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## ECONOMIC AND SOCIAL DEVELOPMENT

As of September 30, 2015, the U.S. government has provided nearly \$31.8 billion to support governance and economic and social development in Afghanistan. Most of these funds were appropriated to the U.S. Agency for International Development's (USAID) Economic Support Fund (ESF). The Consolidated and Further Continuing Appropriations Act, 2015, provided an additional \$831.9 million for the ESF, bringing the cumulative total to \$18.6 billion. Of this amount, \$17.1 billion has been obligated and \$13.5 billion has been disbursed.<sup>551</sup>

### KEY EVENTS

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

- The Senior Officials Meeting (SOM) of Afghan and international-donor representatives took place in Kabul on September 5 to discuss policies, review Afghan progress toward reforms outlined during the London Conference, and decide a path forward. The Afghan government presented donors with a self-graded progress report on reforms it has undertaken, and participants agreed on a refreshed mutual-accountability framework that will be the basis for continued donor support.<sup>552</sup>
- The International Monetary Fund (IMF) said preliminary data indicate Afghanistan met Staff-Monitored Program (SMP) quantitative targets through June 2015, with significant progress being made in implementing structural benchmarks. The IMF has not yet confirmed these findings.<sup>553</sup>
- Domestic revenues collected in the first eight months of Afghan fiscal year (FY) 1394 (December 22, 2014–December 21, 2015) rose 13.3% above the same period in FY 1393, covering 39% of total expenditures. Expenditures increased 0.2% compared to the same period last year.<sup>554</sup> The government has not yet released updated year-to-date targets that would monitor Afghan progress against its budget goals.
- The sixth Regional Economic Cooperation Conference on Afghanistan (RECCA VI) took place in Kabul on September 3–4.<sup>555</sup> Departing from

prior RECCA approaches, the main objective was to facilitate new investment deals that are primarily funded by the private sector, rather than by donors or the government, and that can be implemented in one to three years.<sup>556</sup>

**“The conditions are not conducive to the kind of private sector investment that could drive a diversified and sustainable economy, and not expected to change for some years to come. Instead, employment is driven by security spending, aid projects, a large but not very productive informal sector, and a battery of illicit activities that include growing opium, cross-border smuggling, and small scale illegal mining.”**

Source: GIROA, *Afghanistan’s Road to Self-Reliance: The First Mile Progress Report*, 9/5/2015, p. 1.

**Afghanistan did not meet, or make significant progress toward, the State Department’s minimum requirements of fiscal transparency in FY 2015. Revenue and expenditure data are unreliable; the Afghan budget does not include allocations to and earnings from state-owned enterprises and the accounts of state-owned enterprises have not been audited.**

Source: State, *2015 Fiscal Transparency Report*, 9/8/2015.

## ECONOMIC PROFILE

Lack of security is the most important perceived obstacle to private investment in Afghanistan, according to the World Bank. The absence of security damages human capital, constrains productive economic activities, increases social unrest, promotes unequal access to basic services, and increases political instability.<sup>557</sup> Violence, as well as uncertainty over the country’s future, continued to impede investment, and Afghanistan’s economy did not recover as expected in 2015. The World Bank calculated Afghanistan’s gross domestic product (GDP) at \$20.8 billion in 2014 and projects Afghanistan’s real (net of inflation) GDP to grow 1.9% this year to \$21.2 billion, excluding opium. Growth is expected to remain sluggish over the medium term.<sup>558</sup> In contrast, Afghanistan’s FY 1394 budget forecast 9% GDP growth.<sup>559</sup>

Afghanistan is experiencing deflation, which may be a result of declining demand due to the reduced international troop presence and lower levels of foreign aid.<sup>560</sup> Deflation, and lower demand generally, can cause increased unemployment.<sup>561</sup> The World Bank warned that with an estimated 2.7% annual population growth and 400,000 young people entering the labor force each year, Afghanistan needs higher growth rates if it is to increase future per capita incomes and reduce income inequality.<sup>562</sup>

