 1, 2010, agreement with the World Bank and Asian Development Bank. However, political pressures prevented implementation of important reforms, such as much needed tax-reform legislation, which remained stalled at the end of this reporting period. As a result, the International Monetary Fund (IMF) temporarily paused its Stand-By Arrangement with Pakistan, withholding the two remaining tranches (totaling \$3.6 billion) until meaningful reforms are implemented.

The government's efforts to address the severe humanitarian crisis resulting from the summer floods affected investment in people's welfare during this reporting period. Many ongoing Pakistani and international efforts to invest in livelihoods and socio-economic development were diverted or suspended to address emergency flood relief, as millions of Pakistanis were displaced throughout the country.

We continued to deepen our relationship with Pakistan during this reporting period. The hallmark of this partnership is the United States-Pakistan Strategic Dialogue, a means for improving mutual trust, promoting long-term stability, and supporting development objectives important to the people of Pakistan. Secretary Clinton and then-Foreign Minister Qureshi convened a ministerial-level session of the United States-Pakistan Strategic Dialogue on July 19 in Islamabad, during which they reviewed progress of working groups focused on defense, economic development, energy, social issues, and water. The United States also unveiled 17 new projects valued up to \$690 million, including signature projects in energy, water, and health. United States diplomatic engagement also helped to bring Islamabad and Kabul closer together, as evidenced by Pakistan's ratification of the Afghanistan-Pakistan Transit Trade Agreement.

October 1 - December 31, 2010, Reporting Period: Overall, indicators and metrics against this objective remained static during this reporting period.

Pakistan's civilian leadership continued to face political, economic, and security challenges during this quarter. Public dialogue focused on potential changes in the national government. While tensions between the Supreme Court and President Zardari continued over corruption cases related to the National Reconciliation Ordinance (NRO), the Supreme Court stopped actively pursuing this issue by the end of the reporting period. The Pakistan People's Party (PPP)-led ruling coalition faced challenges from coalition partners and the opposition on issues of corruption, government performance, and economic reform. In an effort to address some of these concerns, the government continued plans to eliminate several Federal-level ministries whose functions could be devolved to provinces under the 18th Amendment; five ministries were devolved in early December and a deadline of June 30, 2011, was set for completion of the devolution process. Also, Prime Minister Gilani in early November announced that he would reshuffle his cabinet in December.

The government coalition remained intact at the end of the reporting period, but not without challenge from coalition partners and opposition leaders on economic issues, such as the reformed General Sales Tax (RGST). The IMF mission traveled to Pakistan from October 27 to November 5 to discuss progress on reforms the government pledged to make as part of its Stand-By Arrangement (SBA). During this reporting period, the government did increase petroleum prices and power tariffs, but it

continued to face severe gas and energy shortages, and post-flood economic growth momentum remained adversely affected, especially in the agricultural sector. While the cabinet approved the RGST during this reporting period, the Parliament was unable to pass it, given lack of support from both the Muttahida Quami Movement (MQM) and Pakistan Muslim League-Nawaz (PML-N).

Heated public debate on Pakistan's blasphemy law dominated the headlines when Aasia Bibi, a Pakistani Christian woman, was sentenced to death for defaming the Prophet Mohammed and was scheduled to be hanged in November. President Zardari requested that the Ministry of Minority Affairs conduct an investigation into the case and Punjab Governor Salman Taseer met with Bibi personally. Other civil society activists urged the Lahore High Court to take up an appeal and PPP Parliamentarian Sherry Rehman tabled amendments to the law in Parliament. The public debate on this issue reflected divisions in Pakistani society on the rights of religious minorities, increasing pressure on government efforts to invest in people's welfare and improve human rights.

Although we have begun laying the foundation for a strategic partnership based on mutual respect and trust through increased dialogue, improved cooperation, and enhanced assistance programs, Pakistan's decision in October to temporarily stop the flow of NATO and ISAF supplies into Afghanistan in response to NATO and ISAF helicopter incursions that killed three Pakistani Frontier Scouts reflect the still-fragile nature of our partnership. The United States-Pakistan Strategic Dialogue in October in Washington led to improved relations, and the news that President Obama would visit Pakistan in 2011 was warmly received.

January 1 - March 2011, Post-Reporting Period: Political developments during this reporting period reflect the government's inability to achieve political consensus on key economic reform issues. PPP tensions with coalition partners came to a head in early 2011 when the MQM left the government in protest against proposed fuel hikes. The MQM returned to the coalition a week later when the government reversed the fuel price increase. Prime Minister Gilani's beleaguered government is still beset by demands from the opposition to address a range of governance, economic, and judicial issues.

The Pakistani government continued to go through several political changes during this period. In late February, Prime Minister Gilani reshuffled the cabinet, as promised, and

in the process removed Shah Mahmood Qureshi as the Foreign Minister. The slot remains vacant, with Gilani temporarily assuming the portfolio. It is unclear who will assume responsibility for the next round of the United States-Pakistan Strategic Dialogue.

As a result of political gridlock, the government continues to be unable to develop consensus on difficult economic and fiscal reforms that are urgently required, including systemic tax reform. There has been no progress in cutting subsidies to state-owned enterprises and continued government borrowing from the central bank and private sector sustains Pakistan's economic challenges. Government spending continued to outstrip revenues, and the fiscal deficit may hit 8.5 percent of GDP by the end of the fiscal year in June. During the post-reporting period, Pakistan's Finance Ministry engaged in talks with the IMF, in hopes of reviving IMF disbursements. The deterioration of Pakistan's economy and slow progress on economic reforms poses the greatest threat to Pakistan's stability over the medium term.

Punjab Governor Salman Taseer was assassinated in January by one of his security guards who opposed Taseer's stance on the need to reform Pakistan's blasphemy law. In March, Minority Affairs Minister Shahbaz Bhatti was assassinated, also for supporting changes to the blasphemy law. The Pakistani government's response to the evolving blasphemy law debate continues to be muted, and in turn, has increased the political space for extremist voices to dominate the public debate.

President Obama and President Zardari met in Washington in January to discuss the bilateral relationship - a meeting that was welcomed by the Pakistani government and seen as a prelude to President Zardari's official visit to the United States later in 2011, as well as President Obama's intended visit to Pakistan later in the year. The incident involving the shooting deaths of two armed Pakistani men in Lahore by U.S. official Raymond Davis on January 27 dominated the relationship for much of this period, while the United States and Pakistani governments disputed the matter of Davis's diplomatic immunity. Davis was released from Pakistani custody on March 16.

Objective 4: Develop Pakistan's counterinsurgency (COIN) capabilities; continue to support Pakistan's efforts to defeat terrorist and insurgent groups. (DOD)

July 1 - September 30, 2010, Reporting Period: Overall, indicators and metrics against this objective remained unchanged during this reporting period.

