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ECONOMIC AND SOCIAL DEVELOPMENT

As of June 30, 2015, the U.S. government has provided more than \$31.8 billion to support governance and economic and social development in Afghanistan. Most of these funds were appropriated to USAID's Economic Support Fund (ESF). The Consolidated and Further Continuing Appropriations Act, 2015, provided an additional \$900 million for the ESF, bringing the cumulative total to \$18.6 billion. Of this amount, \$16.1 billion has been obligated and \$13.3 billion has been disbursed.⁶⁷⁶

KEY EVENTS

This quarter saw several developments that could affect Afghanistan's economic and social prospects:

- Domestic revenues collected in the first four months of Afghan fiscal year (FY) 1394 (December 22, 2014–December 21, 2015) rose 7.5% above actual collections in FY 1393, although they missed Afghanistan Ministry of Finance (MOF) budget targets by 5.9%. Expenditures increased 0.7% compared to the same period last year.⁶⁷⁷
- The U.S. Treasury's Office of Technical Assistance (OTA) began developing technical assistance and capacity-building programs for the MOF to strengthen Afghanistan's public financial management systems and oversight of its financial sector.⁶⁷⁸
- The managing director of the International Monetary Fund (IMF) approved the nine-month, staff-level agreement reached last quarter with the Afghan government; monitoring began on implementation of Afghanistan's macroeconomic policies and structural-reform agenda.⁶⁷⁹

ECONOMIC PROFILE

Every South Asian economy except Afghanistan's grew faster in 2014 than in 2013.⁶⁸⁰ Afghanistan's real growth in gross domestic product (GDP), excluding opium, slowed significantly, from 3.7% in 2013 to a World Bank-estimated 2% in 2014 due to increasing political and security uncertainties. This has led to a slump in investor and consumer confidence in non-agricultural sectors, which the World Bank expects to continue through 2015. With

“While opium is omitted from official GDP estimates, its earnings boost domestic demand and are a significant source of foreign exchange.”

Source: ADB, *Outlook 2015*, 3/2015, p. 167.

agricultural output expected to contract this year, the World Bank estimates 2.5% growth in 2015, based on “highly fluid” projections.⁶⁸¹ Afghan growth prospects, according to the Asian Development Bank (ADB), depend on the stability of the political, security, and business environments.⁶⁸²

The Department of Defense (DOD) reported that the Afghan economy cannot grow quickly enough to cover its security costs. Taking a best-case scenario, DOD wrote that even if 2018–2020 growth averaged 9% (the 2003–2012 average) and all the gains went to fund Afghanistan’s Ministries of Defense and Interior, it would only cover 20% of total security costs at current force levels. Therefore, the government will need to reduce security costs in order to ensure economic sustainability. DOD said many security-related resources are wasted due to “lack of control mechanisms in business processes, massive corruption, and lack of long-term partnerships with the private sector.”⁶⁸³

The World Bank said the most important perceived constraint for private investment in Afghanistan is lack of security, which directly impacts growth and poverty by damaging human capital, constraining productive economic activities, increasing social unrest, promoting unequal access to basic services, and increasing political instability.⁶⁸⁴

Indicative of the risky market conditions and political developments in Afghanistan, private investment declined in 2014. New-firm registrations were down 26% across all economic sectors, following a 36% drop in 2013, according to the World Bank. Continued insecurity, instability, and systemic corruption will further negatively affect private investment and dampen growth.⁶⁸⁵

Consumer price inflation, for both food and non food items, dropped to 4.6% in 2014 compared to 7.4% in 2013, mostly due to strong domestic agricultural production and lower global food prices, as well as declining housing, internet, and oil prices.⁶⁸⁶

Afghanistan’s Fiscal Outlook

Afghanistan will require substantial donor aid for the foreseeable future, according to the World Bank, which projected a total financing gap above 20% of GDP through 2025. Domestic revenues—tax and nontax revenues, and customs duties—declined in 2014 for the third consecutive year, falling to 8.4% of GDP, largely due to weak tax and customs enforcement and compliance. Revenues were 11.6% of GDP in 2011.⁶⁸⁷ They have been rising slightly in 2015.⁶⁸⁸ Covering the budget-financing gap without donor assistance would thus require Kabul to collect roughly 30% of the country’s entire economic output as revenue for the government.

The World Bank said the uncertainty surrounding the 2014 security and political transition likely increased economic rent seeking and tax evasion. Although budget austerity measures were introduced in the second half of 2014—overtime, salary increases, bonuses, and other benefits to

civil servants were reduced, as were new discretionary development projects—the cost of security and mandatory social benefits caused overall expenditures to increase.⁶⁸⁹

As a result, Afghanistan began 2015 (Afghan FY 1394) with weak cash reserves and significant arrears, while revenue-collection reforms stalled in parliament in the first quarter. The World Bank warned that Afghanistan could face budget shortfalls this year similar to last year's⁶⁹⁰ shortfall of \$537 million.⁶⁹¹ The FY 1394 budget projected domestic revenues of approximately \$2.2 billion, about 30% more than collected in FY 1393,⁶⁹² which the World Bank found “ambitious,” cautioning that the government has smaller cash reserves from which to draw should revenues not be realized. With a sluggish economy and weak growth forecast, further austerity-measure options are limited, meaning that the government could require even more fiscal help.⁶⁹³

FY 1394 Revenues and Expenditures Update

“Revenue mobilization from domestic resources has become critical,” according to the ADB; one-third is lost to “weak governance and poor tax and customs administration.”⁶⁹⁴ Ten percent of 500 large businesses registered with the Afghan government are reportedly evading taxes. Three large companies are said to owe about \$248 million in back taxes.⁶⁹⁵

Total collected domestic revenues—a figure that excludes donor grants—stood at \$577 million in the first four months of FY 1394, about \$40 million (7.5%) above the same period in FY 1393, but missing the government's target by \$36 million (-5.9%).⁶⁹⁶ Domestic revenues paid for less than half (48%) of Afghanistan's total budget expenditures of \$1.2 billion thus far in FY 1394; donor contributions make up the difference. Afghan government expenditures in FY 1394 increased \$8 million (0.7%), compared to the same period last year.⁶⁹⁷

Expenditures are expected to continue rising—to 30% of GDP in FY 1395 (2016) versus 26% in FY 1393, according to World Bank projections—largely due to increased spending on security, service delivery, essential infrastructure, and operations and maintenance (O&M).⁶⁹⁸ The fiscal gap is large and growing, as depicted in Figure 3.27 on the following page. Donor assistance either narrows or closes this gap.

International Monetary Fund Staff-Monitored Program

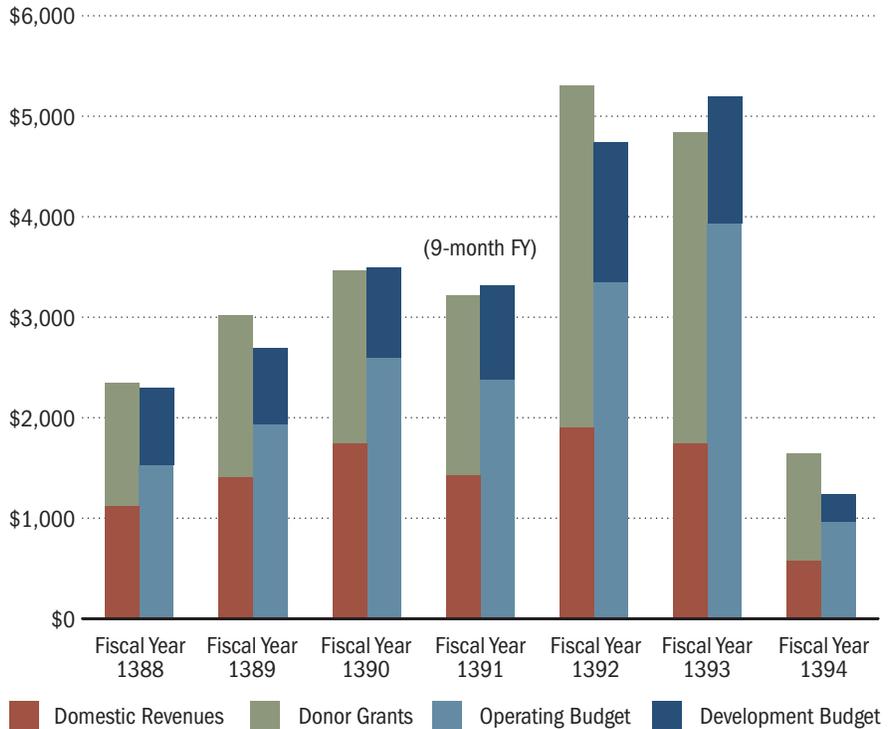
On June 2, the managing director of the IMF approved the nine-month (April–December 2015), informal staff-level agreement reached last quarter with the Afghan government to monitor implementation of Afghanistan's macroeconomic policies and structural reform agenda. The Staff-Monitored Program (SMP) will focus on fiscal policy such as revenue mobilization and repayment of arrears; monetary policy such as preserving low inflation and an exchange-rate policy to protect international reserves and competitiveness; financial-sector reform such as dealing with weak banks, enacting a

In May 2015, the MOF released its 100-day plan, which includes 90 initiatives across 10 areas—policy, budget, treasury, financial and administrative, revenue generation, revenue analysis, customs, insurance, human resources, and regional banking relationships. With its intended actions, the MOF aims to fundamentally reform its anticorruption activities, improve its administration and public finance system, prepare financial regulations and procedures, and enhance administrative transparency, accountability, and effectiveness.

Source: MOF, *One-Hundred Day Plan* 27 May 23, 2015.

FIGURE 3.27

AFGHANISTAN'S DOMESTIC REVENUES AND DONOR GRANTS COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (\$ MILLIONS)



Note: Until recently, Afghan fiscal years ran approximately March 20 to March 20 of Gregorian calendar years. FY 1388 corresponds to March 20, 2009, to March 20, 2010, and so on. Nine-month data for FY 1391 reflect a change in the timing of the Afghan fiscal year. Afghan fiscal years now generally run December 22 through December 21. Grants represent funds received from donors. Donor grants are often for specific projects or activities, but can sometimes be spent at GIROA's discretion. FY 1393 is preliminary, as of 3/12/2015. FY 1394 is first four months only. FY 1394 operating and development budget expenditure data are as of 4/18/2015. FY 1394 revenue data is as of 4/20/2015 derived from data downloaded on 6/5/2015.