## Afghanistan’s Fiscal Outlook

Afghanistan will require substantial donor aid for the foreseeable future.<sup>563</sup> The World Bank reported this quarter that security costs have grown beyond donors’ initial projections. The 2012 NATO summit in Chicago predicted Afghanistan’s contribution to its security costs would be at least \$500 million in 2015. However, Afghanistan spent \$583 million in 2013, \$754 million in 2014, and \$699 million in just the first eight months of FY 1394 (2015).<sup>564</sup> Additionally, the World Bank said civil-service costs are not fiscally sustainable—wages and salaries have consumed 53% of Afghan expenditures in FY 1394 so far. Pension costs and benefits to families of those killed or injured account for 7% of Afghan expenditures in FY 1394 so far, and are rising.<sup>565</sup>

The World Bank expects 2015 revenues as a share of GDP to exceed 8.4% in 2014 (about \$1.75 billion), but that would be well below the 11.6% level of 2011. Under current conditions, and through better tax policy and administration, and reduced revenue leakages, the World Bank sees maximum revenue potential of up to 16% of GDP (\$3.4 billion). However, that would

still be inadequate to finance Afghanistan’s current level of spending at 36% of GDP (\$7.6 billion) or its long-term financing needs.<sup>566</sup>

## FY 1394 Revenues and Expenditures Update

Total collected domestic revenues—a figure that excludes donor grants—stood at 70.8 billion afghanis (AFN) (\$1.1 billion) in the first eight months of FY 1394, about 13.3% above the same period in FY 1393. Domestic revenues paid for less than half (39%) of Afghanistan’s total budget expenditures of AFN 182.2 billion (\$2.8 billion) thus far in FY 1394; donor contributions make up the difference. Afghan government expenditures in FY 1394 increased by AFN 402 million (by 0.2% or \$6.2 million in current dollars) compared to the same period last year.<sup>567</sup>

Although revenues in FY 1394 have increased year-on-year while expenditures remained flat, there has been little progress in closing the considerable budget gap for each of the first eight months of FY 1394, as illustrated in Figure 3.29. The World Bank said it will be very difficult to reduce security-related expenditures should security not improve.<sup>568</sup>

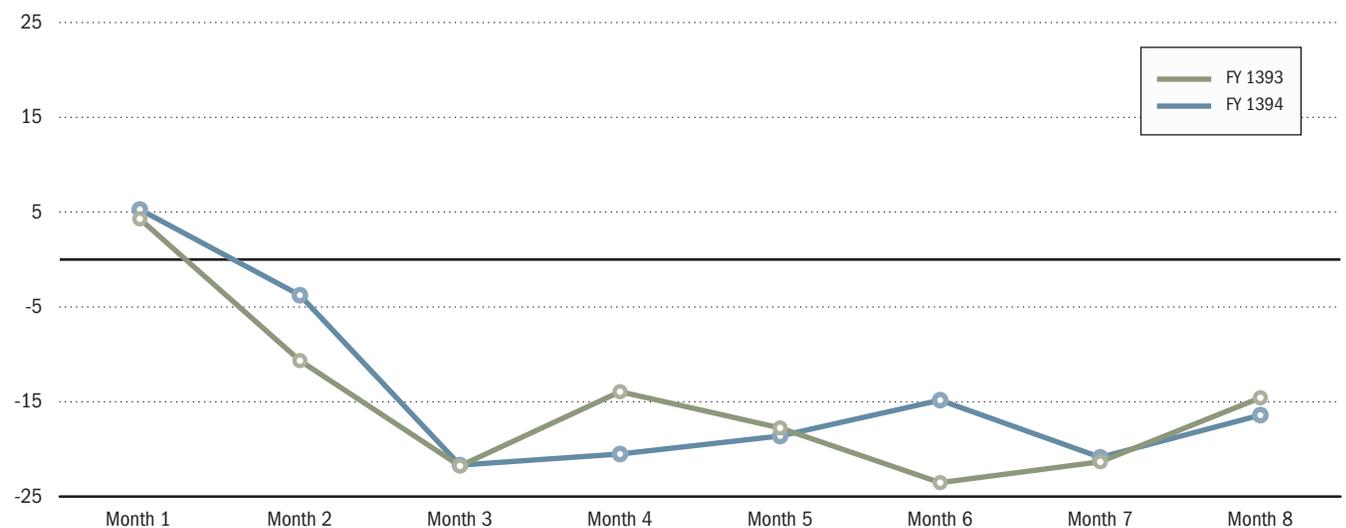
Expenditures are expected to continue rising—to 30% of GDP in FY 1395 (2016) versus 26% in FY 1393, according to World Bank projections—largely due to increased spending on security, service delivery, essential infrastructure, and operations and maintenance (O&M).<sup>569</sup>