Pakistan's COIN operations during this reporting period were dramatically impacted by the unprecedented monsoon flooding that covered one-fifth of Pakistan's land area from the end of July through early October. The floods impeded Pakistan's military campaign against Tehrik-e-Taliban Pakistan (TTP) elements in the FATA and Tehrik-e-Nefaz e Shariat e Muhammad (TNSM) militants in Khyber Pakhtunkhwa Province (KP). As an example, small-scale operations that were ongoing in Orakzai Agency were curtailed.

Pakistan's military immediately recognized the disaster relief imperative and shifted about 70,000 Pakistani security forces to flood relief functions. Many of these forces were already in flood-impacted areas and were re-missioned in place. The military also allocated virtually all of the air assets in the border region to flood relief, depriving them of assets that facilitate close air support and the insertion and extraction of ground forces for offensive actions. (Weather conditions at the time would have likely impacted offensive military operations in the same manner as they impeded relief flights, regardless of the need to address urgent humanitarian requirements on the ground.)

Pakistani forces worked effectively with U.S. forces at a central logistics hub at Pakistan Air Force (PAF) Base Chaklala and two of Pakistan's forward relief bases (Ghazi Airfield in the north, and Pano Aqil Cantonment in the south), facilitating the movement of over 26 million pounds of relief supplies, including delivery of over 436,000 halal meals within the first 72 hours, and also transporting over 44,000 stranded people from flood-affected areas. The United States provided over \$110 million in assistance, including \$596 million of emergency relief and \$95 million of in-kind assistance. Pakistan's military facilitated the temporary deployment of U.S. military C-17 and C-130 transport aircraft and 30 helicopters of various types and provided navigational assistance to U.S. rescue flights. While not explicitly related to the ongoing COIN operations, efforts by the military to provide direct support to an imperiled population have positive effects on vesting the population with the national government, especially when those impacted citizens are in areas that are also facing threats from insurgents.

The net effect of the flood, however, was that the offensive military operations Pakistan had envisioned for KP and the FATA in the second half of 2010 were overtaken by events. Militants were impacted by the floods as well, so we did not observe significant offensive actions on their side, but as Pakistani forces ceased offensive operations, extremists extended their control to areas without sufficient Pakistani central government-provided security and governance. This highlights a larger challenge Pakistan is facing. As India continues to dominate their strategic threat perception, large elements of Pakistan's military remain committed to maintaining a ratio of Pakistani to Indian forces along the eastern border. This deprives the Pakistani COIN fight of sufficient forces to achieve its "clear" objectives and support the "hold" efforts, while encouraging pre-engagement aerial bombardment that increases the number of displaced persons, and causing available Army forces to be bogged down with "hold" activities because there are insufficient trained civilian law enforcement personnel to assume that responsibility.

October 1 - December 31, 2010, Reporting Period: Overall, indicators and metrics against this objective remained unchanged during this reporting period.

Pakistani security forces remained largely static during this reporting period, generally focusing on maintaining the security of previously cleared areas in the FATA and KP and continuing to support flood relief operations. There were small but notable security operations in November and December in Orakzai Agency and Dir District, but no major operations. National attention during the reporting period focused on the need for continued flood relief and the start of early recovery efforts. The military served as a force of stability during the monsoons, ensuring that Pakistani and international emergency resources were available for rescue and relief operations. The Pakistan Army, Air Force, and Navy committed large numbers of personnel and resources to the flood relief operations throughout October and November. Their involvement continued at a reduced level throughout the month of December as flood waters finally started to recede from 618,511 acres of land submerged by flood water at the end of November to 284,846 acres of land submerged by flood water at the end of December. The civilian-military nature of the National Disaster Management Authority facilitated effective cooperation with U.S. and other international relief personnel. The civilian government's response suffered from a lack of coordination and reflected broader shortcomings in the government's ability to execute the civilian "hold" and "build" phases of COIN. In addition, there were well-publicized (though

small in scope) instances where religious groups - some with extremist affiliations - filled the vacuum and established their own relief efforts. Lashkar-e-Tayyba/Jamaat-ud-Dawa leveraged their extensive network in Punjab and Sindh in this manner, similar to the role they played during the 2005 earthquake relief effort.

By law, Pakistan's military is a first responder for disasters of this size and it led the way for conducting flood relief operations in coordination with NDMA, which established the priorities for relief and early recovery. Furthermore, NDMA chaired daily flood coordination meetings with senior representatives from the Pakistan military, government ministries, nongovernmental organizations (NGOs), donors, and international organizations. In addition, the Provincial Disaster Management Authorities, while greatly underresourced, worked diligently to partner with the Army Corps Headquarters in their respective areas to coordinate the logistics of the relief and recovery efforts.

Cooperation between United States and Pakistani military forces, as well as between Pakistani forces and ISAF in Regional Commands East and South in Afghanistan, continued during the reporting period. Improved coordination between the Pakistani military and their ISAF counterparts resulted in continued incremental progress in "complementary operations" that began in 2010, and enabled successful ISAF interdiction of insurgents fleeing Pakistani military operations into Afghanistan. Also, Security assistance focused on COIN continued to flow. But the last quarter of 2010 saw no progress on effectively executing the COIN cycle in KP and the FATA.

There were some setbacks to the overall relationship in the last quarter of 2010. On September 30, an accidental engagement by an ISAF helicopter against a Frontier Scouts unit resulted in a temporary pause in military cooperation as the incident was investigated; tensions abated relatively quickly. While regrettable, the reaction from the senior Pakistan military leadership was far less dramatic and severe than in previous cross-border mishaps and created an opportunity to discuss bilaterally how to prevent similar incidents in the future. Militants also used the temporary cessation of U.S. traffic at the Torkham border crossing to attack NATO supply shipments that were awaiting passage to Afghanistan.

Secretary Clinton announced a significant enhancement to the security and relationship during the Washington meeting of the United States-Pakistan Strategic Dialogue in October: a new,

multi-year U.S. commitment to seek security assistance funding for Pakistan from the Congress. The foundation of this commitment is the progress made during 2010 through the Exchanges on Defense Planning, in which Pakistan has developed a strategy-to-tasks-to-capabilities approach to planning and programming its defense requirements. The commitment includes a request to the Congress for \$2 billion in Foreign Military Financing (FMF) and \$29 million in International Military Education and Training (IMET) funding over a 5-year period (Fiscal Years 2012-2016). FMF provides the foundation for Pakistan's long-term defense modernization. In addition, the IMET commitment will allow Pakistani military personnel the opportunity to train alongside their U.S. counterparts, which will help create deepened personal relationships and enhance our strategic partnership. IMET funding was suspended along with other security assistance during the decade-long period of Pressler Sanctions, depriving a generation of Pakistani officers of an opportunity to attend courses in the United States that impart our values for civilian control of the military, human rights, military organization, and operational planning, among other things. In addition to FMF and IMET, the commitment to seek Pakistan Counterinsurgency Capabilities Fund (PCCF) resources based on on-the-ground requirements is an important enabler in our effort to help Pakistan with the training and equipment that is most relevant to the COIN challenges they face.

January 1 - March, 2011 Post-Reporting Period: As highlighted by a string of serious attacks on Pakistani security forces and in public gathering places including markets and schools, the security situation in the FATA and KP has deteriorated since the resumption of fighting in the last part of 2010.