Source: MOF, "FY 1394 Monthly Fiscal Bulletin, Month 4," 6/4/2015; MOF, "Budget Execution Report as of 18 April," 4/18/2015; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 2/28/2015; MOF, "1393 National Budget," 2/1/2014; Da Afghanistan Bank, "Daily Exchange Rates of Selected Currencies to Afghani," accessed 2/1/2014, 1/28/2015, 3/12/2015, and 6/4/2015.

Indicative targets: quantitative indicators used to help assess progress in meeting objectives of an IMF program, including predictive economic trends where data are uncertain.

new banking law, and strengthening banking supervision; and better economic governance such as strengthening anticorruption and Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) laws.⁶⁹⁹ The IMF will base its performance-monitoring reviews of Afghan progress on SMP benchmarks on two test dates—June 21 and December 21, 2015. The first review will commence in August. Plans also call for an intervening **indicative target** review scheduled for September 22, 2015.⁷⁰⁰

The SMP provides an opportunity for the IMF staff to work with a country's authorities to see if they are willing and able to keep their

Source: IMF, "Factsheet, IMF Conditionality," 4/13/2015.

LOST CUSTOMS REVENUES

Afghanistan has one of the lowest rates of domestic-revenue collection in the world.⁷⁰¹ FY 1393 ended with a \$537 million budget deficit, prompting a government request for emergency donor assistance.⁷⁰² After U.S. Embassy Kabul officials voiced concerns about Afghanistan's ability to meet its budgetary obligations in this and future fiscal years, SIGAR requested information from USAID, State, DOD, and CSTC-A about how U.S. reconstruction programs address the Afghan government's need for a sustainable revenue collection system, especially customs revenue, which regularly accounts for over a third of domestic revenue.⁷⁰³

The need for Afghanistan to generate revenues has resulted in multiple U.S. programs aimed at improving the customs-collection process and increasing border security, including USAID's Trade and Accession Facilitation for Afghanistan programs; USAID's Afghanistan Trade and Revenue Program (ATAR); the DOD-funded, Department of Homeland Security's (DHS) Customs and Border Protection-administered Border Management Task Force (BMTF); and other DOD efforts to rehabilitate, construct, and equip Afghanistan's border facilities and customs-collection points. A SIGAR audit found that while some of these programs helped improve customs-collection processes, those improvements have, in many cases, been unsustainable.⁷⁰⁴

Afghan government agencies do not have the accurate trade data they need to determine what customs revenue should be. President Ghani told a U.S. audience in March 2015 that Afghanistan's Central Statistics Organization reported imports from Pakistan at \$800 million, while Pakistan told Afghan authorities that the value of their exports to Afghanistan was \$2.5 billion.⁷⁰⁵ *Tolo News* reported Afghanistan Customs Department (ACD) data could be off by up to \$1 billion⁷⁰⁶—about 4.8% of the country's GDP.⁷⁰⁷

State said the United States has almost no ability to monitor and assess Afghan customs collections due to ongoing reductions in U.S. personnel. State has not directly monitored operations at Afghanistan's border crossings or their customs assessment and collection locations since the DHS and BMTF departed, and does not correlate the United States' diminishing presence with an increase or decrease in Afghan revenue collections.⁷⁰⁸

Officials at USAID's ATAR project, which is designed in part to improve and streamline Afghanistan's customs institutions and practices,⁷⁰⁹ said mounting security risks hamper its ability to deliver technical assistance and visit the ACD's main offices in Kabul, ACD regional customs facilities, and other customs-collection sites, as well as the Afghanistan National Customs Academy. Non-Afghan nationals are particularly restricted in their movement; Afghan nationals can travel as security permits.⁷¹⁰

ATAR personnel reported that corruption is pervasive at ACD; they have encountered numerous obstacles to monitoring and improving the Afghan customs-collection process.⁷¹¹ In addition, USAID reported that X-ray scanners do not function and need repair, efforts to standardize the automated customs data system are incomplete, ATAR's electronic customs payment activity has not begun, and the customs academy, which trains customs officers, operates only in the morning.⁷¹²

USAID and ATAR representatives do not have access to ACD computer systems or databases, nor do they produce annual estimates of lost revenue due to smuggling, theft, and corruption. Instead they must rely on customs-collection information provided to them by the ACD.⁷¹³ USAID and State both said that the scope of customs revenue lost to corruption is unknown.⁷¹⁴

CSTC-A, which funds the Ministry of Interior's (MOI) Afghan Border Police, constructed 15 border-crossing points from 2011–2015. However, CSTC-A is unaware of any specific funding stream to support efforts to safeguard inspection equipment at Afghanistan's border crossings, customs assessment, and collection facilities; does not track the exact amount of its funding that MOI applies to each border crossing point; and has no visibility on the use or condition of border crossing point facilities—CSTC-A program managers have not visited any sites since January 1, 2014.⁷¹⁵

Customs revenue is vital to Afghanistan's fiscal sustainability. SIGAR suggests the United States consider whether other efforts to improve the efficiency of the customs-assessment and -collection process might improve the prospects for reducing loss and waste, and achieve more sustainable gains in revenue for the Afghan government.

commitments to carry out an IMF-prescribed program and establish a positive track record. Successful completion of an SMP can encourage donor assistance and give the IMF staff confidence that the national authorities will meet their obligations under a more formal program like an Extended Credit Facility (ECF) arrangement.⁷¹⁶ Afghanistan's poor record with its previous ECF, which expired in November 2014, caused program reviews to be suspended due to missed performance targets, uneven and delayed structural reforms, unanticipated shocks, and an inadequate policy response.⁷¹⁷

The SMP faces significant risks, according to the IMF, including insecurity, political instability, and inadequate policy implementation and enforcement. The IMF added that successful peace talks, greater domestic demand, and early development of large mining projects could spur consumer and investor confidence and spur economic activity that would help Afghanistan achieve agreed-to benchmarks.⁷¹⁸

Although the first official review has not yet begun, State said the IMF believes the Afghan government is making steady progress and is "impressed with the Afghan government's actions to tighten its macroeconomic policy, cut down on corruption including in the customs department, on its beating IMF revenue targets for the first period of the SMP [\$419 million collected vs. \$415 million target], and on its efforts to reduce spending."⁷¹⁹ Treasury said parliament's delay in enacting some structural benchmarks by the June 21 test date was a "matter of concern."⁷²⁰

Trade

President Ghani's goal is for land-locked Afghanistan to become a transit and trade hub for regional economic integration.⁷²¹ As shown in Figure 3.28, Pakistan is Afghanistan's largest trading partner, followed by the United States, the European Union, and regional neighbors.⁷²²

In its latest analysis, the World Bank found that Afghanistan's trade deficit narrowed in 2014—to \$8 billion (38% of GDP) compared to \$8.3 billion (41.9%) in 2013.⁷²³ Official exports were 19.5% higher than in 2013, due mostly to higher agricultural output that boosted exports of dried and fresh fruits. While the World Bank said lower consumer and business confidence led to 20% lower demand for imports, it also estimates that most of the decline of official imports is probably due to poor recording and increased smuggling since 15–20% of all Afghan trade is thought to be unrecorded and smuggled. Despite the trade deficit's narrowing, it remains large and is fully financed by donor assistance.⁷²⁴

Export and Import Data

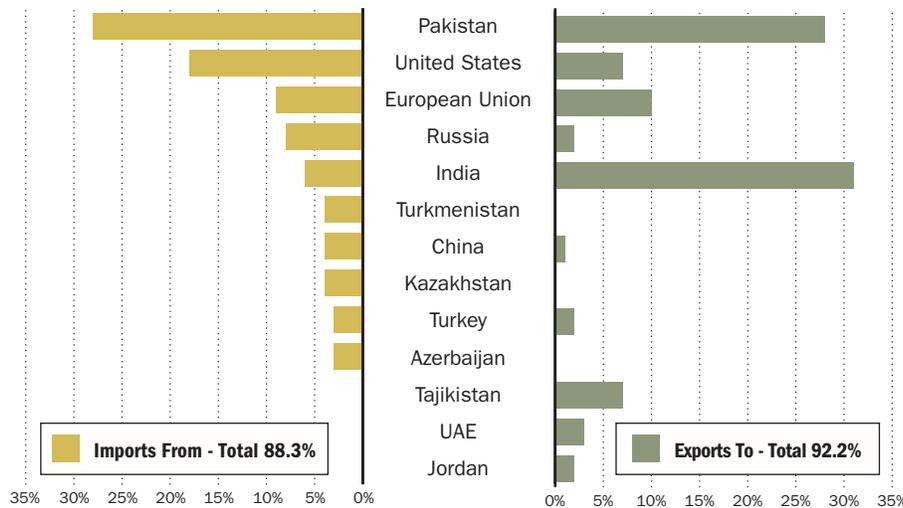
Trade-related taxes represented 45% of Afghanistan's total 2006–2013 tax revenues.⁷²⁵ Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an estimated current account

Afghanistan's main exports are dried fruits and carpets, which comprise 49% of all exports.

Source: World Bank, *Afghanistan Economic Update*, April 2015, pp. 15–16.

FIGURE 3.28

AFGHANISTAN'S TOP TRADING PARTNERS (2013)



Note: Numbers have been rounded. Percentages indicate imports/exports with top trading partners as percent of each category of trade with all countries.