**In September, the Afghan government reported that it needs a 20% revenue increase in order to balance the budget. It does not, however, consider that target to be realistic. Subsequent budgets are to be constructed more carefully so that revenue targets become credible management tools for policy makers.**

Source: GIROA, *Afghanistan’s Road to Self-Reliance: The First Mile Progress Report*, 9/5/2015, p. 12.

FIGURE 3.29

THE GAP: AFGHANISTAN’S DOMESTIC REVENUES MINUS OUTLAYS (AFN BILLIONS)



Note: FY 1394 runs from December 22, 2014, through December 21, 2015. AFN = afghani.

Source: MOF, *Assad Financial Statements FY 1393 V2*, 9/8/2014; MOF, *Assad Financial Statements FY 1394*, 8/30/2015.

Measuring Afghan progress against its budget goals was not possible this quarter because updated and accurate Ministry of Finance (MOF) year-to-date targets were not publicly available.<sup>570</sup> Additionally, SIGAR does not have access to Afghanistan’s Financial Management Information System (AFMIS), the country’s government-wide accounting system.

SIGAR’s October 2014 *Quarterly Report to the United States Congress* called for U.S. government agencies to press the MOF for complete access to AFMIS. This would allow the United States to see what the Afghan government reports to be spending money on and at what rate, as well as the details of budgetary shortfalls to better inform U.S. responses to requests for emergency funds.<sup>571</sup> Since at least January 2015, the U.S. Embassy Kabul has had Afghan permission to use AFMIS, but State says it cannot access the system due to ongoing “technical difficulties.”<sup>572</sup>

USAID and the U.S. Embassy Kabul were unable to respond to several SIGAR requests for information this quarter about independent oversight of the Afghan budget, specific revenue breakouts, or the validity of AFMIS data. The U.S. Embassy Kabul said it relies on the Afghan government for AFMIS reports and questioned the benefit of accessing raw AFMIS data without having full-time staff trained to use it. With the number of embassy staff in Kabul declining, the embassy said it was unclear if they could devote resources to that purpose.<sup>573</sup>

## **FY 1394 Budget Gap Projections**

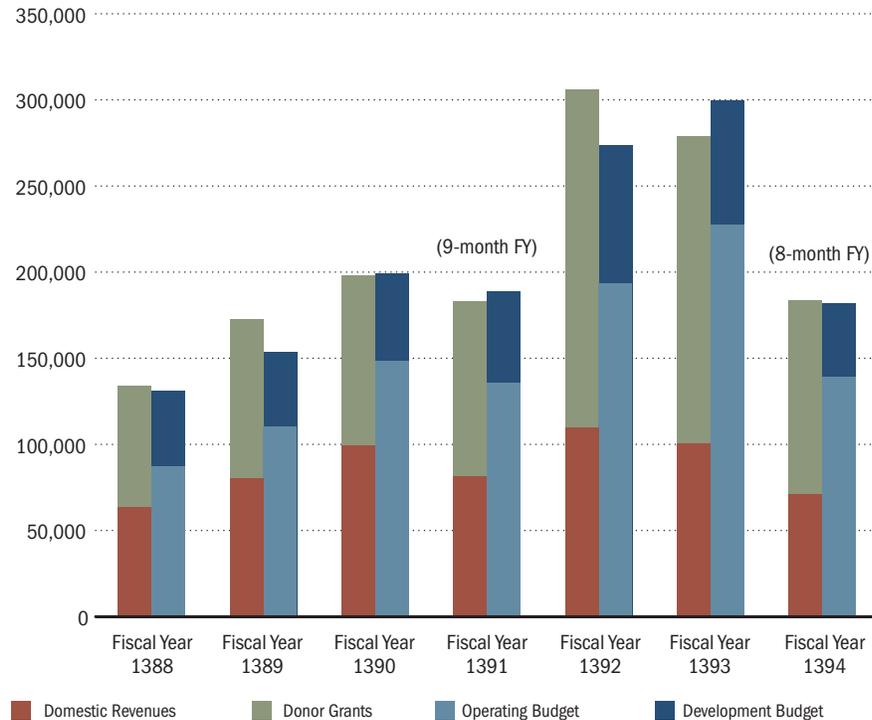
The Afghan FY 1394 began with a \$352 million unfinanced deficit from the preceding fiscal year, weak cash reserves, and significant arrears, while revenue-collection reforms stalled in parliament in the first quarter, according to the World Bank. In April 2015, the World Bank warned that Afghanistan could face budget shortfalls this year similar to last year’s shortfall of \$537 million (after donor assistance).<sup>574</sup>