In January, Pakistan military and paramilitary units began Operation BREKHNA, an effort to clear militants from Mohmand Agency using 6,000 Pakistani security forces along with Intelligence, Surveillance, and Reconnaissance (ISR) assets and ISAF ground troops and fire support on the Afghanistan side of the border. This effort expanded to include some operations in neighboring Bajaur Agency. It is important to note that this is the third time in the past 2 years that the Army has had to conduct major clearing operations in the same agency; a clear indicator of the inability of the Pakistan military and government to render cleared areas resistant to insurgent return. Similarly, Pakistan's military helicopter fleet, a key COIN enabler, remains beset by low operational readiness rates exacerbated by Pakistani reluctance to accept U.S.-provided helicopter maintenance teams. While Phase I of BREKHNA has

cleared some areas, the operation has yet to proceed to the critical "hold" and "build" phases of COIN.

Operation BREKHNA highlights a few of the recurring challenges associated with conducting COIN in Pakistan. The military originally intended the operation to be completed in a few weeks, but has since extended the timeframe into at least April. Adverse weather, underestimated militant resistance, resettlement of internally displaced persons (IDPs), and the discovery of several large caches of improvised explosive devices (IEDs) have all hampered ongoing operations, but what remains vexing is the lack of any indication of "hold" and "build" planning or staging efforts to complement ongoing clearing operations. As such, there remains no clear path toward defeating the insurgency in Pakistan, despite the unprecedented and sustained deployment of over 147,000 forces (up from around 80,000 in 2001-2003). Pakistan's security forces made tremendous human sacrifices (2,575 killed in action and over 8,500 wounded since 2001).

As noted in the 2010 APAR, the denial of extremist safe havens in Pakistan cannot be achieved through military means alone, but must continue to be advanced by effective development strategies. One of the key challenges for Pakistan will be to ensure that adequate civilian law enforcement personnel are available to free up the Army to pursue fleeing militants. Pakistan also needs to consolidate the gains that it has made in previous "clear" efforts in Khyber, Orakzai, and Kurram Agencies and resettle IDPs.

In spite of strains on the relationship stemming from the detention of U.S. official Raymond Davis in Lahore, bilateral military cooperation continues on a positive trajectory. Recent efforts have focused on ensuring that military operations by Pakistan's 11th Corps in the Northern FATA are coordinated with ISAF and ANSF operations designed to catch fleeing militants as they cross the border into Afghanistan. Similarly, we have seen positive coordination between ISAF operations in Regional Command-South and corresponding actions by Pakistan Army 12th Corps leadership. Unfortunately, despite the success of the four Border Coordination Centers (BCC) in Afghanistan, we still have not seen a functioning BCC established on Pakistani territory (as pledged in the May 2009 joint statement of the last trilateral meeting between the United States, Afghanistan, and Pakistan).

Objective 5: Involve the international community more actively to forge an international consensus to stabilize Pakistan.

(State)

July 1 - September 30, 2010 Reporting Period: Overall, indicators and metrics against this objective increased slightly during this reporting period.

The Government of Pakistan (GOP) and donors demonstrated consensus on the objectives of international assistance and showed some progress in aligning budgets with GOP priorities, but Pakistani political will continued to restrain progress toward coordination of assistance and a sustainable impact on Pakistan's economic, political and security challenges. For example, the GOP did not respond to requests from Tokyo donors such as the United Arab Emirates (UAE) and Turkey for project proposals that would facilitate the disbursement of Tokyo pledges.

The GOP engaged key donors, as demonstrated by the working groups to follow up on the United States-Pakistan Strategic Dialogue, the August 19 and September 19 special sessions on Pakistan floods at the United Nations (U.N.) in New York, Pakistan's participation in the Friends of Democratic Pakistan (FODP) meeting in Brussels, and the GOP's decision to host the Pakistan Development Forum in November. At the request of the GOP, the U.N. in September terminated the contract of Special Envoy Ripert, and within a week replaced him with a Turkish diplomat, Engin Soysal. Soysal immediately visited Pakistan, including the flood-affected regions, and began coordinating with the EU on the agenda for the FODP meeting that was to take place within 3 weeks of his appointment.

Headed by its capable and experienced Chairman, former Lieutenant General Nadeem Ahmed, the National Disaster Management Authority effectively coordinated priorities to facilitate the efficient use of assistance from donors during the flood crisis.

In response to the historic floods that started in late July, the U.N. presented an early recovery plan and an adjustment of their Pakistan Floods Emergency Response Plan, announced on September 17 and issued a flash appeal for \$2 billion in relief and early recovery support from the international community. Separate from the flood appeal, the U.N. also revised its Pakistan Humanitarian Response Plan (PHRP), which appealed to the international community to support programs for conflict-affected internally displaced persons and returnees. The

appeal, which initially called for \$537.8 million, was reissued in July to request a total of \$663.1 million for projects through December 2010. On September 28, the U.N. issued a "Prioritization Statement" to explain the relationship between the PHRP and the Pakistan Floods Emergency Response Plan. The Humanitarian Country Team, a group of U.N. and humanitarian organizations operating in country, identified about 2.6 million people in two broad beneficiary groups - displaced persons in KP (about 1.1 million outside of camps and about 65,000 in camps) as well as returnees (about 300,000) and those who stayed (about 1.1 million) in FATA - to be prioritized under the PHRP. As of mid-September, about 4 percent of the needed funding had been pledged to the PHRP. The United States Government continues to be the lead donor for humanitarian assistance in Pakistan and has contributed almost 49 percent of the PHRP contributions received thus far. The United States Government has been vocal in calling on international donors to contribute to the humanitarian relief, recovery, and reconstruction efforts for flood-affected persons, as well as conflict-affected persons.

Donors have made some progress toward conveying a common message of the political and economic reforms the GOP must implement for assistance to be effective. The international community sent a strong common message on the need for reforms during the September 19 meeting on the margins of the U.N. General Assembly in New York. However, there continues to be little progress by the GOP in generating the internal consensus necessary for the reforms to progress.

Follow-up from a joint United States-Japanese demarche to donor capitals to learn the status of Tokyo pledges indicated progress in designing and delivering assistance plans. In fact some donors are now delivering assistance beyond the pledges they made at the conference. Likewise, the World Bank Multi-Donor Trust Fund, designed to support local and provincial government spending in KP, FATA, and conflict-affected areas of Balochistan, has reported a sum of \$130 million in commitments from donors; however, many donors had not transferred their contributions by the end of the rating period. The implementation of Tokyo pledges is likely to remain gradual, especially as donors try to work with slow GOP bureaucratic mechanisms. In many cases Tokyo pledges are likely to be disbursed for flood relief, recovery, or reconstruction, rather than for their originally intended purposes. We have made a concerted effort to align FY10 assistance with the GOP budget, and roughly 50 percent of U.S. assistance will be channeled via Pakistani implementers responsible for delivery of key services such as health and education, supporting projects that are on

the Federal and provincial budgets. As noted in the Annual Review, our assistance clearly communicates the U.S. commitment to a long-term relationship that is supportive of Pakistan's interests and underscores that we will not disengage from the region as we have in the past.