Source: European Commission, Directorate-General for Trade, "European Union, Trade in Goods with Afghanistan," 4/10/2015, accessed 6/24/2015.

balance of 5.7% of GDP in 2014. Without it, the IMF estimates Afghanistan would have a current-account deficit equivalent to 36% of its GDP—about \$7.3 billion—similar to those of Mozambique (-35%) and Liberia (-32%).⁷²⁶

During 2012–2014, Afghanistan exported around \$3.3–4 billion worth of goods and services annually, not including illicit narcotics, according to IMF estimates.⁷²⁷ The World Bank said Afghanistan exports only a small number of products and has few trade partners,⁷²⁸ making it highly dependent on a few commodities for earnings, and consequently more vulnerable to unstable prices and trade shocks.⁷²⁹

The IMF estimated Afghanistan's 2014 imports at more than \$10.6 billion of goods and services, with more than \$8 billion paid for by official donor grants.⁷³⁰ Treasury has informally projected Afghanistan's real import capacity, without a significant foreign presence driving demand, at less than \$2 billion annually, excluding illicit narcotics revenues. Treasury said that without high levels of external assistance, import levels will decline, but the extent will depend on the demands of the foreign presence, Afghanistan's import needs once foreign-driven demand declines, and the required level of external assistance necessary to sustain healthy economic activity and growth. Reduced imports will not necessarily affect the economy adversely.⁷³¹

Afghanistan Trade and Revenue Project

USAID's four-year, \$77.8 million, Afghanistan Trade and Revenue (ATAR) project is a trade-facilitation program designed to (1) improve trade liberalization policies, including support for Afghanistan's accession to the World Trade Organization (WTO); (2) improve and streamline the government's ability to generate revenue by modernizing Afghanistan's customs institutions and practices; and (3) facilitate bilateral and multilateral regional trade agreements.⁷³²

This quarter, Afghanistan's Customs Department and central bank launched a pilot program allowing traders to pay customs duties electronically from any commercial bank. Additionally, several ATAR-assisted, WTO-compliant legislative reforms moved forward, including: trademark-law amendments that were enacted; draft patent-law amendments that were sent to the Council of Ministers; and a draft law on plant protection and quarantine to reduce the risk of introducing pests and make control more effective. The bill advanced from the lower house of parliament to the upper house. ATAR also assisted the Ministry of Commerce and Industry prepare for its five-year trade policy review.⁷³³ ATAR disbursed approximately \$28.1 million, as of June 30, 2015.⁷³⁴

BANKING AND FINANCE

The IMF reported that lax governance and regulatory enforcement in early 2014 caused the financial positions of some Afghan banks to deteriorate. In the IMF's view, eight of Afghanistan's 15 banks are considered "weak,"⁷³⁵ and two—not identified publicly—are "vulnerable."⁷³⁶ The IMF urged timely passage of a new banking law to strengthen corporate governance, capital requirements, lending exposures, supervision, and resolution provisions.⁷³⁷

Banking-sector deposit growth slowed to 2.8% in 2014 compared to 5.9% in 2013 and 15.8% in 2012, according to World Bank calculations. Similarly, lending to the private sector slowed, declining by 7.3% in 2014 compared to 7.6% growth in 2013. The World Bank said this suggests private investment has stalled and reflects banks' growing risk aversion since the collapse of Kabul Bank in 2010.⁷³⁸

Afghanistan's poor have limited access to formal financial institutions. Less than 10% of the Afghan population uses banks,⁷³⁹ preferring to hold cash. The ADB said this reflects continued distrust of banks and weak banking sector performance in its role as middlemen between providers and borrowers of funds since the massive Kabul Bank failure.⁷⁴⁰ The ADB ranks Afghanistan 25th of 26 developing Asian nations in the proportion of adults with accounts. Afghanistan also has fewer than five automatic-teller machines per 100,000 people, which puts it last among 33 developing Asian countries.⁷⁴¹

Approximately 90% of financial transactions go through the informal *hawala* system. The State Department reported that there is no clear division between the hawala and formal banking systems—*hawaladars* keep bank accounts and use wire-transfer services, while banks occasionally use hawalas to transmit funds to remote areas in Afghanistan.⁷⁴²

U.S. Treasury Assistance

This quarter, the U.S. Treasury’s Office of Technical Assistance (OTA) began implementing its March 23, 2015, agreement to develop technical assistance and capacity-building programs for Afghanistan’s MOF.⁷⁴³ OTA conducted a May 16–28, 2015, assessment mission to Afghanistan to discuss cooperation and capacity-building for budget and treasury management, including proposed terms of reference for its technical assistance. The mission team found its Afghan counterparts to be receptive to renewed engagement.⁷⁴⁴

OTA’s assistance will initially consist of conceptual guidance on developing and monitoring national-priority objectives, along with associated ministerial budgets; multiyear budgeting; integration of development and operating budget planning processes; and on improving budget formulation and execution. OTA said implementation of these reform measures will depend largely on the Afghan government and on other donors. The U.S. Embassy Kabul requested Treasury’s other scheduled missions be postponed until October due to security concerns.⁷⁴⁵

Money Laundering

The State Department lists Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds, all of which “continue to pose serious threats to the security and development of Afghanistan.” Narcotics, corruption, and contract fraud are major sources of the country’s illegal revenues and laundered funds. Afghanistan has weak or nonexistent supervisory and enforcement regimes, and weak political will to combat corruption.⁷⁴⁶

Anti-Money Laundering/Countering the Financing of Terrorism Legislative Deficiencies

Treasury said Afghanistan took steps towards improving its Anti-Money Laundering/Countering the Financing of Terrorism (AML/CFT) administration by amending its 2014 AML law to extend the criminalization of money laundering to cover predicate offenses (e.g., supplying the funds to be laundered) that occur abroad—a Financial Action Task Force (FATF) requirement. Afghanistan also issued regulations on the process and legal framework for freezing terrorist assets, but still needs to demonstrate completed and consistent implementation of United Nations (UN) Security

“[IMF] Staff welcomes plans to submit to parliament legislation criminalizing bribery of public officials, trading in influence, illicit enrichment, bribery and embezzlement of property in the private sector, and the planned legislative amendment to provide for publication of public officials’ asset declarations.”

Source: IMF, *Islamic Republic of Afghanistan, Staff-Monitored Program*, 5/7/2015, p. 14.

Council Resolutions 1267 and 1988 calling for asset freezes and sanctions on designated individuals.⁷⁴⁷

A State Department report in March 2015 said Afghanistan's laws were not in line with international standards, lacking clarity and effectiveness. While the government has frozen bank accounts owned by some hawala networks, no bank accounts have been seized, and there is no legal mechanism for sharing forfeited assets with other countries to help fund joint law-enforcement investigations. The report recommended that Afghanistan continue to work to criminalize money laundering and terrorism financing; implement a framework for identifying, tracing, confiscating, and freezing terrorist and money laundering-related assets; train and resource legal authorities to better understand and carry out their oversight and investigative duties; enhance the financial intelligence unit, Financial Transactions and Reports Analysis Center of Afghanistan; and strengthen controls for cross-border cash transactions.⁷⁴⁸

Afghanistan's central bank reported approximately \$3.7 million in cash left Afghanistan through Kabul International Airport in 2014 and approximately \$83,200 left through the airport in Mazar-e Sharif. While it is illegal to take more than \$20,000 out of the country at a time, Afghan law does not require citizens to report outbound currency. State reported that cargo is often exempted from any screening or inspection due to corruption at the official border crossings and customs depots, and that most border areas are underpoliced or not policed. Moreover, Kabul International Airport lacks stringent inspection controls for all passengers: it has a VIP lane that allows certain passengers to avoid any inspections or controls.⁷⁴⁹

Financial Action Task Force

At its most recent plenary session in Brisbane, Australia, June 24–26, 2015, FATF chose to keep Afghanistan on its “Improving AML/CFT Global Compliance” list, also known as the “gray list.” This means that while Afghanistan has strategic AML/CFT deficiencies, its government has developed an action plan, written a high-level political commitment to address those deficiencies, and is making progress. FATF urged Afghanistan to further implement its legal framework for identifying, tracing, and freezing terrorist assets; implement an adequate AML/CFT oversight program for all financial sectors; and establish and implement effective controls for cross-border cash transactions.⁷⁵⁰ This is the fourth consecutive plenary in which Afghanistan has maintained this status since being downgraded on the “gray list” in February 2014.⁷⁵¹

Shortly thereafter, Afghanistan's lower house of parliament rejected a government-sponsored amendment to the AML law that sought to have investigations of alleged money laundering apply only to crimes that occurred after the law's ratification, rather than retroactively, as the law currently provides. Some members of parliament argued that removing the

retroactivity clause would reward theft and robbery over the previous 14 years and allow numerous criminals to evade prosecution.⁷⁵²

Kabul Bank Theft Accountability

The Afghan government has so far obtained convictions or judgments against 36 individuals and companies,⁷⁵³ including the Kabul Bank's ex-chairman and ex-CEO, who were involved in the close to \$1 billion theft that brought the bank near collapse in 2010.⁷⁵⁴ According to the Kabul Bank Clearance Committee, established by a March 2015 presidential decree to look into and help resolve the Kabul Bank case, 30 debtors have repaid their loans, 10 showed a "willingness to do so," and debtors who fled were reported to Interpol.⁷⁵⁵

On June 22, 2015, President Ghani set a one-week deadline for debtors to settle their accounts or be referred to the Attorney General's Office for prosecution and be barred from leaving the country.⁷⁵⁶ One day later, *Tolo News* reported that the director and deputy director of the Kabul Bank Clearance Committee were arrested for taking a \$100,000 bribe from an unnamed Kabul Bank debtor.⁷⁵⁷ Afghanistan's Office of the Attorney General announced travels bans and asset freezes against 150 Kabul Bank debtors on July 6.⁷⁵⁸

Cash and Asset Recoveries

In June 2015, the Kabul Bank Receivership informed the U.S. Department of Justice (DOJ) that total recoveries reportedly stand at \$229.5 million as of May 2015. This includes cash recoveries (\$180.7 million), forgiven debts, and assets recovered or seized. Another \$600–650 million is outstanding. The Receivership said its primary challenge in recovering cash and assets is inadequate pressure on borrowers to repay their debts, primarily because so many have significant political ties or allies.⁷⁵⁹

In May 2015, the U.S. Embassy Kabul received a diplomatic note from the Afghan government about recovering assets and beginning discussions to request mutual legal assistance.⁷⁶⁰ DOJ deemed the official request deficient and identified corrective actions that were needed before DOJ could assist. The government had not responded or provided any of the requested information as of June 29, 2015.⁷⁶¹

After Kabul Bank nearly collapsed in 2010, the MOF issued an eight-year, \$825 million bond to the central bank to compensate it for the losses it covered. Repayments by the government, which sometimes include the proceeds of recovered Kabul Bank assets, are to be made quarterly through budget appropriations. Parliament has not consistently authorized these repayments, while payments that were authorized are in arrears. No repayments appear to have been made since 2013.