The FY 1394 budget projected domestic revenues of approximately AFN 125.5 billion, about 30% more than collected in FY 1393, which the World Bank found “ambitious,” cautioning that the government has smaller cash reserves from which to draw should revenues not be realized.<sup>575</sup> However, the IMF set a goal of AFN 120 billion and recently revised it downward to AFN 114 billion.<sup>576</sup> As noted previously, Afghanistan collected AFN 70.8 billion through the first eight months (56.4% of the initial budget goal and 62% of the revised IMF goal).<sup>577</sup>

An MOF mid-year budget review showed an expected gap of around \$165 million, after donor grants, primarily in the development budget, which covers capital projects. (Recurring costs such as public-sector payroll, are included in the operating budget.)<sup>578</sup> The fiscal gap could widen or shrink, depending on variables including budget-execution rates, donor grants received, qualification for donor incentive funds, revenue collection, and changing expenditures.<sup>579</sup>

FIGURE 3.30

## AFGHANISTAN'S DOMESTIC REVENUES AND DONOR GRANTS COMPARED TO OPERATING AND DEVELOPMENT BUDGET EXPENDITURES (AFN 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 fiscal year 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 1394 is first eight months only. FY 1394 operating and development budget revenue and expenditure data are as of 8/30/2015. AFN = afghani.

Source: MOF, *Assad Financial Statements FY 1394*, 8/30/2015; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 1/28/2015; MOF, "1393 National Budget," 2/1/2014.

The fiscal gap is large. An October 2015 World Bank report projected the fiscal deficit at around 23% (about \$4.9 billion) of GDP.<sup>580</sup> Donor assistance either narrows or closes this gap, as depicted in Figure 3.30.

### International Monetary Fund Staff-Monitored Program

The IMF's nine-month Staff-Monitored Program (SMP) runs April–December 2015 and is monitoring implementation of Afghanistan's macroeconomic policies and structural-reform agenda. The IMF said preliminary data indicate Afghanistan met the program's fiscal and monetary quantitative targets through June 2015, with "significant progress" being

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

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

## IMF Staff-Monitored Program Performance-Monitoring Reviews

SMP performance-monitoring reviews of Afghan progress on benchmarks are based on two test dates—June 21 and December 21, 2015.

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 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.

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.

Source: Treasury, response to SIGAR data calls, 3/27/2015 and 6/25/2015; IMF, Press Release No. 15/247, *IMF Managing Director Approves a Staff-Monitored Program for the Islamic Republic of Afghanistan*, 6/2/2015; IMF, *Islamic Republic of Afghanistan, Staff-Monitored Program*, 5/7/2015, pp. 5, 13; IMF, "Factsheet, IMF Conditionality," 4/13/2015.

made in implementing structural benchmarks, albeit more slowly than planned.<sup>581</sup> The progress came despite IMF warnings in May about significant risks to a successful SMP, as well as Afghan delays in enacting some structural benchmarks by the June 21 test date. The first review of the June test date had been scheduled for August with an intervening **indicative target** review scheduled for September 22.<sup>582</sup> Instead, the IMF combined both in meetings with Afghan authorities September 8–21.<sup>583</sup> No official update was available as of October 20.

