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## Improving Resource Management in the Afghan Air Force

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# Improving Resource Management in the Afghan Air Force

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Significant change is occurring in the Afghan Air Force (AAF). Dramatic change has already occurred on the operational side as the AAF has significantly expanded and modernized in the past seven years. The air force added C-208s, C-130s, and MD-530s to the fleet, and in 2016 the first four A-29s arrived.<sup>1</sup> These platforms provide the AAF with airlift, search and rescue, and attack capability as coalition forces have transitioned to a train, advise, and assist role and relegated combat operations to Afghan forces. Change is also on the horizon for support functions of the AAF. Specifically, a transition of financial responsibility from US to Afghan processes is underway. The current AAF construct, however, is ill-suited to facilitate

this transition. No mechanism exists to effectively transition aviation unique requirements from coalition to Afghan control under the extant financial construct. Additionally, the lack of authorities in the resource allocation process is a significant problem for the AAF as it resides under the Afghanistan National Army (ANA). Thus, this article examines the current resource allocation problems the AAF is experiencing and subsequently provides a road map to ameliorate these issues through organizational change.

We analyze the AAF through extensive interviews of coalition advisors and Headquarters (HQ) AAF personnel. In conjunction with the information acquired from these interviews, we utilize the accumulated knowledge gained from one year of field work training, advising, and assisting at HQ AAF. The research is scoped to the AAF's financial and procurement processes and encompasses a thorough examination of the ongoing resource allocation problems they face today. Additionally, we analyze how widespread corruption in Afghanistan is adversely impacting the resource allocation process.<sup>2</sup> Thus, this article seeks to determine solutions to the resource allocation problems the AAF is currently experiencing.

### Afghanistan National Army Force Structure

There are several components that encompass the force structure for the ANA. The Ministry of Defense (MoD) is one of 24 ministries in the Afghan government.<sup>3</sup> The MoD, along with the general staff, are responsible for those functions necessary to ensure operational readiness for the ANA.<sup>4</sup> ANA combat forces are divided into six geographically numbered corps (201st, 203rd, 205th, 207th, 209th, and 215th) plus a capital region division in Kabul. (see Figure 1)<sup>5</sup> This corps construct resulted from the reestablishment of the ANA after the fall of the Taliban in 2002 and stabilized to its current six corps plus capital region form in 2009. Each of the six regional corps manages one to four brigades which are comprised of multiple battalions (called *kandaks* in Afghanistan). As of March 2016, the ANA had 203,000 people with approximately 7,400 of those personnel designated as AAF.<sup>6</sup>

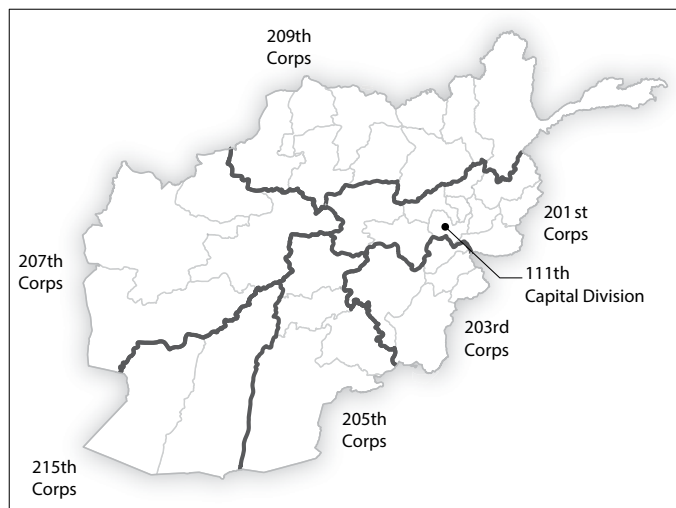


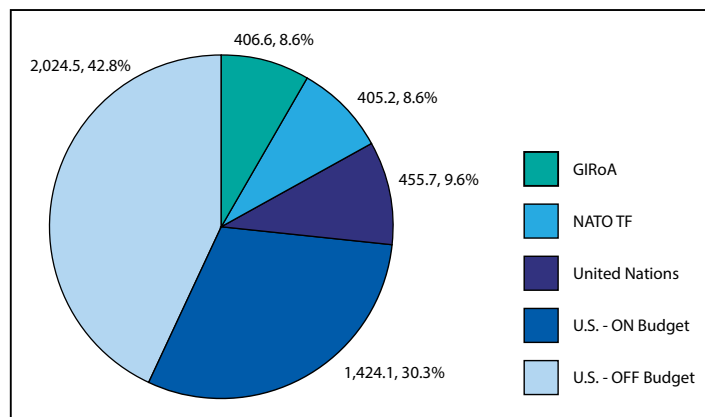
Figure 1. Afghan Army Corps (reproduced from GAO)<sup>7</sup>