Source: IMF, *Islamic Republic of Afghanistan, Memorandum of Economic and Financial Policies*, 11/1/2011, p. 9; Treasury, response to SIGAR data call, 6/25/2015.

U.S. ECONOMIC-SUPPORT STRATEGIES

This quarter, the United States and Afghan government worked on a framework and a memorandum of understanding (MOU) to govern the \$800 million New Development Partnership (NDP) that was announced on March 23, 2015.⁷⁶²

The NDP intends to promote Afghan self-reliance over the next five years by strengthening Afghan institutions, sustainability, and fiscal transparency,

and give the new unity government more opportunity to lead its own development trajectory. It aims to do this through monetary incentives to the Afghan government for implementing solutions to development challenges and will measure Afghan-led reform and development activities. USAID will oversee NDP funding, which will be disbursed through the Afghanistan Reconstruction Trust Fund (ARTF).⁷⁶³

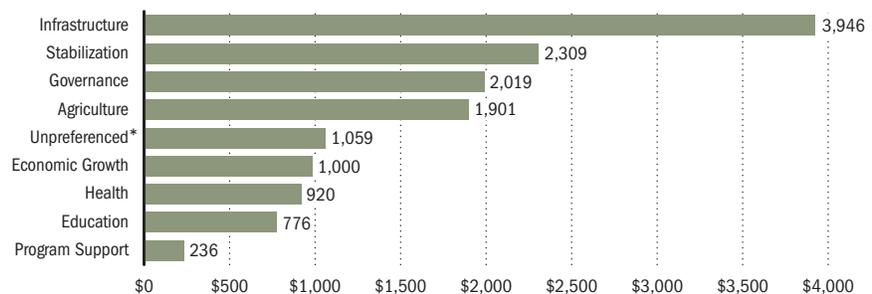
The State Department said the Afghan government identified fiscal sustainability, anticorruption, and poverty reduction as initial priority areas under the NDP. The government will next develop specific results within these areas that it will seek to achieve in order to qualify for the U.S. incentive funds.⁷⁶⁴

USAID Development Assistance

Most assistance from the Economic Support Fund (ESF) goes toward USAID’s development programs. Figure 3.29 shows USAID assistance by sector.

FIGURE 3.29

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF JUNE 30, 2015
(\$ MILLIONS)



Note: Numbers rounded. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and other programs that built health and education facilities.

*Unpreferenced funds are U.S. contributions to the ARTF that can be used for any ARTF-supported initiatives.

Source: SIGAR, analysis of USAID, response to SIGAR data call, 7/12/2015; SIGAR, analysis of World Bank, “ARTF, Administrator’s Report on Financial Status, As of June 21, 2015,” accessed 7/17/2015.

Development of Natural Resources

The majority of mining contracts are being reassessed by the Ministry of Mines and Petroleum (MOMP) due to what the minister called a lack of transparency in the award process.⁷⁶⁵ It is unclear how this may affect negotiated but yet-unsigned contracts, but it could cause further investor uncertainty.

USAID said the Afghan government is taking a slow, methodical approach to the sector until it feels it has the capacity to manage tenders and contracts.⁷⁶⁶ Representatives from the U.S. and Afghan governments

and Integrity Watch Afghanistan all agree that the MOMP still lacks the technical capacity to research, award, and manage contracts without external support despite DOD's Task Force for Business and Stability Operations (TFBSO) and USAID providing direct assistance since 2009. (TFBSO ceased operations in December 2014.) MOMP's independently managed tenders were said to be severely flawed and rife with corruption.⁷⁶⁷

The World Bank believes development of Afghanistan's natural resources can underpin future economic growth in the face of declining external aid. So far, mining has contributed only slightly to the country's GDP.⁷⁶⁸ The Afghan budget projected annual mining revenues of \$26 million, in FY 1393 (2014), but actual receipts were only about \$8.7 million.⁷⁶⁹ The FY 1394 budget forecast government expectations of \$35 million in mining revenues,⁷⁷⁰ although there have been no developments to suggest revenues are likely to increase this year.

The government collected about \$4.5 million in extractives revenue in the first four months of FY 1394, missing its budget target of \$6.1 million by 26%. Compared to the same time last year, extractives revenue declined 17%.⁷⁷¹ Needed infrastructure financing and Afghan progress on regulatory and legislative frameworks⁷⁷² make the timing of significant revenues from this sector uncertain.

On June 3, parliament questioned the minister of mines and petroleum about the status of Hajigak and Aynak mines.⁷⁷³ Currently there is no excavation under way at the Mes Aynak copper mine in Logar Province other than continuing archeological mitigation of damage to cultural relics in the area and landmine clearing.⁷⁷⁴ The Afghan government awarded the contract for extraction rights at Mes Aynak in 2008,⁷⁷⁵ but hoped-for royalties have not yet been realized.⁷⁷⁶ The \$3 billion contract was finally made public this quarter, seven years after it was signed.⁷⁷⁷ Contract negotiations for Hajigak iron-ore concessions have been ongoing since it was awarded in November 2011.⁷⁷⁸ The World Bank previously reported that hopes were fading for Aynak and Hajigak-related energy infrastructure that was supposed to be built as part of the mining projects.⁷⁷⁹

For a list of contracts awaiting final Cabinet approval, see page 161 in SIGAR's January 2015 *Quarterly Report to the United States Congress*.

Illegal Mining

The MOMP contends illegal extraction is taking place at 1,400 mining sites across Afghanistan, but others estimate the country has 2,000–3,000 illegal sites.⁷⁸⁰ USAID said donors have had little success in addressing this problem due to security issues, lack of accessibility to remote mountainous locations, and scarcity of offices in which to register mines.⁷⁸¹

Taliban and other insurgents use violence to illegally extract or obtain natural resources. Illegal mining denies the Afghan people an estimated \$300 million in revenues annually.⁷⁸² The UN reported in February 2015 that

“Taliban penetration of the natural resources sector is deep and extortion in that sector is fairly pervasive.” The Taliban are involved in illegal mining in three ways: extraction (they control at least 35 active onyx marble operations), extortion (threatening or committing violence if not paid off), and as service providers (security, transport, and smuggling).⁷⁸³

Mining Investment and Development for Afghan Sustainability

This quarter, USAID’s five-year, \$50 million Mining Investment and Development for Afghan Sustainability (MIDAS) program resumed geospatial/geographic data training for Afghan Geological Survey staff; completed its core sample granite exploration project in Bamyan to determine the mineral’s quality and suitability for commercial processing; and continued to prepare for site visits to Herat and other areas.⁷⁸⁴

MIDAS continued cataloguing potential amendments to the mining law for the minister of mines and petroleum’s review. Some of the proposed changes aim to improve transparency and accountability in the bidding and contracting process including: banning those who are proven to be connected or related to insurgent groups from receiving a contract; mandatory publication of all mining contracts within 10 days of issuance; and providing the holder of a exploration license of a particular mine the exclusive right to the site-exploitation license after completing exploration and establishing economic feasibility.⁷⁸⁵ The failure to link exploration with exploitation rights has been one of several longtime impediments to investment.⁷⁸⁶

MIDAS and USAID’s other extractives-assistance programs are listed in Table 3.23.

SIGAR AUDIT

A SIGAR audit published last quarter determined that USAID’s MIDAS program identifies areas in need of assistance, articulates a strategy for mineral sector development, and lays out a clear set of criteria for selecting potential areas of investment by USAID. A subsequent audit of U.S. assistance to the extractives industry is ongoing.

TABLE 3.23

| USAID EXTRACTIVES ASSISTANCE PROGRAMS | | | | |
|---|------------|-----------|---------------------------|--|
| Project Title | Start Date | End Date | Total Estimated Cost (\$) | Cumulative Disbursements, as of 6/30/2015 (\$) |
| Sheberghan Gas Generation Activity | 12/21/2011 | 7/31/2016 | \$30,440,958 | \$21,721,719 |
| Sheberghan Gas Development Project | 5/15/2012 | 7/31/2016 | 90,000,000 | 0 |
| Mining Investment and Development for Afghan Sustainability | 3/31/2013 | 3/20/2016 | 50,096,175 | 17,361,416 |

Source: USAID, response to SIGAR data calls, 6/25/2015 and 7/12/2015.

Hydrocarbons

Afghanistan’s efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan.⁷⁸⁷

Afghanistan has only small-scale topping plants—early-stage refineries that can process only limited petroleum components of crude oil—and remains heavily dependent on fuel imports.⁷⁸⁸ The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and

Iran,⁷⁸⁹ representing roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.⁷⁹⁰

Lower global oil prices benefit land-locked Afghanistan in the short term by lowering energy prices and transportation costs, which has the positive ancillary effect of lowering food prices and costs for local producers, increasing private consumption, and boosting domestic demand.⁷⁹¹ However, the World Bank cautioned that a sharp and prolonged decline in oil and commodity prices could negatively impact incentives for investment in Afghanistan's significant oil basins, some of which are already impacted by security issues and Afghanistan's bureaucratic morass.⁷⁹²

Sheberghan Programs

Sheberghan holds the potential for cheap natural gas-generated power that could be competitive with imported power from Uzbekistan, according to the World Bank.⁷⁹³ USAID is supporting the Sheberghan project to help Afghanistan identify and manage gas resources to be used for power generation through two mechanisms: (1) the \$90 million, on-budget Sheberghan Gas Development Project (SGDP) to rehabilitate and drill wells in the Amu Darya Basin, and fund a gas-gathering system and gas-processing plant; and (2) the \$35 million, off-budget Sheberghan Gas Generation Activity (SGGA) for capacity building and technical assistance to the MOMP.⁷⁹⁴

This quarter, SGGA was extended through July 31, 2016, at no additional cost to USAID. It is approximately 20% complete.⁷⁹⁵ An MOU was signed on May 13 between the Afghan government; its national utility, DABS; the International Finance Corporation (a member of the World Bank Group); and Ghazanfar Group to build a \$75 million, 50 megawatt (MW) gas power plant.⁷⁹⁶ USAID said Turkish Petroleum Corporation (TPAO), SGDP's drilling contractor, is adhering to a drilling schedule to be completed in September 25, 2015, after taking almost twice as long as the contract stipulated. However, SGGA said it was certain that TPAO would not fulfill its contractual obligations by that date. TPAO submitted a revised drilling schedule with a December 31, 2015, completion date, which the MOMP promptly rejected.⁷⁹⁷

Problems with this drilling contractor continued. SGGA, the off-budget capacity-building mechanism, reported that a visit to the drilling site by the Afghanistan Petroleum Authority's director general seemed to prompt greater urgency from TPAO and more cooperation.⁷⁹⁸ SGGA also drafted a letter for the MOMP to TPAO repeating its demand to submit all subcontracts to the MOMP for approval. In addition, of the five drilling contract management support meetings conducted in May 2015, three dealt with TPAO oversight.⁷⁹⁹

AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population, accounting for about 25% of GDP, and employing more than 50% of the labor force, according to the World Bank.⁸⁰⁰ USAID reported that its agribusiness and trade activities work to stimulate agricultural sector growth, create jobs, improve livelihoods, and boost local economies. Moreover, implementation for two follow-on projects, which were previously under the auspices of the U.S. Department of Agriculture—the Afghan Agricultural Extension Program and the Capacity Building and Change Management Program—aim to strengthen the capacity of the Ministry of Agriculture, Irrigation, and Livestock (MAIL).⁸⁰¹

USAID has obligated approximately \$2.4 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy.⁸⁰² Pages 127–131 of this quarterly report discuss USAID’s alternative-development programs. A list of all active USAID agriculture programs is found in Table 3.24.

Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project awarded this quarter aims to continue the technical-assistance component of the initial ACE that managed the conditions-based, MAIL-led Agricultural Development Fund (ADF). The ADF extends agriculture-related credit access to small- and medium-sized farms and agribusinesses. ACE II will support the ADF by encouraging other financial intermediaries—banks, farm stores, leasing companies, and food processors—to enter into agriculture-related finance.⁸⁰³

TABLE 3.24

| USAID ACTIVE AGRICULTURE PROGRAMS | | | | |
|--|------------|------------|---------------------------|--|
| Project Title | Start Date | End Date | Total Estimated Cost (\$) | Cumulative Disbursements, as of 6/30/2015 (\$) |
| Afghanistan Agriculture Extension Project II (AAEP-II) | 10/1/2014 | 9/30/2017 | \$25,000,000 | \$3,257,950 |
| Agriculture Credit Enhancement II (ACE II) | 6/24/2015 | 6/23/2018 | 18,234,849 | 0 |
| Capacity Building and Change Management Program II (CBCMP-II) | 7/10/2014 | 7/9/2017 | 19,999,989 | 5,682,191 |
| Digital Integration to Amplify Agriculture Extension in Afghanistan (DIAAEA) | 11/30/2014 | 11/29/2015 | 391,000 | 83,531 |
| Famine Early Warning System Network (FEWSNET) Phase III | 12/29/2011 | 12/28/2016 | 11,340,000 | 2,420,553 |
| Strengthening Afghanistan Agricultural Faculties (SAAF) | 3/25/2011 | 12/31/2016 | 7,824,209 | 6,354,288 |
| Mothers and Under-Five Nutrition and Child Health (MUNCH) | 12/16/2014 | 12/31/2016 | 5,000,000 | 5,000,000 |

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see Table 3.16 on p. 128 of this report.

Source: USAID, response to SIGAR data call, 7/12/2015.

ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase electricity, build roads and bridges, and improve health and education in Afghanistan. This section addresses key developments in U.S. efforts to improve the government's ability to deliver essential services such as electricity, transportation, health, and education.

Power Supply

On April 24, 2015, Afghanistan, Tajikistan, Kyrgyzstan, and Pakistan finalized and signed the Central Asia-South Asia Electricity Transmission and Trade project (CASA-1000). Afghanistan will receive electricity from 300 MW of generation capacity in Tajikistan and Kyrgyzstan, and will collect transit-fee revenue from electricity delivered to Pakistan. Construction is scheduled to begin in September 2015 and be completed in 2018.⁸⁰⁴

Afghanistan has one of the lowest rates of electrification in the world, with only 25% of Afghans connected to the power grid—about the same proportion as those who live in cities.⁸⁰⁵ Afghanistan imports approximately 73% of its total electricity. Electricity imports are expected to rise in the near term, according to a recent World Bank report, which also noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.⁸⁰⁶ Afghanistan will need regional cooperation to meet its energy demands.⁸⁰⁷

U.S.-Afghan Joint Regional Energy Working Group

On March 23, 2015, Secretary of State John Kerry announced establishment of a U.S.-Afghan Joint Regional Energy Working Group charged with exploring ways to support Afghanistan's integration into regional energy markets. State, USAID, Treasury, and other U.S. agencies will participate in this effort.⁸⁰⁸ This quarter, USAID reported no progress on organizing an official working-group meeting. State engaged the Afghan government in developing the framework for the proposed working group, an agenda, mutually agreeable terms of reference, a meeting venue, and a date, but no final arrangements have been agreed upon.⁸⁰⁹

U.S. Power Sector Assistance

From 2002 through 2014, USAID alone obligated more than \$2.7 billion to build generators, substations, and transmission lines, and provide technical assistance in the sector.⁸¹⁰ In addition, DOD has provided approximately \$292 million for power projects through the Commander's Emergency Response Program and roughly \$1.1 billion through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁸¹¹

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. USAID has three projects to connect and increase the electricity supply in both systems:

Other regional energy initiatives involving Afghanistan include the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan transmission line that will enable power to be dispatched from Turkmenistan to Pakistan; and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline, which will transport up to 33 billion cubic meters of natural gas per year from Turkmenistan to these other countries.

Source: ADB, 44463-013: Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline Phase 3, accessed 4/8/2015; USAID, response to SIGAR vetting, 4/12/2015.

NEPS: imports electricity from the Central Asian republics to provide power to Kabul and the communities north of Kabul.

SEPS: draws most of its power from the Kajaki Dam and from diesel generators in Kandahar city to provide power in the Helmand and Kandahar areas.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 11/2013, p. 107.

TABLE 3.25

| USAID ACTIVE POWER INFRASTRUCTURE PROJECTS | | | | |
|---|------------|------------|---------------------------|--|
| Project Title | Start Date | End Date | Total Estimated Cost (\$) | Cumulative Disbursements, as of 6/30/2015 (\$) |
| Kandahar Helmand Power Project | 12/9/2010 | 11/30/2015 | \$229,222,002 | \$226,461,185 |
| Power Transmission Expansion and Connectivity | 1/1/2013 | 12/31/2018 | 670,000,000 | 36,791,897 |
| Contributions to the Afghanistan Infrastructure Trust Fund | 3/7/2013 | 3/6/2018 | 105,670,184 | 105,000,000 |
| Kajaki Dam Unit 2 | 4/22/2013 | 12/31/2015 | 75,000,000 | 28,198,416 |
| Public Awareness Campaign to Increase Afghans' Knowledge of Energy Development Programs | 2/1/2014 | 1/31/2016 | 1,789,224 | 1,069,097 |
| Utility Executive Exchange | 9/30/2007 | 9/30/2017 | 698,555 | 698,555 |
| Afghan Engineering Support Program | 11/9/2009 | 11/8/2015 | 72,000,000 | 65,101,840 |
| PEER Grants | 7/25/2011 | 7/24/2016 | 5,440,647 | 5,440,647 |

Note: The Sheberghan Gas Generation Activity (SGGA), Sheberghan Gas Development Project (SGDP), and Mining Investment and Development for Afghan Sustainability (MIDAS) programs, which are categorized under the power sector in USAID's funding pipeline report are listed in the extractives sector programs subsection on p. 176 of this report.

Source: USAID, response to SIGAR data call, 7/12/2015.

SIGAR SPECIAL PROJECT

This quarter, SIGAR wrote to USAID to inquire about the Afghan government's willingness and ability to operate the Tarakhil Power Plant (TPP) and to better understand actions undertaken to ensure the sustainability of the plant's operation and maintenance. USAID replied that TPP was operating, provided energy output figures, and said the plant proved to be a vital component of Afghanistan's northern energy grid. SIGAR's analysis is ongoing. For more information, see Section 2, p. 50.

(1) the Power Transmission Expansion and Connectivity (PTEC) project to construct a transmission line connecting Kabul with Kandahar and build the capacity of Afghanistan's national electric utility, Da Afghanistan Breshna Sherkat (DABS), to sustain energy-infrastructure investments; (2) the Sheberghan Gas Development Project (SGDP) to attract private investment to develop gas resources in Sheberghan and build power plants; and (3) the Kandahar-Helmand Power Project (KHPP), which includes installing a third turbine at Kajaki Dam and improving the transmission system connecting Kajaki with Kandahar.⁸¹² USAID's active power-infrastructure projects are listed in Table 3.25.

Kandahar-Helmand Power Project

The KHPP is intended to increase power supply and reliability in Kandahar and Helmand Provinces.⁸¹³ All USAID components of this project are closed out, except for a technical-support services subcomponent. Black and Veatch has been retained for a technical-support services contract to assist DABS with its efforts to increase long-term sustainable hydro-power from Kajaki Dam by installing a third turbine, known as Unit 2, in the powerhouse.⁸¹⁴

This quarter Black and Veatch reported that GFA Consulting Ltd., the construction management consultant to DABS, has ended Black and Veatch's access to weekly reports. USAID currently forwards the reports to Black and Veatch for review. Moreover, Black and Veatch said GFA revised the format of its weekly reports, reduced content, deleted meeting minutes, and ceased to include the turbine-installation contractor's weekly reports. Black and Veatch said not one project schedule appears to be kept,

progress milestone schedules are inconsistent and the most recent report showed actual progress at 24%.⁸¹⁵

The turbine-installation completion date was revised to May 2016, due to an Afghan National Defense and Security Forces offensive against the Taliban around Kajaki.⁸¹⁶ Insurgent activity also closed Route 611—the road leading from Sangin to Kajaki—this quarter, delaying delivery of construction materials, and Black and Veatch said the turbine-installation design was behind schedule.⁸¹⁷ For details on additional challenges, see SIGAR's April 2015 *Quarterly Report to the United States Congress*, pages 176–177.