Delayed, but implemented, SMP benchmarks include revenue-generation measures like increased business-receipt taxes, fuel fees collected at customs, and a new telecommunications tax (on October 14, Afghanistan's lower house of parliament rejected the telecommunications tax that had been implemented by presidential decree on September 23).<sup>584</sup> Also, a new banking law was enacted in August and an independent auditor was hired to monitor bad-debt recoveries at an unnamed state bank. The benchmark of issuing a regulation on currency reporting has been partially met. The IMF said the Afghan government identified ways to offset the impact from these delayed measures, but did not detail them.<sup>585</sup> The IMF reiterated the need for continued donor support to Afghanistan.<sup>586</sup>

The IMF also said earlier bank reforms are progressing mostly as planned. All weak Afghan banks were subject to enforcement actions in 2015, especially for two vulnerable, publicly unidentified banks. One of these banks increased its capital and reduced foreign-exchange exposure. The other prepared a five-year operating strategy that is under review, hired chief operating and credit officers, and is searching for a chief executive officer. Its capital targets appear to have been met as of June. Furthermore, a "private systemic bank" was recapitalized, preparations to sell New Kabul Bank are proceeding, and anti-money-laundering regulations for financial institutions were drafted.<sup>587</sup>

## Trade

In his interview with SIGAR this quarter, detailed in Section 1 of this report, President Ashraf Ghani said Afghanistan's most important economic asset is its location as a hub for trade between South and Central Asia. The World Bank said while regional economic integration can play an important role in the country's economic growth, its prospects depend on external factors, are unpredictable, and require time, proper policies, and external support.<sup>588</sup>

For example, USAID said Pakistan-Afghanistan-Tajikistan Transit Trade Agreement (PATTTA) negotiations were stalled as of September 20, almost exclusively due to Pakistan's unwillingness to open its Wagah border to allow trade between Afghanistan, India, and the rest of South Asia. Without access through Wagah, Afghanistan is unwilling to finalize the agreement. Afghanistan wants to transfer most of the terms under PATTTA into the Afghanistan-Pakistan Transit Trade Agreement, but Pakistan refuses. While

the United States is working to improve trade between the two countries, Afghanistan is investing more effort into potential deals with Turkmenistan and Iran.<sup>589</sup>

The Afghan government's progress report on the status of its reforms said Afghanistan's trade balance—negative \$8 billion (38% of GDP) in 2014—is unsustainable, and shows an urgent need for an environment that promotes domestic and foreign investment. The Afghan government pledged to simplify the visa process and work to identify ways to “expedite, rather than impede, exports.” The government aims to increase the number of border crossings, develop dry ports to advance trade and transit agreements, and increase customs cooperation.<sup>590</sup>

## Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain a positive current-account balance of 6.1% 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.<sup>591</sup>

During 2012–2014, Afghanistan exported around \$3.3 billion–\$4 billion worth of goods and services annually, not including illicit narcotics, according to IMF estimates.<sup>592</sup> The World Bank said Afghanistan exports only a small number of products and has few trade partners, making it highly dependent on a few commodities for earnings, and consequently more vulnerable to unstable prices and trade shocks.<sup>593</sup> Since commodity exports represent only around 20% of total exports—services-related exports account for 80%—their variability is less significant, according to USAID.<sup>594</sup>

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.<sup>595</sup> The World Bank said lower consumer and business confidence led to 20% lower demand for imports. But the Bank also estimates that most of the decline in 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. Though the trade deficit has narrowed since 2012, it remains large and is fully financed by donor assistance.<sup>596</sup>

## 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.<sup>597</sup>

This quarter, Afghanistan's Customs Department (ACD) and central bank concluded a pilot program at Kabul International Airport and at Kabul's