The Afghan Air Force resides within the ANA and not as a separate component. The AAF is comprised of three wings (Kabul, Kandahar, and Shindand), an AAF headquarters, and an Air Academy (Pohantoon-e-Hawayee, dubbed PeH). In total, there are 34 units attached to the three AAF wings. It is important to understand that these units are geographically dispersed throughout the country and reside within the ANA corps construct. As a result, control resides with the corps. The ANA corps manage the AAF units that fall within their purview like a typical army unit (i.e. like an infantry brigade). This ANA-AAF relationship and its implications for allocating resources will be explored in subsequent sections.

## The Ministry of Defense Budget Landscape

Afghanistan is one of the poorest countries in the world. As a war-torn country with a literacy rate of only 31 percent,<sup>8</sup> Afghanistan has struggled to generate a sustainable economy. In 2015, Afghanistan's gross domestic product (GDP) per capita was \$672 US dollars (USD), compared to that of the US GDP per capita of \$56,596 USD and the world GDP per capital of \$15,800 USD. Using this metric, Afghanistan ranks as the 16th poorest country in the world.<sup>9</sup> Afghanistan levies a progressive income tax system, with the top tax bracket at 20 percent.<sup>10</sup> However, the generation of revenue remains low. Corruption in income and sales tax collection remains problematic as the collection system lacks the necessary checks and balances. Afghanistan's Ministry of Finance (MoF) states that "systematic corruption of tax officials is a serious threat to future tax collection."<sup>11</sup> As a result, much of Afghanistan's revenue comes from international donor nations.

The MoD budget mirrors the economic reality in Afghanistan. The majority of the funding supporting the MoD is a result of donor nations. Seventy-three percent of MoD funding (as shown in Figure 2) comes from the United States. Almost 10 percent is provided by other donor nations through the NATO Trust Fund, with 8.6 percent coming from the United Nations Development Program. The Government of the Islamic Republic of Afghanistan (GIROA) only directly contributes 8.6 percent of the total MoD budget.



**Figure 2. MoD fiscal year 2017 budget commitments**

The execution of US-funded MoD requirements are designated as either “on-budget” or “off-budget” (see also Figure 2). The designation as on- or off-budget denotes which acquisition processes will be employed to procure the end item. Off-budget requirements are contracted and managed through US processes. For example, the purchase of an aircraft platform (e.g. A-29) for the AAF is completed as a pseudo-foreign military sale. The contracting and management of that purchase is completed through the A-29 Systems Program Office at Wright-Patterson AFB, Ohio. While the end item (the A-29) is delivered and signed over to the Afghans, the processes that resulted in that delivery are completely outside of Afghan channels. Currently, aircraft platforms, contracted logistics support maintenance, and pilot training are all off-budget AAF requirements.

On-budget funds are executed through the Afghan MoD acquisition processes. Requirements are vetted through a requirements acquisition board and upon approval are executed by the internal Afghan procurement process. Coalition members are available to advise on these processes, but they do not have a direct role in the execution of funds. Typical on-budget requirements are for base and life support: ground fuel, electricity, water, food, firewood, and clothing. Therefore, the important distinction between on- and off-budget is not the source of the funds, but rather the execution of the funds.