Kandahar Power Bridging Solution

DOD has disbursed \$140 million for diesel fuel since FY 2011 to run generators in Kandahar City through the Kandahar Bridging Solution while turbine-installation work at Kajaki Dam is under way. DABS controls the generators, but DOD fuel subsidies (\$20 million allocated in FY 2014 alone) are scheduled to expire in September 2015 with no prospect of extension.⁸¹⁸ Last quarter, USAID said DABS is considering raising rates to pay for diesel after DOD subsidies end, and relayed that to the Kandahar governor and community last year, but has faced difficulties convincing them.⁸¹⁹

Power Transmission Expansion and Connectivity Program

The U.S.-funded PTEC program was designed to strengthen and expand the power-generation, transmission, and distribution systems, including funding the transmission line between Kabul and Kandahar to connect NEPS with SEPS.⁸²⁰ PTEC's commercialization and capacity-building components aim to increase revenues while reducing technical and commercial losses.⁸²¹ Construction has started on the transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector. To date, \$38 million has been disbursed through DABS/MOF to PTEC contractors for this effort.⁸²²

In support of the second segment, Ghazni to Kandahar, \$179.5 million was transferred from AIF to USAID after DOD cancelled construction at Dahla Dam.⁸²³ An additional \$300 million was deobligated from the Asian Development Bank-administered Afghanistan Infrastructure Trust Fund (AITF) and returned to PTEC to ensure this segment remains a construction priority. These monies are being used as a direct-assistance award to DABS for two requests for proposals to construct this segment of the transmission line and five substations. Bids for the substations are due at the end of July, and for the transmission lines, at the end of August; awards are expected next quarter.⁸²⁴ A resulting PTEC contract must then be approved by Afghanistan's National Procurement Commission (NPC), which approves all on-budget government contracts. USAID anticipates the NPC process will result in program delays.⁸²⁵

The National Procurement Commission, established by Presidential Decree #60 on February 20, 2015, replaced the Special Procurement Commission, through which all previous on-budget contracts went for Afghan government approval.

Source: GIROA, Presidential Decree #60, Legal Order by the President of the Islamic Republic of Afghanistan on Modification of Some Articles of the Procurement Law, 2/10/2015.

To help bridge the gap between Kandahar’s electric-generation capacity and demand until the NEPS-SEPS transmission line is completed, PTEC is funding a reverse auction whereby independent power producers will compete to construct and sell power to DABS from a solar-power plant. This plant, expected to be operational by mid- to-late 2016, may be able to operate at an installed capacity of 10 MW of power; a feasibility report due in July 2015 was expected to refine the projection.⁸²⁶ USAID issued a request for information on July 9 about interested firms and the price per unit of electricity needed for a 20-year investment.⁸²⁷

DOD’s Afghanistan Infrastructure Fund Programs

This quarter, DOD continued implementing several priority energy-sector projects to complete its portion of the NEPS and SEPS using FY 2011–FY 2014 AIF money (no FY 2015 AIF funds were requested or appropriated), as shown in Table 3.26.⁸²⁸ The Ministry of Energy and Water and DABS will be responsible for sustaining these projects, including O&M costs once they are completed and turned over to the government. DOD has notified Congress that increased revenue from an expanded customer base and improved collection capabilities will help DABS provide long-term sustainment of AIF infrastructure.⁸²⁹ However, SIGAR has raised questions about DABS’s capacity and said Afghanistan lacks the resources necessary to pay for O&M.⁸³⁰ The World Bank said DABS’s technical and commercial losses remain significant.⁸³¹

SIGAR AUDIT

An ongoing SIGAR audit focuses on State Department progress in completing FY 2011 Afghanistan Infrastructure Fund projects, the impact on other infrastructure priorities and counterinsurgency objectives, and sustainment challenges.

TRANSPORTATION

Afghanistan’s lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said building the transportation sector is imperative for national economic development.⁸³² Afghanistan’s transportation-infrastructure shortcomings constrain the service and agriculture sectors, currently the leading contributors to GDP.⁸³³ They also hold back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining international aid.⁸³⁴ This quarter, the United States continued its efforts to develop the capacity of the Ministry of Public Works in the areas of road construction, operations, and maintenance.⁸³⁵

Civil Aviation

A SIGAR audit released this quarter found that since 2002, the United States—mainly DOD and the Federal Aviation Administration (FAA)—spent about \$562 million helping Afghanistan rebuild its civil-aviation system, which was on the verge of collapsing. The United States had planned to transition airspace-management responsibilities back to the Afghan government at the end of 2014, but instead funded an interim \$29.5 million

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.26

| AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF JUNE 11, 2015 (\$ MILLIONS) | | | | | | |
|---|--|--|--|----------------|----------------|---|
| AIF Fiscal Year | AIF Project | Description | Congressional Notification Amount (\$) | Obligated (\$) | Disbursed (\$) | Status |
| FY 2011 | Kandahar Power Bridging Solution | Provide fuel to diesel generators in Kandahar | \$40.5 | \$39.1 | \$39.1 | Complete |
| | SEPS - Kajaki Dam-Lashkar Gah | Install transmission lines and construct power substations | 130.0 | 100.3 | 51.8 | Terminated, May 2014 |
| | NEPS - SEPS Connector, Arghandi to Ghazni | Supply, install, test, and commission transmission line and substation | 101.0 | 56.7 | 10.3 | Transferred to USAID; contract signed |
| | NEPS - Arghandi to Gardez Phase I | Install transmission lines and construct power substations | 93.7 | 51.9 | 11.8 | In Design |
| FY 2012 | Kandahar Power Bridging Solution | Provide fuel for diesel generators in Kandahar City | 67.0 | 64.7 | 64.7 | Complete |
| | SEPS - Kandahar City to Durai Junction Phase 2 | Install or repair transmission lines; repair or construct substations | 40.0 | 29.6 | 4.3 | Design/Mobilization/Demining |
| | NEPS - Arghandi to Gardez Phase 2 | Install transmission lines and construct power substations | 77.5 | 71.0 | 21.5 | In Design |
| | NEPS - Charikar to Panjshir Phase 1 | Install transmission lines and construct power substations | 42.5 | 38.9 | 8.7 | In Design |
| FY 2013 | Kandahar Power Bridging Solution | Provide fuel for diesel generators in Kandahar City | 37.0 | 34.0 | 33.9 | Complete |
| | NEPS - Charikar to Panjshir Phase 2 | Install transmission lines and construct power substations | 33.0 | 25.3 | 8.1 | In Design |
| | SEPS Completion - Phase 1 | Construct substations and rehabilitate transmission lines in Helmand Province | 75.0 | 70.6 | 23.4 | Design/Mobilization/Demining |
| | NEPS - SEPS Connector, Ghazni to Kandahar | Design and install transmission lines and towers; construct substations. Final Phase of NEPS-SEPS connector. | 179.5 | 330.0 | 0.0 | Transferred to USAID; Transmission line bids received 6/21/2015 |
| FY 2014 | Kandahar Power Bridging Solution | Provide fuel for diesel generators in Kandahar City | 20.0 | 5.4 | 2.4 | In Progress |
| | SEPS Completion - Phase 2 | Rehabilitate and construct transmission lines and substations in Helmand and Kandahar Provinces | 49.0 | 0.0 | 0.0 | Transferring to USAID |
| | NEPS - Gardez to Khowst | Design and install transmission and distribution lines; construct substations. DOD's final contribution to NEPS. | 130.0 | 130.0 | 0.3 | Pre-Award |

Note: All AIF projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national utility. Congressional notification amounts are provided by DOD. Obligations and disbursements are as of 5/31/2015. All other information is as of 6/11/2015.

Source: DOD, response to SIGAR data call, 7/14/2015; USAID, response to SIGAR data call, 7/21/2015.

DOD-managed contract through September 2015 after realizing the transfer was not possible.⁸³⁶ For more information, see Section 2, pages 23–24.

This quarter, the Afghan government selected the U.S.-based contractor Readiness Management Support to help manage Afghan airspace for two years after the current U.S.-funded contract expires. It is currently waiting for National Procurement Commission approval.⁸³⁷

SIGAR AUDIT

A SIGAR audit announced this quarter will review U.S. efforts to sustain roads and strengthen the Afghan government's ability to perform ongoing road maintenance. For more information, see Section 2, pp. 27–28.

Roads

The United States has provided approximately \$2.1 billion cumulatively for road construction and O&M, and will spend up to \$5 million between November 2014 and November 2016 for additional O&M.⁸³⁸ Yet the World Bank has said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.⁸³⁹ Afghanistan does not currently have sufficient funding and technical capacity to maintain its roads and highways, according to USAID. Afghanistan is estimated to spend \$17 million annually for O&M, leaving a projected \$100 million annual shortfall.⁸⁴⁰ USAID's active road construction and O&M programs are listed in Table 3.27.

TABLE 3.27

| USAID ACTIVE ROAD CONSTRUCTION, OPERATIONS AND MAINTENANCE PROGRAMS | | | | |
|---|------------|------------|---------------------------|--|
| Project Title | Start Date | End Date | Total Estimated Cost (\$) | Cumulative Disbursements, as of 6/30/2015 (\$) |
| Technical Assistance to the Ministry of Public Works | 8/3/2014 | 8/2/2017 | \$21,366,222 | \$4,586,459 |
| Gardez to Khowst Road, Phase IV | 6/26/2014 | 12/31/2015 | 32,960,265 | 20,726,885 |
| Salang Tunnel Maintenance | 4/1/2013 | 3/30/2016 | 3,533,350 | 1,697,401 |
| Engineering, Quality Assurance, and Logistical Support (EQUALS) | 4/18/2011 | 4/17/2016 | 126,307,645 | 105,664,217 |
| Support for USAID's Construction of Health and Education Facilities Program | 1/19/2008 | 7/31/2015 | 57,160,749 | 57,160,749 |
| Emergency Road O&M | 4/29/2015 | 7/30/2015 | 252,667 | 0 |
| Emergency Road O&M | 5/27/2015 | 6/21/2015 | 130,681 | 21,090 |
| Emergency Road O&M-East | 11/1/2014 | 10/31/2015 | 27,120 | 27,037 |
| Emergency Road O&M-East | 11/5/2014 | 11/4/2015 | 22,016 | 22,016 |

Source: USAID, response to SIGAR data calls, 6/25/2015 and 7/12/2015.