Cooperation between Afghanistan and Pakistan showed some signs of progress this quarter. Military-to-military relations improved with good information sharing on operations occurring on both sides of the border. While engagement between the Afghans and Pakistanis on the civilian side remains irregular, Afghanistan's \$1 million contribution of air support to the flood relief effort was a positive development in the relationship. There was working-level cooperation between Afghan and Pakistani civilian officials in some areas of mutual interest, such as joint ministerial participation at the World Food Summit in Des Moines.

October 1 - December 31, 2010 Reporting Period: Overall, indicators and metrics against this objective declined during this reporting period.

During this quarter, the United States Government disbursed over \$206 million in civilian assistance and over \$82.4 million in military assistance to Pakistan, continuing a modest upward trend on the civilian side. As of December 2010, the U.S. Embassy reported that in total, the United States Agency for International Development (USAID) has disbursed \$877.9 million in civilian assistance since the passage of Kerry-Lugar-Berman legislation in fall 2009, not including emergency humanitarian assistance. While some new programs are underway, it will take time for other projects, particularly large infrastructure projects, to be fully implemented.

The United States Government, primarily USAID, channeled about 50 percent of FY10 Kerry-Lugar-Berman funding directly through GOP institutions, which supports Pakistani priorities while also building local capacity. Continual dialogue between the Ministry of Finance and the Embassy resulted in a detailed plan for aligning U.S. FY10 assistance with Pakistan's budget, although some \$310 million was redirected to support flood reconstruction. In addition, \$190 million was pledged to support the GOP's Citizen's Damage Compensation Fund, its highest priority flood recovery program. The United States also delivered approximately \$516 million in emergency humanitarian flood relief.

Major international partners held two conferences in this quarter - the FODP hosted by the European Union in October, and the Pakistan Development Forum in Islamabad in November. The meetings marked the transition from emergency relief from the summer flooding to a return to long-term development and economic reform priorities. Day-to-day assistance coordination improved through the efforts of the new U.N. Special Envoy Rauf Engin Soysal. Ambassador Soysal previously served as the Turkish Ambassador to Pakistan and as Ambassador Holbrooke's Turkish counterpart as Special Representative for Afghanistan and Pakistan (SRAP), and so he has strong working relationships with the GOP, donors, and major international organizations.

These improved coordination mechanisms resulted in concrete progress over this period, including the conclusion of a \$180 million soft loan from South Korea and continuing contributions to the Multi-Donor Trust Fund, now at \$140 million.

The IMF standby agreement with Pakistan has been on hold since August 2010 due to Pakistan's failure to implement needed revenue and power sector reforms, with the IMF withholding \$3.6 billion until progress is made on meeting program benchmarks including Federal and provincial tax reform implementation; implementation of electricity sector reform; and improved budget discipline to reduce the fiscal deficit.

Consistent international engagement helped the GOP undertake important policy efforts, including Cabinet approval of the Afghanistan-Pakistan Transit Trade Agreement (APTTA) on December 1, 2010, and constructive dialogue on fiscal reform.

A Department of State survey showed that 66 percent of Pakistanis said they want to see their country make efforts to improve relations with Kabul, and 57 percent of Pakistanis agreed that Pakistan and Afghanistan share a common interest in fighting terrorism. However, only 47 percent of Pakistanis were in favor of Pakistan and Afghanistan working together to fight terrorism, with 36 percent opposed.

January 1 - March 2011 Post-Reporting Period: USAID has made efforts to focus U.S. assistance efforts on a few key programs that will allow it to increase its rate of execution; however, security concerns continue to hinder implementation. Discussions are ongoing with the GOP on how to further align U.S. programs with Pakistan's priorities and increase the amount of funds going through the GOP budget process and being implemented by Pakistani organizations.

The GOP will allow flood relief operations to continue where needed, even after having announced that the relief phase of the floods response ended on January 31, and instructing the U.N. Office for the Coordination of Humanitarian Affairs (OCHA) to reduce its footprint in Pakistan as of March 30.

Pakistan and Afghanistan agreed to delay the implementation of APTTA for 4 months because of a disagreement on the provision of bank guarantees for Afghan goods, and to allow for additional time to implement logistical safeguards.

Objective 6: In Afghanistan, reverse the Taliban's momentum and build Afghan National Security Forces (ANSF) capacity so that we can begin to transition responsibility for security to the Afghan government and decrease our troop presence by July 2011.
(DOD)

July 1 - September 30, 2010, Reporting Period: Overall, indicators and metrics against this objective improved modestly during this reporting period.

This quarter marked the effective completion (with the exception of one headquarters element) of deploying the additional U.S. forces the President ordered to Afghanistan, enabling ISAF and its Afghan partners to achieve new gains in contesting key insurgent strongholds, particularly in Helmand and Kandahar Provinces. As of September 30, with the surge nearly complete, there were approximately 97,000 U.S. forces and approximately 49,000 other international forces in Afghanistan. This included most of the additional 30,000 U.S. troops and approximately 77 percent of the pledged 9,700 additional non-U.S. personnel.

As an anticipated result of the increased force levels and accompanying increased operational tempo, violent incidents increased overall through the reporting period, with levels of violence varying across the country's distinct regions, but generally remaining 40-70 percent above 2009 levels for this quarter. The security environment in Afghanistan improved in some areas, stabilized in some, and worsened in others, most notably in the north.

Increased Special Operations Forces (SOF) activities degraded insurgent command and control and strained their ability to conduct effective attacks. The cumulative effect of these operations was to reduce the overall amount of area where the insurgency maintained strong influence. The Afghan Local Police (ALP) program, formally approved by President Karzai in July,

also contributed to this effect, demonstrating the potential to improve security in rural districts, degrade insurgent influence in key areas, and connect local populations to the district and provincial government.

On August 19 COMISAF issued *COMISAF Tactical Directive, Revision 1*, providing guidance and intent for the employment of force, specifically regarding fire control measures where civilians may be present. The revision clarifies that subordinate commanders are not authorized to restrict the guidance further without approval and that nothing in the guidance is intended to hinder an individual's right of self-defense. Overall, the directive seeks to minimize incidents of civilian casualties (CIVCAS) while maintaining force protection.

Despite the increase in coalition forces and a continued rise in violence, coalition-attributed civilian casualties declined by 24 percent in this quarter, while insurgent-attributed civilian casualties increased 77 percent. However, Afghans do not generally distinguish between coalition- and insurgent-caused casualties, and instead tend to view violence writ large as the result of coalition presence and activity.

Overall, the ANSF demonstrated mixed progress but improved slightly during the quarter, remaining generally dependent on coalition support for planning and complex operations. In early August, an Afghan National Army (ANA) battalion conducted an independent operation (without their mentors) in Laghman Province and suffered considerable casualties in a Taliban ambush. However, in late August, the ANSF operated much more effectively with ISAF in Malajat, Khandahar. The ANSF also performed well and dealt effectively with most of the violence during the Parliamentary elections of September 18, reflecting some improvement in capability.