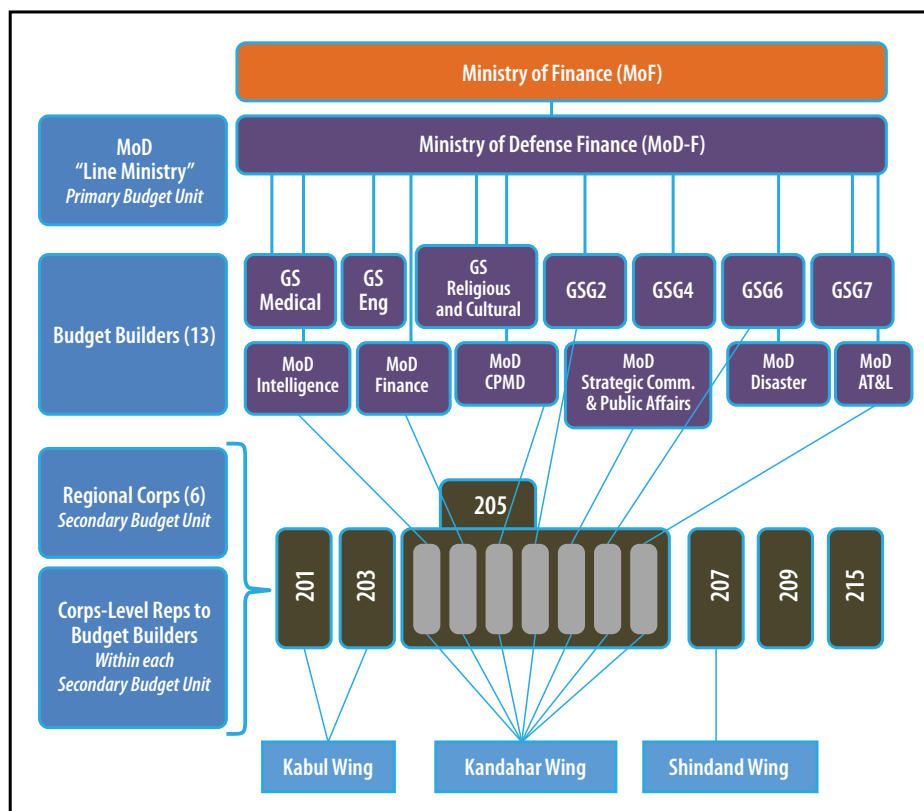
The designation of an item as on- or off-budget is becoming increasingly important. US forces in Afghanistan continue to draw down from a peak of more than 100,000 troops in 2010 to a projected force of 5,500 by 2017.<sup>12</sup> As a result, more items transition each year from off- to on-budget. These coalition forces are focused on actively training, advising, and assisting on Afghan financial and procurement processes with the goal to eventually transition all requirements to the Afghan on-budget process.

## **Current Ministry of Defense Budget Process**

To understand the problems the AAF is encountering in the resource allocation process, it is first imperative to possess foundational knowledge of the current MoD budget process. All 24 ministries in the Afghanistan government are designated as primary budgetary units (PBU).<sup>13</sup> A PBU is a legal entity of the state with appropriation provided to it under an act of the National Assembly. Afghan law determines the specific budget amounts appropriated for each PBU. The MoD, as one of the 24 ministries, is a PBU with a specified budget. Thus, fund authority flows from the MoF to the MoD (See Figure 3).

The Ministry of Defense-Finance (MoD-F) is the financial arm of the MoD. It is analogous to the Office of the Secretary of Defense Comptroller in the United States. The MoD-F accounts for and monitors the funds the MoD receives. There are 13 budget builders, including the MoD-F, in the MoD as shown in Figure 3. Budget builders collect requirements, build spend plans, and request funds through the Afghan budget generation process. Once a budget is approved, the budget builder receives the allotment of funds for their areas of responsibility. There are two types of budget builders. The budget builders are either general staff budget builders or MoD organizational budget builders. The primary difference between the two types

of budget builders is whether they serve in a numbered staff function (general staff) or a specified organizational function (MoD organization). The general staff budget builders are aligned similarly to the US numbered structure that is rooted in the nineteenth-century French army continental staff system. For example, the General Staff Chief of Communications (GSG6) is the budget builder for communications like J6 is communications in the Department of Defense. The GSG6 budget builder is responsible for all communication unique requirements. Similarly, items that are common to all units (e.g. office supplies) flow through the logistics budget builder—the GSG4. In addition to the general staff budget builders, there are MoD organization budget builders. For example, acquisition, technology, and logistics is a MoD organizational budget builder.



**Figure 3. Current Ministry of Defense process**

The PBU has the authority to provide suballotments of funds to secondary budget unit (SBUs) for management.<sup>14</sup> Thus, SBUs consist of offices of PBUs that have been delegated responsibility for financial management. When this occurs, the SBU becomes the crucial unit of control. All of the corps from Figure 1 are SBUs.