Road Sector Sustainability Project

USAID's Road Sector Sustainability Project (RSSP) helps the Ministry of Public Works strengthen its capacity to better fund and maintain Afghanistan's 26,100 miles of roadway infrastructure.⁸⁴¹ It has four main activities:⁸⁴²

- **Activity 1:** Emergency O&M (November 2014–November 2016); \$5 million allocated over 12 months; \$422,702 obligated and \$70,143 disbursed from November 2014–July 2015.
- **Activity 2:** Technical assistance to the Ministry of Public Works (Phase I, August 2014–August 2017); creation of a road authority and road fund; estimated cost \$21.4 million for phase I: \$8.8 million obligated and \$4.6 million disbursed, as of June 30, 2015. Afghan agencies created in phase I will need parliamentary approval before \$14 million phase II (buildings, equipment, training) begins.
- **Activity 3:** Training and capacity building for the Ministry of Public Works (estimated start March 2016); estimated cost \$30 million;

\$0 disbursed. Pre-solicitation stage. The statement of work is being developed based on a needs assessment. Parliamentary approval for Activity 2, phase I is needed before Activity 3 begins.

- **Activity 4:** Transitional Incentives Funds for Road O&M (estimated start March 2016); estimated cost \$33 million; \$0 disbursed. USAID funding will go on-budget through the AITF's O&M incentive window.

Gardez-Khowst Road Rehabilitation Phase IV

The four-phase, \$233 million, 63-mile asphalt-paved highway project gives Khowst and Paktiya Provinces access to major trading routes to Pakistan, to Kabul, and to the Ring Road connecting Kabul, Kandahar, and Herat.⁸⁴³ It includes bridges, causeways, drainage structures, excavation, “river training” structures to control flow and sedimentation, and asphalt pavement.⁸⁴⁴

The \$33 million phase IV is the only ongoing USAID-funded road construction project. The three previous phases are complete with 55 miles of road paved. The remaining road and bridge construction is scheduled to be completed by December 2015. As of June 2015, \$21 million has been disbursed.⁸⁴⁵



Construction of the Gardez-Khowst road is ongoing. (USAID photo)

ECONOMIC GROWTH

As of June 30, 2015, USAID had disbursed approximately \$1 billion cumulatively for economic growth programs in Afghanistan.⁸⁴⁶

This quarter, USAID announced a \$13.3 million, four-year Afghanistan Investment Climate Reform Program. It aims to stimulate economic growth nationally and provincially by simplifying regulations and reducing compliance costs for new and existing businesses operating in the country.⁸⁴⁷ The World Bank ranked Afghanistan 183rd overall in its 189-nation *Doing Business 2015* review of business regulations for domestic companies.⁸⁴⁸

Afghanistan Workforce Development Program

USAID's four-year, \$62.6 million, Afghanistan Workforce Development Program (AWDP) aims to offer access for 25,000 Afghans (target ratio: 75% men, 25% women) to vocational education and training, business-development support, business-management training programs, financial credit, and job-placement services. AWDP also seeks to mitigate high unemployment and address the scarcity of technically skilled Afghan labor and trained Afghan business managers. The goal of the program is to facilitate job creation, develop a skilled and semiskilled workforce, increase self-employment, and promote economic recovery in Afghanistan.⁸⁴⁹

AWDP is also supporting efforts to build the capacity of technical/vocational educators and trainers. AWDP seeks to improve the quality of these training programs through public-private partnerships, and make them more accessible. As of June 30, 2015, USAID reported more than 17,968

Afghans were trained and more than 8,348 were either placed in jobs or promoted in mid-career/semi-professional jobs. Program targets were to have 20,825 trained and 17,500 placed or promoted by April 4, 2015. USAID said these targets were not achieved due to Afghanistan's slowdown in economic activity and delays in starting the on-budget component with the Ministry of Education (MOE). However, so far the program has exceeded its target of having women be 25% of those being trained (36%), placed, and promoted (32%). The AWDP disbursed approximately \$20.5 million, as of June 30, 2015.⁸⁵⁰

EDUCATION

The United States aims to improve Afghan access to quality education by promoting capacity building; providing assistance for learning materials and teacher development; establishing community-based classes in remote regions; and increasing and strengthening higher-education systems to better prepare Afghans for employment.⁸⁵¹ As of June 30, 2015, USAID disbursed more than \$776 million for education programs in Afghanistan.⁸⁵²

Ministry of Education Data and Sector Improvement Plan

On May 27, 2015, the lower house of parliament summoned Minister of Education Asadullah Hanif Balkhi to inquire about the “low quality of education in the schools.” Minister Balkhi responded that more than half of all teachers do not have the necessary skill sets, the general education curriculum is insufficient, students do not have timely access to textbooks, and educational services are unbalanced. In response to news reports that schools in some areas were non-existent, yet received funding, parliamentarians also raised questions about the number of students, teachers, and functioning schools. Minister Balkhi confirmed there are some non-existent schools that receive funding in insecure areas and that Education Management Information System (EMIS) data on the number of functioning schools are imprecise. However, the MOE is working to improve the data quality. Provincial teams were assigned to collect more reliable figures. Improvement will take time, he said.⁸⁵³

The MOE's 100-day plan released in May 2015 focuses on accelerated reform and improved service delivery. It aims to provide equitable access to quality education, general and Islamic, for all school-age children by raising learning standards, enhancing curriculums (including quality textbooks and teacher guides), developing assessment tools, and increasing student enrollment as well as teacher quality. The MOE also intends to raise literacy levels for Afghans age 15 years and above, offer relevant technical and vocational education that fills Afghan labor-market requirements, and operate its ministry to provide all these services in an effective, efficient, and transparent manner.⁸⁵⁴

EDUCATION STATISTICS

After news reports alleging former ministry officials falsified data to obtain more government and donor funding, SIGAR requested information from USAID about the reliability of data it uses to oversee, fund, and measure its education programs in Afghanistan. SIGAR asked about USAID actions to investigate these allegations; estimates on how much U.S. funding may have been spent on nonexistent schools, teachers, and administrators; validation of education expenditure data; and any adjustments to its approach to providing on-budget funding.⁸⁵⁵ SIGAR's work in this area has sparked considerable media interest, and the issue of accurate education data was also featured in a lengthy investigative piece by the U.S. news organization BuzzFeed.⁸⁵⁶

USAID replied that the news accounts of the Minister Balkhi's remarks were inaccurate compared to the parliamentary hearing transcript. USAID said there was no specific evidence to suggest that U.S. funds were misappropriated or spent on ghost schools, teachers, or administrators. Monitoring and tracking systems are in place for their programs, as well as for funding disbursed through the World Bank. Additionally, USAID's on-budget funding requires a separate, noncomingled, project-specific bank account, to which it has online access and which USAID financially audits.⁸⁵⁷

USAID said obtaining reliable enrollment and attendance data is challenging in any developing country, but its funding and programs are not linked to EMIS-generated aggregate numbers. However, USAID has previously reported to SIGAR that "EMIS is the only database to track education metrics," such as student enrollment, and that USAID relies on EMIS data that is posted to the MOE website.⁸⁵⁸



Chairs at a school built, but never occupied, in Nangarhar Province, were stripped for fire wood. (U.S. Air Force photo)

While USAID may not use student enrollment levels and other EMIS data in making specific financial decisions, USAID does cite aggregate enrollment as a key, measurable indicator of progress in the sector.⁸⁵⁹ USAID also includes enrollment as one of three assistance-level indicators in its performance-management plan for education programs in Afghanistan.⁸⁶⁰

In its response, USAID added that the specific discrepancies between the student enrollment numbers that the previous education minister publicized versus official school enrollment numbers were caused by absent students still being counted as enrolled.⁸⁶¹ The number of enrolled students is the sum of present and absent students.⁸⁶² The MOE considers students as enrolled during up to three years' absence, because they might return to school. USAID and other donors have recommended the MOE revise its regulations and remove absent students from enrollment roles within a year.⁸⁶³

According to EMIS, Afghanistan had 15,619 general education (government) schools in 1393 (2014), with 8.6 million students enrolled.⁸⁶⁴ Attendance data (i.e., the number of present and absent students) are no longer publicly available.

EMIS does not track open and closed schools at any given time, or teacher and student attendance. Currently, figures are not independently verified;⁸⁶⁵ however, the MOE started its own data-quality assessment and hired a third-party monitoring firm to verify a sample of EMIS. A report is anticipated at the end of July 2015.⁸⁶⁶

USAID Programs

USAID's priority education programs are aligned with Afghanistan's objectives to increase quality education, improve workforce development, and strengthen the quality of higher education. The programs are:⁸⁶⁷

- **Basic Education, Learning, and Training (BELT):** an overarching basic education program that aims to improve education access and quality. BELT encompasses a number of activities, including a new national early grade reading program. Evaluations of request for proposals for a national reading assessment of 2nd and 4th grade students were completed and submitted to USAID's Office of Acquisition and Assistance for review and finalization. An award is expected within the next month.
 - **Community Based Education:** provides access to basic education in 10 provinces. As of May 2015, 712 Community Based Education classes have been established providing access to more than 37,000 boys and girls.
 - **Education Quality Improvement Project (EQUIP) II:** USAID funds teacher training through World Bank-administered EQUIP II. More than 84,000 teachers have been trained with U.S. government assistance. All funds for teacher training have been utilized so no teachers were trained this quarter.
- **American University of Afghanistan (AUA):** Ongoing USAID support to fund 20 Afghan women at AUA and American University of Central Asia. Five of eight undergraduate slots at AUA were filled for the spring 2015 semester; three slots are vacant due to the inability of applicants to pass English language requirements, but can be filled by existing AUA students who qualify. All five masters of business administration slots were filled this quarter, and seven students at American University of Central Asia are completing their preparatory work in Kyrgyzstan.
- **Afghanistan University Support and Workforce Development Program (USWDP):** strengthens the ability of the Ministry of Higher Education (MOHE) and 11 public universities to deliver market-relevant education services. USWDP developed a detailed quality-assurance action plan for the MOHE and for Afghanistan's public universities, but ministry acceptance and implementation initially proved challenging. Implementation improved after a new director of quality assurance was

SIGAR AUDIT

An ongoing SIGAR audit focuses on the U.S. efforts to improve access to and the quality of Afghanistan's primary and secondary education systems.