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

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

inland customs office, allowing customs duties to be paid electronically from any commercial bank. USAID said more than \$2 million in fees were channeled through this e-payment system, which it expects to be expanded to all major customs houses. Additionally, an ATAR-supported customs compliance strategy, which contains professional standards, internal auditing, and enforcement regulations and procedures, gained support; an anti-corruption hotline at ACD was reactivated; and ATAR helped the Ministry of Commerce and Industry finalize and send to President Ghani a briefing package for Afghanistan's accession to the WTO.<sup>598</sup>

## **Regional Economic Cooperation Conference on Afghanistan VI**

The sixth Regional Economic Cooperation Conference on Afghanistan (RECCA VI) took place in Kabul on September 3–4.<sup>599</sup> Departing from prior RECCAs, where development approaches were deemed too Afghan-centric, the primary objective was to facilitate new regional investment deals that are mainly funded by the private sector, rather than by donors or the government, and that can be implemented in one to three years. To address shortcomings of previous meetings, RECCA VI added economic-impact assessments to all projects, including technical projections that go beyond GDP growth; a narrowed list of feasible, priority investment projects; and a project-implementation phase that commenced postconference.<sup>600</sup>

## **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," and two others—not identified publicly—are vulnerable.<sup>601</sup> While a banking law was enacted in August and other corrective actions are under way, the impact of these corrective actions, along with lower confidence in the sector have caused monetary growth to decline in 2015, according to the IMF. Additionally, higher emigration and uncertainty have increased demand for foreign exchange, putting pressure on Afghanistan's currency and causing some financial reserve losses.<sup>602</sup>

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 fell 7.3% in 2014 after rising 7.6% 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.<sup>603</sup>

Afghanistan's poor have limited access to formal financial institutions.<sup>604</sup> Less than 10% of the Afghan population uses banks,<sup>605</sup> preferring to hold cash. The Asian Development Bank (ADB) said this reflects continued distrust of banks and weak banking-sector performance since the massive Kabul Bank failure.<sup>606</sup> The ADB ranks Afghanistan 25th of 26 developing

“Strengthening of the banking sector and stronger capacity in bank supervision will improve confidence in Afghanistan’s economic potential.”

Source: Treasury, response to SIGAR data call, 9/24/2015.

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.<sup>607</sup>

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.<sup>608</sup>

## U.S. Treasury Assistance

This quarter, the U.S. Treasury's Office of Technical Assistance (OTA) continued implementing its March 23, 2015, agreement to develop technical assistance and capacity-building programs for Afghanistan's MOF.<sup>609</sup> 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.<sup>610</sup>

So far in 2015, OTA conducted two missions to Kabul (February and May) to discuss cooperation and capacity building for budget and treasury management; another two missions (February and March) dealt with economic crimes. A mission scheduled for July was postponed pending funding, potentially from the State Department's Bureau of International Narcotics and Law Enforcement Affairs. An initial assessment mission to strengthen bank supervision and problem bank resolutions took place in September and will develop follow-up recommendations for a program. A scheduled mission on revenue generation and management was postponed until January due to security conditions.<sup>611</sup>

OTA said security-imposed travel restrictions are a major constraint in establishing a more sustained presence in Afghanistan, causing the implementation of reforms to depend largely on the Afghan government and on other donors. OTA also said additional funding is needed for more robust engagement with Afghan authorities in FY 2016.<sup>612</sup>

## Kabul Bank Theft Accountability

Despite a presidential order, a special oversight committee, and President Ghani's claims of taking "decisive action" in holding accountable those responsible for the Kabul Bank theft, Kabul Bank's ex-CEO Khalil Ferozi was reportedly released from prison this quarter at behest of high-ranking Afghan government officials after serving only a fraction of his 10-year sentence.<sup>613</sup> This was ostensibly done to enable him to more easily liquidate and transfer assets and properties to the government to help satisfy his debts. The Kabul Bank Receivership reportedly collected \$500,000 from Ferozi this quarter. So far, Ferozi has paid back approximately \$8 million,

**After Kabul Bank's near-collapse 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 and none were budgeted for in FY 1394.**

Source: IMF, *Islamic Republic of Afghanistan, Memorandum of Economic and Financial Policies*, 11/1/2011, p. 9; Treasury, response to SIGAR data calls, 6/25/2015 and 9/24/2015.