Significant authorities are conferred by SBU designation. Specifically, the SBU is the entity that has ownership and authorities over all the subordinate units' requirements. For example, the 205th Corps (in the Kandahar area of Afghanistan as shown in Figure 1) has ownership of four brigades and their subordinate units. This includes the AAF Kandahar wing and all other AAF units located in the geographic area of the corps. As an SBU, the 205th Corps receives individual budget suballotments from the 13 budget builders and controls the dissemination of that suballotment to the brigades and wing underneath it. Designation as an SBU results in other authorities that are not strictly financial. For example, an SBU has procurement authority. It can approve contracts under various threshold limits.<sup>15</sup> When these items are procured, they are stored in facilities called depots. Depots in Afghanistan contain anything from paper and pens to spare parts. Gaining access to the items in the depots requires signatory authority.<sup>16</sup> This signatory authority resides at the SBU level. Therefore, a SBU not only has financial and procurement authority but also possesses control of the dissemination of procured items through the depot system. Thus, the authorities that come from SBU designation result in great power.

### **Current Resource Allocation Problems for AAF**

The current construct is causing multiple problems in the resource allocation process for the AAF. First, there is no financial focal point at the MoD-level that can provide a holistic aviation picture. None of the 13 current budget builders (see Figure 3) are designed to support aviation unique requirements. Rather, they are designed for support functions (e.g. GSG2, GSG7, etc.) and other organizational needs (MoD organizations) but not aviation unique requirements. This is not to say the structure as a whole is broken. The current construct is effectively designed to account for those items that are crosscutting across brigades or wings. For example, computers are common to all units in the MoD whether they are part of the army (ANA) or air force (AAF). The current GSG6 budget builder is populated with communication professionals and can effectively build budgets for those requirements. However, when it comes to aviation unique requirements (i.e. aviation fuel, aircraft platform procurement, aircraft contractor logistics support, etc.), there is no current mechanism in place. This has not been a problem in the past because the nascent air force was being built, and the overwhelming majority of aviation unique items were off-budget and therefore budgeted and procured through US processes. As of 2016, the only on-budget aviation unique items are aviation fuel and some unique aviation training. These two items are currently budgeted through the GSG4 for aviation fuel and the GSG7 for aviation training.

Understanding the current issues with the on-budget aviation fuel requirement is illustrative of the greater problem. The GSG4, as the budget builder for aviation fuel, has the responsibility to build the requirement, develop the spending plan, and has a critical role in supporting the payment process upon contract award. The GSG4, however, is responsible for ground fuel in addition to aviation fuel (among many other items). As a result, in the financial system, the GSG4 combines the budget dollars for aviation and ground fuel.<sup>17</sup> Historically, there have been shortages

in ground fuel that resulted in a myriad of problems such as electricity loss for weeks on end at various military installations.<sup>18</sup> The reasons for fuel shortages often lead back to corruption.<sup>19</sup> Fuel is diverted and sold on the black market. Unauthorized vehicles are filled with fuel, and even those vehicles that are authorized are used inappropriately for personal reasons.<sup>20</sup> This is not a problem that would be solved through additional budgetary dollars as the current allocation is theoretically sufficient if utilized and accounted for properly. Due to the shortages, it is better for the GSG4 to keep all fuel (ground, aviation, etc.) aggregated in the accounting system to keep the problem opaque and preserve internal priorities. Recall that the GSG4 is comprised of ANA professionals, and the six corps are under ANA command. The GSG4, therefore, receives constant pressure from its ANA brethren in the six corps to meet ground fuel needs. The tendency is to prioritize ground fuel needs over aviation needs. Ground fuel shortages are therefore addressed at the expense of aviation fuel needs. Despite pressure from coalition advisors, the GSG4 has been unwilling to separate the accounting for aviation fuel from the accounting for ground fuel. Why? The simple answer is the transparency this type of accountability would provide is anathema to their objective.

The current accountability and transparency problems experienced by aviation fuel are likely to be exasperated in the future. The extensive expansion of aviation platforms (e.g. A-29, MD-530, C-208, etc.) in the past two years and plans for the induction of more aviation assets constitute a major turning point in fleet size and require a shift in the management of resources. These items and the associated aviation unique requirements that come with them (e.g. aircraft maintenance, spare parts, pilot training, etc.) cannot be moved from off-budget to on-budget with effective accountability under the current system.