ANSF growth continued to be on track this quarter, enabled through increased recruiting, reduced attrition, and improved retention. In July, the ANA and the Afghan National Police (ANP) both met their 2010 Joint Coordination and Monitoring Board (JCMB) growth goals of 134,000 and 109,000 personnel, respectively, 3 months before the October 31, 2010, goal. At the end of the reporting period, the ANA and ANP strengths were approximately 139,000 and 120,000, respectively, reflecting growth of over 66,000 personnel from 1-year prior.

At the institutional level, ISAF has taken a number of initiatives to improve ANSF quality. Some of the major

undertakings include increasing the number of trainers in the training base to improve the quality of basic instruction, increasing the number of literacy trainers, and working with the Government of Afghanistan to standardize and raise pay and modify policies to improve retention. Leadership development is another priority, and NATO Training Mission-Afghanistan (NTM-A) has instituted several non-commissioned officer (NCO) and officer leadership courses to increase professionalism within the force. NTM-A has built branch schools to provide specific skill training for the ANSF in areas such as combat arms, logistics, engineering, and intelligence. As a result of these initiatives, the number of ANA officer and NCO personnel training throughput has dramatically increased, which has improved the ratio of leaders across the ANA. To make continued gains in the training base, the international community and the United States will need to fill ISAF Combined Joint Statement of Requirements (CJSOR) commitments for NTM-A related resources, especially trainers.

A major milestone this quarter was President Karzai's signing of a decree for the Ministry of Interior (MOI) that includes an active duty service obligation that commits ANP officers and enlisted personnel to specific obligations for time in service. This should help reduce attrition in the MOI forces and is a major step in MOI institutional development.

Of concern, ANA recruitment of southern Pashtuns trended down from 3.4 percent in January 2010 to 0.6 percent in September. In response to this issue, Minister of Defense Wardak dispatched a delegation to implement several new initiatives to increase southern Pashtun recruitment. These initiatives include initial training at local training centers and assignments in the south for the initial enlistment. The ANP largely recruits regionally, and it has been recruiting large numbers of southern Pashtuns for the Afghan Uniformed Police (AUP), as well as the Afghan Border Police (ABP). Since March 2010, nearly 50 percent of the recruits in the south were Pashtun.

The ISAF Generation Conference convened at Supreme Headquarters Allied Powers Europe (SHAPE) on September 22-23 with 50 nations in attendance. The conference objective was to generate forces in response to the 1,417 unfilled trainer requirements identified with the release of ISAF CJSOR version 10. Many of these trainer positions require specialty skill sets, such as logistics, intelligence, and engineering, in order to help build the ANSF in future years. The conference generated approximately 600 additional institutional trainers, five Police Operational Mentor Liaison Teams (POMLTs), one Operational

Mentor Liaison Team (OMLT), and 80 critical enabling personnel, with 163 U.S. trainers included among the 600. Of the remaining trainer shortfall, 442 positions are assessed as critical training capabilities.

On September 27, the Joint Afghan-NATO *Integral* ("transition") Board (JANIB) met for the first time to discuss transition. The timelines proposed (to start transition in early 2011) were initially considered to be ambitious, but subsequent commitment and planning has yielded a process for transition that remains on-track with this timeline.

October 1 - December 31, 2010, Reporting Period: Overall, indicators and metrics against this objective improved moderately during this reporting period.

With the arrival of the 10th Mountain Division headquarters in late October in Regional Command (RC) South, the U.S. force surge was completed, and the coalition had broadly arrested Taliban momentum and even reversed their momentum in some important areas. Coalition operations further leveraged the additional resources of the surge, making additional progress in diminishing Taliban control and influence throughout the south, east and west. These gains displaced insurgents, caused temporary and localized supply shortages, and degraded insurgent command and control. However, and despite these setbacks, the insurgency remained resilient, maintaining a high level of opposition and violence, and redoubling efforts to counter coalition progress and Afghan confidence in their government through a concerted murder and intimidation campaign.

Overall, Afghan perceptions of security improved in this quarter. In Kandahar Province, operations focused on holding cleared areas in Dand, Zharay, and Panjwa'i Districts, disrupting insurgent strongholds, freedom of movement, and supply lines, and somewhat degrading insurgent influence within the province. With more limited influence and freedom of movement, the Taliban increased the use of IED attacks and high profile attacks such as suicide bombings. The insurgency also increasingly used assassinations and targeting of Afghan officials and local collaborators in an effort to erode legitimacy and support for the Afghan government. In Helmand Province, ISAF operations continued to hamper the Taliban's ability to be effective, although the Taliban maintained sufficient capacity and freedom of movement to carry out limited operations. The local populace supporting ISAF was subject to violent intimidation, especially in southern Marjeh.

In the east, increased ISAF and ANSF partnered COIN operations in Logar and Wardak Provinces, in the Paktia, Paktika, and Khowst (P2K) region, and in Southern Ghazni continued to disrupt facilitation nodes leading into Kabul Province and city. Although these operations yielded positive effects in key locations, particularly in P2K, the insurgency has also shown to be resilient in many of these areas.

The ALP program continued to expand, degrading insurgent freedom of movement and bolstering public confidence. The effectiveness of this program was evident in reducing Taliban influence where applied in more rural areas, beyond the reach of regular ANP and coalition units. The program continued to face a number of risks and challenges, to include threats from insurgents seeking to undermine its effectiveness, and the need to provide careful oversight and management of the program as it expands.

The percentage of the population stating that security in their communities was good increased 6 percent from last quarter to 51 percent in December 2010, with a portion of this increase possibly due to the onset of winter. The percentage of the population stating security is good was up 2 percent from December 2009. The percentage of Afghans that perceive security in their area as better than 6 months ago increased to 42 percent from 34 percent last quarter.

While the security gains in this quarter were notable, more needs to be achieved for those gains to be made durable. Specifically, work remains to transfer cleared areas to the ANSF and to place emphasis on the development of Afghan-led security and governance within areas that have been a focus of military operations. Further, durability will require a political process - to include reconciliation and accelerated regional diplomacy - that can take advantage of the momentum created by the recent security gains.

The ANSF continued to improve this quarter, particularly the ANA. Overall, the ANA's ability to conduct independent operations is gradually improving, particularly where there is a close partnership with coalition forces. Of note, there were more coalition force partnering/mentoring teams than there were ANA units. Some ANA units were partnered with more than one

coalition force unit, while other units, due to their location or mission requirements, were not partnered (see Figure 1 below).