or about 2% of the \$333.8 million court judgment, which includes embezzled amounts, interest, and fines. The bank's ex-Chairman Sherkhan Farnood has paid back approximately \$61 million, or slightly more than 10% of his \$571.6 million obligation.<sup>614</sup> Farnood and Ferozi are two of 36 individuals and companies who were convicted in the nearly \$1 billion theft that brought the bank near collapse in 2010.<sup>615</sup>

This quarter, a new Kabul Bank Receiver was appointed following the June arrests of the director and deputy director of the Kabul Bank Clearance Committee for taking a \$100,000 bribe from an unnamed Kabul Bank debtor to process a settlement payment.<sup>616</sup> The Kabul Bank Clearance Committee was established by a March 2015 presidential decree to look into and help resolve the Kabul Bank case.<sup>617</sup>

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 (AGO) for prosecution and be banned from leaving the country.<sup>618</sup> DOJ learned this quarter that the AGO listed 14 primary Kabul Bank debtors who failed to settle their obligations on official no-fly lists, although it is believed that they are no longer living in the country.<sup>619</sup>

## **Discrepancies in Cash and Asset Recoveries**

The Kabul Bank Receivership informed the U.S. Department of Justice (DOJ) that total recoveries reportedly stand at \$246.2 million as of August 25, 2015. This comprises cash recoveries, forgiven debts, and assets recovered or seized, including \$6 million this quarter from Mahmood Karzai, former president Hamid Karzai's brother. Another \$585 million—\$635 million in total is outstanding.<sup>620</sup> State puts recoveries at \$438 million with \$549 million still owed.<sup>621</sup> The large discrepancy between the two agencies' estimates showcases the U.S. government's limited visibility on this issue.

The Receivership said its main 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. Integrity Watch Afghanistan, a donor-supported independent civil society organization, blamed the Afghan government for lacking the political will to support the Receivership and the AGO in their efforts to collect debts.<sup>622</sup> However, in his interview with SIGAR this quarter, President Ghani predicted that his government would "make history" by recovering the public money lost in the scandal.

## **U.S. Assistance**

DOJ said Afghanistan's attorney general's office is in critical need of anti-money-laundering (AML) training with several line-level prosecutors requesting assistance in applying international agreements. This quarter, DOJ provided AML training to the AGO's civilian and military anticorruption units and case-analysis training to Afghan counternarcotics units.<sup>623</sup>

Neither the U.S. Embassy Kabul nor DOJ received new or revised diplomatic notes, or other official requests, from the Afghan government about recovering Kabul Bank assets and beginning discussions to request mutual legal assistance.<sup>624</sup> DOJ deemed Afghanistan's May 2015 request deficient and identified corrective actions that were needed before DOJ could assist. DOJ said mutual legal assistance agreements play a vital role in criminal prosecutions, allowing the prosecuting country to obtain evidence and information they would otherwise not have a legal or jurisdictional basis to collect.<sup>625</sup>

## SENIOR OFFICIALS MEETING

The second Senior Officials Meeting (SOM) of Afghan and donor-community officials took place in Kabul on September 5, to discuss policies, review Afghan progress toward reforms outlined during the London Conference last December, and agree upon a path forward. Afghanistan committed to implementing and enforcing new revenue measures, along with a public financial-management roadmap and an associated expenditure framework.<sup>626</sup> Afghanistan also published its first self-graded progress review of its “Realizing Self-Reliance” reform agenda that was presented at the December 4, 2014, London donor conference.<sup>627</sup> For more information, see page 132 of this report.