The second major resource allocation problem for the AAF revolves around authorities. The AAF does not have ownership over its requirements. As previously discussed, authorities over requirements reside at the SBU level. As shown in Figure 3, the six corps are the only entities designated as SBUs in the MoD. AAF's lack of authority over requirements results in a lack of visibility, transparency, and accountability. It is imperative to understand that the suballotment of funds authority resides at the SBU level and is coded as such in the accounting system. The Afghan accounting system does not break out brigade and wing level units in their chart of accounts.<sup>21</sup> As a result, the AAF often ends up receiving not only less than their full requirement but is often a less-than-proportional quantity than the pure army units within the SBU. Because there is no transparency and visibility below the SBU level—indicating the intention for the suballotted funds—the AAF has no recourse to claim they did not receive their fair share.

The lack of authority negatively affects the AAF in other areas. All items (e.g. printer cartridges, spare parts, etc.) procured for the ANA end up in depots. The AAF lacks the authority to withdraw these items from the depots and track or manage their allotment of resources. It is another area where corruption is problematic. The lack of authority also affects allotment training and travel requirements. The AAF does not have the authority to approve orders but instead must request travel to attend training from its parent organizations. Placing this authority outside the AAF not only results in time delays but also the potential for disapproval by nonaviation



professionals who do not fully understand the importance of the travel and training. This affects the human capital in the AAF. Lastly, the lack of authority results in duplicative processes for reporting. AAF units report through their wings to both the AAF HQ and the parent corps in which they reside. This duplicative reporting wastes resources.

In summary, the resource allocation problems the AAF is experiencing today come down to three issues. First, there is not a MoD-level entity that functions to serve aviation equities in the resource allocation process. Second, the AAF does not have ownership or authority over their requirements because this authority resides at the corps (SBU) level. And third, the current resource allocation construct exacerbates the widespread corruption problems in the MOD.

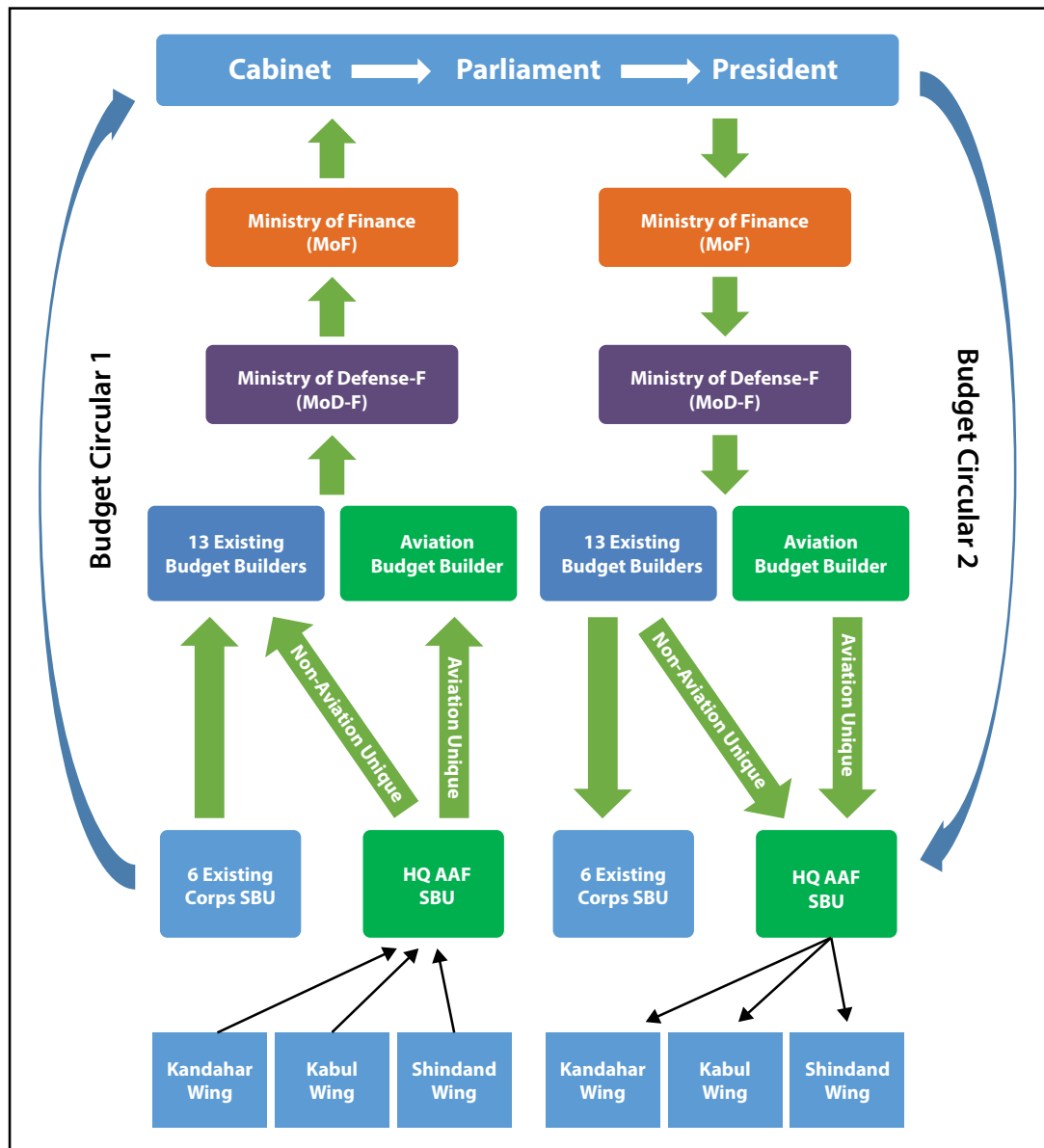
### **Solution: A New Construct for the AAF**