ANA Partnered Units

Regional Command	TASHKIL 20 DEC 2010			Partnered ANA units *	Embedded		Partnered		Mentored		Uncovered	
	Total Fielded Units*	Fielded Kandaks *	Fielded HQ*		Kandaks	HQ	Kandaks	HQ	Kandaks	HQ	Kandaks	HQ
RC Capital	17	14	3	10	3	0	4	0	2	1	6	0
RC East	55	47	8	52	15	3	26	3	5	0	1	1
RC West	18	14	4	16	0	0	8	2	5	1	1	0
RC North	19	15	4	17	1	0	11	3	2	0	1	1
RC Southwest	22	18	4	24	1	0	16	3	3	1	0	0
RC South	31	26	5	28	3	0	19	5	1	0	1	0
Total	162	134	28	147	23	3	84	16	18	3	10	2

* Data includes headquarters and kandaks; it does not include Commando (CDO) and Special Forces (SF) units.

Source: IJC CUOPS Security Partnering

Data as of 10 January 2011

Figure 1. ANA Partnering

Absenteeism and attrition continue to pose a risk to the quality of the ANSF, and other challenges such as illiteracy and poor leadership remain. While aggregate end-strength goals are consistently achieved, there remains a leadership deficit, with a current shortage of 4,326 officers and 10,824 NCOs. The officer deficit is expected to remain relatively constant, cancelling out losses due to attrition while keeping pace with new force growth requirements. The NCO deficit should continue to shrink over the next year due to new training capacity and increased emphasis at command levels.

ANA recruitment continues to exceed goals. In December 2010, ANA schools were filled to 90 percent capacity with 18,635 of 20,798 available seats filled. This fill rate is up 10 percent from last quarter. Ministry of Defense (MOD) and ANA leaders have placed special emphasis on sending more NCOs and potential NCOs to school in order to address the shortage of trained leaders in fielded forces. The fill rate for NCO schools has increased from 47 percent (825/1,750) last quarter to 75 percent (3,029/4,020), with officer schools filled to 95 percent capacity (3,000/3,147). ANA retention is within the required

goals, while ANP retention improved through this quarter (see Figures 2 and 3 below).

ANA	Retention (NTM-A/NMCC)					
	Month	Eligible	Separations	Re-Cont	% Retained	Goal %
	Oct-11	1,193	281	912	76.4%	70%
	Nov-11	1,071	362	709	66.2%	70%
	Dec-11	1,424	431	993	69.7%	70%

Source: NTM-A CJ1 - Re-contracting (Re-cont) SY 1389 and CJ1 ANSF Quick Ref 6 JAN 11.
Data as of 6 January 2011

Figure 2. ANA Retention

ANP	ANP Retention					
	Month	Eligible to Re-Cont	Re-Cont.	Released	Goal %	% Re-Cont.
	Oct-10	332	153	179	60-70%	46.0%
	Nov-10	140	93	47	60-70%	66.4%
	Dec-10	66	54	12	60-70%	81.8%

Source: NTM-A CJ1 - MoI PERSTAT
Data as of 6 January 2011

Figure 3. ANP Retention

Thirty percent of the population believes the ANA most likely or certainly will defeat anti-government elements in the next few years, a 2 percent decrease from September 2010. Twenty-two percent of the population thinks the ANA is capable of operating without the assistance of Coalition forces, an increase of 3 percent from September 2010. The percentage that thought the ANA required the "full support" of Coalition forces dropped from 28 percent in September 2010 to 26 percent in December 2010.

Regarding Transition, the Afghans, NATO and ISAF made significant progress at the planning level since the endorsement of the *Joint Integral (Transition) Framework* document at the July 2010 Kabul Conference. The November 19-20 NATO Summit in Lisbon highlighted this progress, underscoring NATO's enduring commitment to Afghanistan and agreeing that provincial transition should begin in early 2011, and endorsing President Karzai's goal that transition to Afghan security lead (ANSF assume full responsibility for security across the whole of Afghanistan) will be completed by the end of 2014.

January 1 - March, 2011, Post-Reporting Period: A recent rise in high-profile suicide attacks suggests that the 2011 "fighting

season" has begun and that violence will again begin to increase from the relative seasonal lull of January and February. In addition, this trend could reflect a shift in Taliban tactics against softer government, ANSF, and civilian targets. Whatever the reason, this shift has resulted in a spike in civilian casualties in recent weeks.

In addition, the shift in the Taliban's greater use of murder and intimidation tactics reflects an insurgency under the pressure of a more substantive coalition military campaign, particularly with the full complement of surge forces in place. That said, there are also indications that the Taliban remains confident of its strategy and resources, and heavy fighting is expected to resume this spring.

ANSF growth and quality initiatives continue, with both the ANA and ANP on track to meet the FY11 goal of 305,600 total forces. NTM-A is maintaining the process of professionalizing the ANSF, with nearly 35,000 soldiers and police in various training courses. The ALP program also continues its expansion, with the ongoing validation by the MOI of new sites and the demonstration of increasing capabilities of ALP forces in the field.

The Afghan-led process of Transition is set to begin this quarter, with the announcement of the first tranche of provinces and municipalities by President Karzai on March 21. On February 22, the Joint Afghan-NATO *Inteqal* (Transition) Board (JANIB) finalized the recommended first tranche, which was endorsed by NATO ISAF Defense Ministers in a March 10-11 meeting. The beginning of the transition process will be responsible and gradual, allowing for the beginning of U.S. force reductions in July 2011. This progress is consistent with -- and will enable -- the Lisbon Summit goal of fully transitioning to Afghan lead for security and completing the transition process by the end of 2014. The NATO-Afghan partnership declaration agreed to at Lisbon also gave us a framework for an enduring commitment to Afghanistan beyond 2014.

Objective 7: Strategically build the capacity of the Afghan government which enables Afghans to assume responsibility in the four-step process of clear-hold-build-transfer. (State)

July 1 - September 30, 2010, Reporting Period: Indicators and metrics against this objective were static overall, and in need of further improvement during this reporting period.

While the Afghan government made advances in its capacity and effectiveness at the national level, it is still lacking at the

sub-national level. Accountability at all levels remained weak. Still, the Afghan government continued to advance its national-level capability as illustrated by the Kabul Conference, increased revenues, and progress on the Afghanistan Peace and Reintegration Program (APRP). Afghan capacity at the sub-national, and especially district, level remained weak, but showed signs of improvement. The implementation of their Sub-National Governance Policy progressed slowly. A key component for implementation, the Presidential Decree on the Cabinet Committee on Sub-National Planning and Finance, was signed this quarter. In addition, the merit-based appointment process was in place with 18 district governors approved.

The Afghan-led July 2010 Kabul Conference marked an important step toward the government's improved capacity to administer development assistance and services through national priority programs. The Afghan government improved its ability to collect revenue from 7 percent of gross domestic product (GDP) 2 years ago to 9 percent during the reporting period. However, the Afghan government remained unable to cover its operating expenditures and continued to have trouble executing its development budget. The near-failure of Kabul Bank in August and September demonstrated the fragility of the financial system amid widespread fraudulent activity by politically connected bank shareholders in the absence of an effective regulatory framework. Progress on the APTTA signaled improved trade relations between the two nations. Still, the financial links between the national and sub-national levels need to be improved and there are no robust oversight and transparency mechanisms at the provincial level.