TABLE 3.28

| USAID ACTIVE EDUCATION PROGRAMS | | | | |
|---|------------|------------|---------------------------|--|
| Project Title | Start Date | End Date | Total Estimated Cost (\$) | Cumulative Disbursements, as of 6/30/2015 (\$) |
| Global Partnership for Education | 10/11/2012 | 3/31/2016 | \$3,108,580 | \$1,191,999 |
| Fire-Rated Doors for Sardar Kabuli High School | 3/2/2015 | 6/30/2015 | 341,097 | 37,842 |
| Support to the American University of Afghanistan | 8/1/2013 | 7/31/2018 | 40,000,000 | 14,514,050 |
| Afghanistan Technical Vocational Institute | 6/15/2013 | 6/14/2015 | 1,000,000 | 900,000 |
| Strengthening Education in Afghanistan | 5/19/2014 | 5/18/2019 | 29,835,920 | 3,321,118 |
| Promote Scholarships | 3/4/2015 | 3/3/2020 | 1,247,522 | 0 |
| Assessment of Learning Outcomes and Social Effects in Community-Based Education | 1/1/2014 | 12/31/2017 | 7,262,016 | 952,864 |
| Afghanistan University Support and Workforce Development Program | 1/1/2014 | 12/31/2018 | 91,927,769 | 14,281,959 |
| Increasing Access to Basic Education and Gender Equality | 9/17/2014 | 12/31/2019 | 54,027,000 | 54,027,000 |

Source: USAID, response to SIGAR data call, 7/12/2015.

appointed at the MOHE in June 2015. USWDP is also creating new or enhancing market-relevant university degrees and is providing capacity-building training to ministry and university officials.

A full list of USAID's active education programs can be found in Table 3.28.

HEALTH

Afghanistan has experienced improvements in its health indicators since 2002, though it remains below average for low-income countries and has one of the world's highest levels of child malnutrition, according to the World Bank.⁸⁶⁸ U.S. assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities at central and subnational levels, particularly in provinces to the south and east, where services are largely lacking.⁸⁶⁹

On May 12, 2015, the Afghan government, in coordination with UN agencies, civil-society organizations, and donors, signed the Kabul Declaration for Maternal and Child Health to implement cost-effective, high-impact interventions, along with quarterly performance reviews to help save the lives of more than 35,000 children over the next five years.⁸⁷⁰ Also, on June 8, the Minister of Public Health, Ferozudin Feroz, announced his 100-day plan to improve and standardize health services across the country, and committed to fighting corruption within the ministry.⁸⁷¹ In April, Minister Feroz issued a written statement addressing corruption in the health sector vowing to conduct a risk-assessment, anticorruption strategy, and work plan.⁸⁷²

Medical and hospital experts attending a USAID-sponsored conference in Kabul on June 10 reportedly said that despite millions of dollars in donated medical equipment, more than half goes unused due to a shortage of qualified personnel.

Source: *Tofo News*, "Experts Say Half of All Medical Equipment in Afghanistan Unused," 6/10/2015.

SIGAR AUDIT

An ongoing SIGAR audit is focusing on USAID's efforts to support and improve Afghanistan's healthcare services and focuses on the extent to which USAID assessed the overall impact of its efforts and the extent to which USAID collects, verifies, and reconciles healthcare data to determine its accuracy.

TABLE 3.29

| USAID-FUNDED HEALTH FACILITIES, AS OF JUNE 25, 2015 | |
|--|---|
| Health Facility Type | Number of Active Health Facilities |
| Provincial Hospital | 5 |
| District Hospital | 27 |
| Comprehensive Health Center | 173 |
| Basic Health Center | 277 |
| Sub Health Center | 167 |
| Prison Health Center | 10 |

Note: Comprehensive Health Center: Greater range of services than Basic Health Center and employs more staff. Basic Health Center: Primary outpatient care. Sub health Center: Health center for a small, underserved, rural population.

Source: USAID, response to SIGAR data calls, 4/11/2013 and 6/25/2015.

SIGAR SPECIAL PROJECT

SIGAR wrote to USAID requesting information about Partnership Contracts for Health (PCH), an on-budget assistance program to the MOPH that supports the delivery of health services throughout Afghanistan. SIGAR analyzed USAID data and geospatial imagery that led it to question whether USAID had accurate location information for nearly 80% of PCH health-care facilities. USAID responded with new geospatial coordinates for most of the facilities, which SIGAR is analyzing and seeking to independently verify. For more information, see Section 2, pp. 50–51.

Afghanistan Demographic and Health Survey

This quarter, data collection began for the Afghanistan Demographic and Health Survey, a nationally representative survey designed to provide health and demographic information to help the Afghan government develop modern health and social programs. It will survey all 34 provinces on issues such as marriage rates, fertility levels and preferences, family planning, maternal and child nutrition, mortality, and health, as well as social indicators, using standard survey instruments and methods. The results will be compiled according to international standards and be comparable to results collected in other countries. USAID said the questionnaires and manuals are field tested and are translated into Pashto and Dari. Three hundred data collectors have been trained by the Central Statistics Office and the MOPH.⁸⁷³ USAID is contributing \$5.45 million toward this effort.⁸⁷⁴

USAID Funding

U.S. on- and off-budget assistance disbursed to Afghanistan's health sector totaled more than \$920 million, as of June 30, 2015.⁸⁷⁵ On-budget assistance to the MOPH provides basic health-care and essential hospital services. Off-budget assistance includes activities to strengthen health systems, engage the private sector, reduce child and maternal deaths, reduce tuberculosis-related deaths, reduce child undernutrition, improve the use of modern family-planning methods, and eliminate polio.⁸⁷⁶ USAID funding supports 659 health facilities in 13 provinces, as shown in Table 3.29.

USAID Health Programs

USAID's active health programs have a total estimated cost of \$728.7 million, and are listed in Table 3.30.

Helping Mothers and Children Thrive

Building upon the Kabul Declaration for Maternal and Child Health, on June 9, 2015, USAID announced its Helping Mothers and Children Thrive project, a five-year, \$60 million effort dedicated to reducing the high death rate of mothers, children, and infants, across 21 provinces in Afghanistan. It will focus on family planning, maternal, neonatal, and child health services through the MOPH's Basic Package of Health Services as well as private-sector services.⁸⁷⁷

Health Policy Project

The \$29.7 million Health Policy Project, which builds MOPH capacity to regulate the health sector, manage public-private partnerships, strengthen financial management of health resources, and promote private-sector health services and products, was extended until August 31, 2015, from its scheduled closing date of June 30, to narrowly focus on strengthening the Afghan Social Marketing Organization's operational, administrative, and organizational systems so it can run efficiently and independently. USAID

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.30

| USAID ACTIVE HEALTH PROGRAMS | | | | |
|---|-------------------|-----------------|----------------------------------|---|
| Project Title | Start Date | End Date | Total Estimated Cost (\$) | Cumulative Disbursements, as of 6/30/2015 (\$) |
| Strengthening Pharmaceutical System | 8/28/2011 | 8/27/2015 | \$24,499,936 | \$21,056,374 |
| Polio-Eradication Activities | 9/30/1996 | 9/30/2022 | 12,600,000 | 9,265,102 |
| Tuberculosis Care | 9/29/2010 | 9/28/2015 | 5,600,000 | 5,600,000 |
| Challenge Tuberculosis | 1/1/2015 | 12/31/2020 | 15,000,000 | N/A |
| Health Policy Project (HPP) | 9/25/2011 | 6/30/2015 | 29,732,652 | 29,716,938 |
| Partnership for Supply Chain Management | 6/1/2009 | 9/26/2015 | 1,515,058 | 1,515,058 |
| Partnership Contracts for Health (PCH) | 7/20/2008 | 12/31/2015 | 259,663,247 | 220,355,890 |
| Weekly Iron Folic Acid Supplementation | 11/7/2014 | 12/31/2017 | 5,610,012 | 5,408,826 |
| Disease Early Warning System | 9/1/2008 | 6/30/2017 | 8,500,000 | 8,500,000 |
| Family Planning, Maternal, Neonatal, and Child Health Project | 1/7/2015 | 1/6/2020 | 60,000,000 | 975,893 |
| DELIVER | 9/30/2010 | 9/29/2015 | 13,535,571 | 11,720,015 |
| Demographic and Health Surveys | 9/9/2013 | 9/8/2018 | 5,453,731 | 1,000,000 |
| Leadership Management and Governance (LMG) Field Support | 9/25/2012 | 6/30/2015 | 38,341,106 | 33,901,491 |
| Regional Fortification in the Central Asian Republics and Afghanistan | 9/29/2014 | 9/29/2016 | 3,750,000 | 3,750,000 |
| Central Contraceptive Procurement (CCP) | 3/11/2014 | 12/31/2020 | 11,035,571 | N/A |
| Routine Immunizations | 9/1/2013 | 8/31/2015 | 1,200,000 | N/A |
| System Enhancement for Health Action in Transition (SEHAT) | 4/27/2013 | 9/30/2019 | 227,662,335 | N/A |
| Delegated Cooperation on Nutrition | 12/19/2014 | 12/19/2016 | 5,000,000 | N/A |

Note: System Enhancement for Health Action in Transition (SEHAT) is administered through the World Bank's Afghanistan Reconstruction Trust Fund. DELIVER acts as the procurement mechanism for both the commodities ordered through CCP as well as the essential drugs used in BPHS/EPHS facilities in 13 USAID-funded provinces.

Source: USAID, response to SIGAR data calls, 6/25/2015 and 7/12/2015.

created the Afghan Social Marketing Organization in 2010 to promote healthy behavior change and healthcare products (such as rehydration salts, water treatments, and condoms) through social marketing. The total estimated cost of this two-month extension is \$67,800.⁸⁷⁸

Leadership, Management, and Governance

The Leadership, Management, and Governance (LMG) project was extended until December 2015, from its scheduled closing date of June 30. Technical assistance to the MOPH and MOE will continue through September 30 to help strengthen service-delivery systems. The LMG extension was one of several allowing it to continue capacity-building operations. However, the implementing partner said the previous short-term extension created staffing challenges, significantly reduced their ability to plan strategically, and shifted the program's focus to maintaining achievements and limited interventions.⁸⁷⁹