This research finds that there are two primary changes that can alleviate the problems the AAF is experiencing in the resource allocation process. First, a change is needed at the MoD level to account for all unique aviation requirements. This can be accomplished through the establishment of an aviation budget builder (ABB) as a new entity. This MoD level ABB would add to the 13 current budget builders as a new, 14th budget builder. The ABB would serve as the financial focal point at the MoD level, providing a holistic aviation picture to leadership. Reporting would be more efficient and streamlined. Additionally, as more and more aviation unique items transition from off- to on-budget, the criticality of an ABB increases. The current MoD financial construct is not designed to handle this transition. The ABB fills the impending gap in the process.

Corruption must also be considered. Visibility, transparency, and accountability would be greatly enhanced with an ABB as allotments of funds would have aviation coded designators. The result is a reduction in corruption as transparency increases. This transparency would flow over to the corps also, as aviation items such as aviation fuel would no longer be bundled with other ground fuels. Thus, increased transparency and accountability of ground fuel transactions would be a positive second order effect of this change.

The second change suggested by this research is to designate the AAF as an SBU. This change necessarily entails breaking the AAF out from under the corps from a financial standpoint. The authorities conferred to the AAF as an SBU would result in air force control over their requirements. Coupled with the ABB, the AAF would have complete visibility, transparency, and accountability in the resource allocation process. Additionally, three other authority issues previously discussed would be solved. First, the AAF as an SBU would have the ability to place and remove items from the depots. This would result in better accountability and less corruption. Second, human capital would be enhanced as training would be controlled by the AAF. The AAF would generate orders and have full control over the timing and placement of individuals into training programs. Lastly, reporting would be streamlined. The duplicative reports that go through both the corps and HQ AAF would cease to exist. Reporting would only be necessary through the AAF

channels. Figure 4 shows the new construct with both the ABB and AAF as an SBU construct implemented together.



**Figure 4. New construct with ABB and AAF with SBU authorities**

As shown in Figure 4, the requirements from the wings no longer flow through the corps as previously shown in Figure 3. Instead, all requirements in Budget Circular No. 1<sup>22</sup> flow from the wings directly to the AAF HQ as the SBU. This results in

a single line of reporting. Once requirements are consolidated at the AAF SBU, the unique aviation requirements flow up to the newly established aviation budget builder. It is important to recall that only the aviation unique requirements flow through the ABB. All nonaviation unique requirements would flow from the wings to the AAF SBU but then flow to their currently established budget builder. For example, while aviation fuel (an aviation unique requirement) would flow from the AAF SBU to the ABB, computers (a nonaviation unique requirement) would flow from the AAF SBU directly to the GSG6 budget builder. The remainder of the requirements generation process remains unchanged with requirements flowing from the budget builders to the MoD-F and MoF. Budget authority then flows back down through the Budget Circular No. 2 process. However, the allotment of funds now flows down through the ABB to the AAF as an SBU. Accountability and transparency for AAF requirements are achieved. The AAF SBU and ABB are therefore complementary entities in the MoD resource allocation process. Together they provide a holistic, seamless approach to AAF requirement generation and budget execution.