Afghans cast 4.3 million valid votes in the September 18 parliamentary elections. While results and election complaints were not yet fully processed by the end of the reporting period, the Independent Election Commission's (IEC) leadership made strides in implementing fraud mitigation measures, including a computerized tracking system to alert IEC officials when fraud triggers were identified, enhanced tracking and control of sensitive materials, and the barring of approximately 6,000 election workers who engaged in electoral fraud in 2009. Enhanced transparency and fraud mitigation measures resulted in the IEC's invalidation of approximately 1.3 million illegitimate votes; resulting in the 4.3 million figure for valid votes. U.N. Assistance Mission to Afghanistan (UNAMA) praised the IEC, citing "significant improvements in the management of the post-polling day process." The impact of violence in this year's election was significantly lower than last year's presidential election, due in part to the increased capacity of ANSF.

Electoral reform in areas such as the Single Non-Transferrable Vote system, political party representation, voter registration, and electoral-district demarcation remain much-needed.

Despite some small improvements in the training of judges, Judicial Security Unit Police, and the holding of public trials, progress in the judicial sector was overshadowed by serious questions about the Afghan government's political commitment to fight corruption. Following the arrest in July of Deputy National Security Advisor for Administration Salehi on suspicion of corruption and his subsequent release, cooperation between Anti-Corruption Unit (ACU) prosecutors and international mentors was suspended and remained on hold throughout the reporting period while an agreed manner of cooperation was established. At the same time, the Afghan Attorney General ordered an end to the international community's "top-offs" of ACU prosecutors' salaries (which are very low) while pay and rank reform remains to be done. The Supreme Court ended the use of polygraphs for judges in the Anti-Corruption Tribunal (ACT) and also ordered a halt to salary "top offs" because of recent pay increases for judges. The High Office of Oversight made some progress in publishing assets of government employees, but there was limited movement on vetting the asset declarations of the top 35 government employees.

The Afghan government made advances toward the implementation of the Afghanistan Peace and Reintegration Program (APRP) with the establishment of the High Peace Council. Afghan support for the peace and reintegration processes remained high.

October 1 - December 31, 2010, Reporting Period: Indicators and metrics against this objective were static overall, and in need of further improvement during this reporting period.

During this quarter, there was improvement in Afghanistan's service delivery, institutional capacity, and economic growth. The Afghan government continued to progress on the APRP, and the Afghan people reported greater confidence that Afghanistan is going "in the right direction." Still, progress remained mixed and fragile. The seating of the new Parliament, elected last September, proved extremely contentious and eroded the separation of powers necessary for healthy democratic growth. Allegations of corruption and widespread fraud at the Kabul Bank and within the government undermined public confidence in the formal financial sector and underscored weaknesses in the Afghan government's financial regulatory system. The new merit-based appointment process for District Governors (only 18 District Governors have been appointed through the system) and Deputy

Provincial Governors was stalled during this quarter, but has since been put back on track. Although there was some initial progress made in merit-based appointments through the Civil Service Commission, in November Afghan leadership opposed and eventually shut down the program.

The provision of services continued to advance. Electricity production as of December 2010 increased 17 percent from a year ago. Approximately 60 percent of the population reported access to health facilities, up from 9 percent in 2002, but well below target levels. Access and quality of education improved in most areas of the country with the rise in number of teachers employed and children enrolled in school. The Afghan government's increased institutional capacity is reflected in increases in the percent of assistance USAID provides "on-budget" (now at 24 percent) and the eight Afghan government entities now receiving on-budget assistance, surpassing the target of six. Low budget execution rates, however, reflected government ministries' continuing weak capacities.

Revenue collection, GDP growth, and trade continued to improve. The IMF projected an 8.86 percent increase in the real GDP growth rate in 2010 and reported 32 percent annual growth in Afghan exports. However, these projections were developed prior to the financial sector crisis, which remains ongoing.

The commercial banking sector was shaken in August 2010 when Kabul Bank experienced a depositor run provoked by concerns of massive fraud at the bank. As a result, the Afghan government remained at an impasse with the IMF on a new program throughout this reporting period. Preparations for implementation of the APTTA continued. This historic agreement allows Afghanistan to export goods to India through Pakistan. APTTA will enter into force in February 2011, with great potential to expand Afghan economic growth.

Public confidence in the traditional courts improved significantly, with 82 percent of respondents reporting that they had a great deal or fair amount of confidence, compared with 70 percent last quarter, while confidence in formal courts remained static. Despite the perception, very real challenges exist in building judicial sector capacity. There is limited political will to complete rigorous and transparent asset verifications, and to take steps to ensure that the High Office of Oversight (HOO) develops into a strong and independent entity. Corruption in the Afghan government remained a major concern for the population with 81 percent reporting that

corruption in the government affects their daily lives, virtually unchanged from last quarter.

Finally, popular perceptions that Afghanistan is going in the right direction increased to 59 percent in December 2010 (up from 50 percent baseline in March 2009), while those perceiving it is going in the wrong direction decreased to 23 percent (from the 25 percent baseline). The Afghan population is broadly supportive of processes leading to a decrease in violent conflict, greater stability, and expanded economic opportunity. In addition, 81 percent of respondents had little or no sympathy with insurgents, with 37 percent citing themselves as "very" willing to support a settlement with the Taliban.

January 1 - March 2011, Post-Reporting Period: As reported under the previous objective, transition to Afghan Security Lead, agreed at the November NATO Lisbon Summit to begin in early 2011, is on track, with President Karzai expected to announce the first tranche of provinces to begin transition on March 21, 2011. Transition is not an end in itself, but a process that will lead to greater Afghan sovereignty across all functions of government: from international to Afghan-led security operations; from short-term stability programming to sustainable development; from international community-led reconstruction and support structures toward standard development structures; and from donor-driven programs to jointly developed programs and on-budget donor assistance directed by the Government of Afghanistan toward priorities set by Afghans.

Overall, Afghan governance capacity continues to increase at the national level, and to a more limited extent at the provincial level. However, key district and provincial positions remain vacant or filled by unqualified individuals. Recruiting is difficult amid perceptions of poor security in certain areas. Line ministry capacity at the sub-national level is expanding, but slowly. Afghan perceptions of their government and of service delivery have improved, but perceptions of policy and Afghan government efforts to fight corruption remain poor. In areas where formal Afghan government institutional structures are lacking, a renewed effort is underway to strengthen and legitimize traditional governance institutions. However, the lack of Afghan government action to prosecute those responsible for the Kabul Bank crisis could weaken the government's credibility on anti-corruption efforts.

Afghanistan's electoral process remains weak, and the independence of its electoral institutions was eroded further by

judicial and executive branch encroachment. President Karzai appointed a Special Tribunal to investigate allegations of fraud by the Independent electoral Commission, and the activities of that tribunal continue to be the subject of some concern to the UNAMA and the international community.

Objective 8: Involve the international community more actively to forge an international consensus to stabilize Afghanistan.

(State)

July 1 - September 30, 2010, Reporting Period: Indicators and metrics against this objective were slightly improved during this reporting period.