## Discussion

Timing is important when implementing change. That window of opportunity is open. AAF personnel and processes are currently postured to successfully transition to a fully functioning SBU. Despite lacking SBU authorities, coalition personnel have been actively training AAF personnel on the processes necessary to succeed. For example, in 2016 the AAF developed their own requirements (more than 22,000 line items) for the first time.<sup>23</sup> As a result, AAF personnel were invited to participate in the MoD-level program working groups that are responsible for developing Budget Circular No. 1. AAF participation in the Budget Circular No. 1 process demonstrated the capacity to function as an SBU, despite lacking the authority to be an SBU. Participation in the process without authority is valuable to develop and demonstrate competency, however, without authority it is an exercise in futility. Accountability and transparency cannot be improved without the necessary authorities in the resource allocation process.

Manning and organizational change are also necessary to implement the change to SBU authority for the AAF. These changes are already in motion. The AAF has postured itself during the past two years with incremental changes to the Tashkil to organizationally align personnel to operate as an SBU. (The Tashkil is the official list of required ANA and AAF personnel by position and rank.) Thus, the AAF has the manpower capacity to operate as an SBU if given the authority.

Similarly, the time is right for the establishment of a MoD-level ABB. The aviation portfolio is rapidly expanding with more aircraft platforms and larger quantities of existing platforms being added to the existing portfolio. These platforms and their associated training and maintenance are all currently resourced off-budget. The transition of these items from off- to on-budget is the ultimate coalition goal. But to effectively transition, a mechanism needs to be in place that allows for visibility, accountability, and transparency. The establishment of an ABB meets that need. Making

the change now sets the AAF up for success as the air portfolio expands and enables a phased transition of items from off- to on-budget in future years.

Official approval of an ABB and the AAF as an SBU through MoD channels may be the easier task. Implementation will be difficult. The coalition advisor role complicates this process. Because donor nations provide the overwhelming majority of funds, the coalition advisors have significant influence over the MoD. These coalition advisors, however, have continual turnover with tours in Afghanistan that typically range from six months to one year. The momentum an advisor group builds toward achieving an initiative is often slowed or stopped by the inevitable personnel turnover.

Additionally, Afghan culture is an impediment to implementation. Culturally, Afghans do not typically say “no.” Rather, they will concur with a proposal, but they do not necessarily implement it. Previous research demonstrates that culture shapes human behavior and indicates cultural changes are slow to occur. Research by Douglas C. North found that informal constraints (norms of behavior, self-imposed codes of conduct, etc.) comprise the institutions that “are the humanly devised constraints that structure human interaction.”<sup>24</sup> While Oliver E. Williamson finds that customs, traditions, and norms take 100–1,000 years to change.<sup>25</sup> Thus, it would not be surprising if the ABB and SBU were agreed upon in principle and codified as policy but simply ignored. To be clear, we are not suggesting it would be ignored by individuals in the AAF. Our interviews indicate that the AAF recognizes the problems and are advocates for the solution presented here. Rather, it is the reality that the AAF resides within the ANA that may be problematic. While ANA members have not explicitly stated they are opposed to these changes, they also have not been actively pursuing change. Thus, coupling cultural inertia with the coalition advisor turnover problem is a potential risk to the successful implementation of the ABB and SBU initiatives. We are, however, cautiously optimistic that these obstacles can be overcome. The benefits of ABB and SBU authorities are too significant to default to the status quo. The structural changes in Afghan financial and procurement processes indicated herein can alleviate the resource problems the AAF is experiencing and at the same time help to reduce corruption in the MOD. ✪

## Notes

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15. Afghanistan procurement law sets the threshold for contracting authority. Large dollar procurements are done at the MoD through the Ministry of Defense–Procurement agency and their associated processes. For further information on procurement thresholds see the National Procurement Authority, *Circular 1*, no. 9051, 20 October 2015.
16. The signatory authority consists of a commander's letter and a signature card on file. The SBU has authority to sign the commander's letter.
17. Ground and aviation fuel are combined under object code 22601 in the chart of accounts. All fuel dollars reside in 22601 despite the coalition insertion of an aviation fuel unique object code, 22604.
18. Firsthand experience, as outages due to fuel shortages were common during one of the author's field work in Afghanistan.
19. Special Inspector General for Afghanistan Reconstruction, *Afghan National Army: Controls over Fuel for Vehicles, Generators, and Power Plants Need Strengthening to Prevent Fraud, Waste, and Abuse*, SIGAR Audit 13–4 (Arlington, VA: SIGAR, January 2013), 1–14.
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