While the Dutch pulled out many troops from their positions in Uruzgan Province, total troop numbers still increased by almost 500 during this period. The international community pledged an additional 1,000 institutional trainers and mentoring teams to support ISAF, but this fell short of the current target. The total number of U.S. civilians in the field also continued to increase. The amount of assistance delivered through the Afghan government's largest trust fund, the Afghanistan Reconstruction Trust Fund, increased, and nations from the Organization of the Islamic Conference increased their support through troop contributions and societal programs.

NATO's ANA Trust Fund continues to represent a reliable mechanism for international-community support for the ANSF and grew from \$200 million to almost \$280 million between this quarter and last, yet this covers only a fraction of the total costs for the ANA. In addition, the number of trainers from the international community, especially for the ANP, remained below requirements and generation targets. In addition, substantially improved Afghan government revenue collection capabilities will be needed if the ANSF is to become self-sustaining.

The effectiveness of security, governance, and development assistance advanced, although still in need improvement. The Afghan government's ministerial "clusters" and prioritization efforts of the Afghanistan National Development Strategy (ANDS) in preparation for the July Kabul Conference helped to coordinate the international community's efforts with Afghan government priorities. At the July 20 Kabul Conference, the Ministry of Finance (MOF) made progress on an effective program for international community assistance through the Public Financial Management Roadmap. USAID also capitalized a \$100 million Agriculture Development Fund for the Ministry of

Agriculture, Irrigation and Livestock, and local procurement numbers for USAID improved over the previous two quarters.

The U.N. contributed to progress on donor coordination by strengthening mechanisms to prioritize and track development assistance, especially through support for the Afghan government's presentation of 21 National Priority Programs (NPPs) for the ANDS. Donors agreed that over the next 2 years, 80 percent of their development assistance to Afghanistan will be aligned with the NPPs and 50 percent will be channeled through the Afghan government budget. To encourage donors to channel their assistance through the Afghan government, UNAMA continued to help the MOF facilitate a common assessment and certification of Ministries' abilities to manage public finances according to international standards. Four of the largest ministries are now certified.

The greatest step back for international community support to the Afghan government this quarter was the overall ability of NGOs and other development actors to operate independently and freely. Reports in this quarter projected an increase in general insecurity and in specific risks to NGOs in the coming months. According to the Afghan National Security Office (ANSO), country-wide attacks on NGOs increased 59 percent year-on-year from the third quarter of 2009. The ANSO reported this quarter that "2010 saw nine consecutive months of deterioration." In August, 10 NGO personnel were executed in Badakhshan, one of the worst attacks ever committed against the humanitarian community in Afghanistan.

In addition, President Karzai's announced ban on private security contractors threatened the international community's ability of development actors to support Afghanistan, many of which rely on such firms for requisite security to operate.

In terms of Afghanistan's relations with its neighbors, the Governments of Afghanistan and Pakistan held a productive, high-level visit in September, but these advancements were dampened by continued accusations from Afghan leaders that Pakistan is harboring Taliban and al-Qa'ida militants. Afghanistan's relations with other neighbors showed advancing progress, especially on the economic front. The continued construction of a rail connection between Iran and Herat will improve trade and economic development, as will the completion of rail lines between northern Afghanistan and Uzbekistan. The Governments of Turkmenistan, Afghanistan and Tajikistan agreed to construct a road through Afghanistan that would bypass Uzbekistan and connect the three countries, providing shippers with more

options for regional transportation. Finally, the Governments of Turkmenistan, Afghanistan, Pakistan, and India signed a preliminary agreement on the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline, a new transnational gas pipeline that will bring Turkmen gas through Afghanistan and Pakistan to India.

October 1 - December 31, 2010, Reporting Period: Indicators and metrics against this objective were slightly improved overall during this reporting period.

The NATO Summit in Lisbon in November marked an impressive degree of international national consensus on the way forward for Afghanistan, with the signing of a NATO-Afghanistan strategic partnership signaling a level of commitment that would endure beyond 2014. Nonetheless, other more tangible measures of support were less robust, with signs of fatigue among some in the international community.

From the third to fourth quarters of 2010, there was a net gain of over 11,000 ISAF troops, with the majority coming from the United States, off-setting other nations' drawdown. ISAF-contributing nations deployed new army and police training teams, but as of December, the number of teams remained below NATO requirements.

While aid coordination and sustainability continue to improve, insecurity remained a major impediment to the effectiveness of assistance. The ability of NGOs and USAID implementing partners to operate independently, freely, and securely remained the only sub-objective to earn a rating of "unsatisfactory." The improved rating (from "declining" to "static") reflects decreases in the volume of security incidents. Still, the situation has potential to backslide.

President Karzai's decree banning private security companies (PSCs) remained an acute threat to the ability of NGOs and USAID implementing partners, many of which rely on such firms, to operate. The international community has expressed full support for the intent of the decree, but has concerns about how it will be implemented. Bilateral discussions have extended the original December 2010 deadline for disbanding PSCs, allowing security contractors to continue to protect development efforts for now.

Overall, Afghanistan's relations with its neighbors advanced again this quarter. Afghanistan and Pakistan conducted several high level visits, including that of Pakistani Prime Minister Gilani to Afghanistan in December 2010. The APTTA, which was

signed in July 2010, was fully ratified by the Pakistani Cabinet in December 2010 and remained on track for Afghan Cabinet ratification in early January 2011. Relations between Afghanistan and Iran were complicated by disruptions in the transport of fuel across the border. Regarding other regional relations, President Karzai traveled to Ashgabat on December 11 to sign an accord for TAPI.

January 1 - March, 2011, Post-Reporting Period: The international community's development support in this period has been significantly affected by the ongoing crisis at Kabul Bank, negotiations on a new IMF program, and the continuing discussions on implementation of President Karzai's decree calling for the disbandment of PSCs.

The Afghan government's inability - thus far - to respond adequately and prosecute those responsible for the Kabul Bank financial crisis has given donors concern about the efficacy of donor resources. This dynamic - which accelerated during the first part of this quarter - could jeopardize longer-term donor assistance to Afghanistan. The Afghan government's failure to implement measures recommended by the IMF to deal with Kabul Bank have led to an impasse between the Afghan government and the IMF on a new program.

Several major international donors have said that without an IMF program they will have to reduce or suspend the amount of assistance funds they provide to the Afghanistan Reconstruction Trust Fund (ARTF), the primary channel for non-U.S. donor contributions. The ARTF is also the primary channel for U.S. on-budget assistance. The United States is actively considering tying its contributions to the ARTF more closely to the Afghan government reaching agreement on an IMF program.

Progress has been made on the negotiations around the implementation of President Karzai's decree on PSCs, however there still remain difficult questions of finding a bridging solution that will allow sufficient security to be provided to NGOs and USAID implementing partners until the Afghanistan Public Protection Force (APPF) is capable of taking over for PSCs. Recent indications are that development of the APPF remains nascent and slow. However, PSCs report that they are having serious difficulties in obtaining visas for their personnel and significant uncertainty remains on their ability to continue to operate in the near- to mid-term.