## Self-Reliance Mutual Accountability Framework

The SOM also ushered in a refreshed Tokyo Mutual Accountability Framework, now called the Self-Reliance through Mutual Accountability Framework (SMAF), which will be the conditional basis for continued donor support.<sup>628</sup> The Afghan government reaffirmed its reform commitments under the framework and the international community reaffirmed its financial commitments made in Tokyo in 2012—\$16 billion in assistance through 2015, and sustaining support through 2017, at or near levels of the past decade.<sup>629</sup>

The SMAF is governed by several general principles:

- predictable, on-budget donor support for Afghan government development priorities, aligned with a limited number of outcome-focused national programs
- conditional donor support predicated on Afghanistan's fulfilling commitments
- transparent and accountable governance to eliminate corruption, and ensure efficiency and effectiveness, with citizen-based monitoring of benchmarks
- building market institutions to attract investment, create jobs, and sustainable economic growth
- regional economic cooperation to drive growth and reduce poverty<sup>630</sup>

The SMAF also contains goals and indicators across six cross-cutting areas, including efforts to help Afghanistan improve revenue collection and become fiscally sustainable through anticorruption and enforcement efforts in the government's revenue-generating departments; satisfactorily implementing the IMF SMP, with a more formal financial program to be negotiated in its wake; implementing a new public financial management roadmap; and strengthening banking reforms. The SMAF also aims to generate a business-friendly environment conducive to private-sector development and investment, while focusing on the agriculture, extractives, and services sectors that are Afghanistan's existing and potential economic drivers.<sup>631</sup>

## **U.S. ECONOMIC AND DEVELOPMENT SUPPORT STRATEGIES**

On August 3, 2015, the U.S. and Afghan governments signed a memorandum of understanding (MOU) to govern the \$800 million New Development Partnership (NDP) announced on March 23, 2015.<sup>632</sup> The NDP intends to promote Afghan self-reliance by helping Afghan institutions achieve three objectives: fiscal sustainability, improved governance, and reduced poverty. It aims to do this through monetary incentives to the Afghan government for implementing solutions to development challenges that are linked to 40 specific development results—each worth \$20 million—and measured by associated indicators. USAID is overseeing NDP funding, which will be disbursed through the Afghanistan Reconstruction Trust Fund (ARTF) or other jointly determined mechanisms.<sup>633</sup>

On September 1, USAID said it would provide \$100 million to the Afghan government for achieving five results.<sup>634</sup>

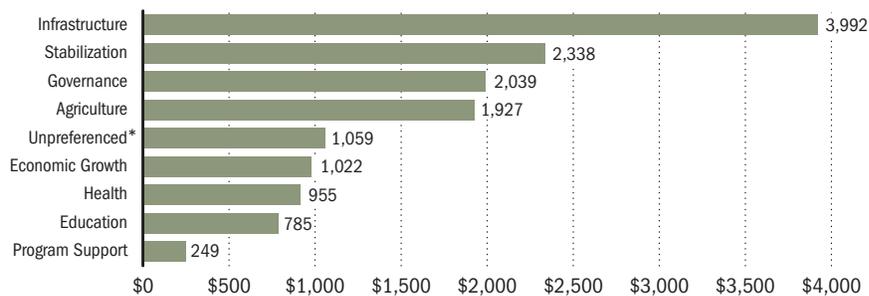
- addressing fiscal and banking vulnerabilities, revenue mobilization, and strengthening supervision and enforcement in the financial sector, by agreeing to the IMF's informal SMP
- maintaining commercial civil-aviation services by contracting out civil-airspace management (last quarter, the Afghan government selected U.S.-based Readiness Management Support to help manage Afghan airspace for two years)<sup>635</sup>
- improving revenue mobilization through customs reform by piloting a e-payment system at one border crossing
- implementing procurement reform by establishing a national procurement committee that meets regularly
- implementing a national action plan for women that was approved by the president

## USAID Development Assistance

Most assistance from the Economic Support Fund (ESF) goes toward USAID’s development programs. In September 2015, USAID published an updated Performance Management Plan (PMP) to guide and measure its development objectives, and articulate its development strategy through 2018. The PMP will be reviewed at least annually and updated as necessary.<sup>636</sup> Figure 3.31 shows USAID assistance by sector.

FIGURE 3.31

**USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF SEPTEMBER 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, 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, 10/8/2015; SIGAR analysis of World Bank, ARTF, Administrator’s Report on Financial Status, As of August 22, 2015, accessed 10/17/2015.

## Development of Natural Resources

The World Bank believes development of Afghanistan’s natural resources can underpin future economic growth in the face of declining external aid. Likewise, President Ghani listed mining as one of the country’s most important economic assets in his interview with SIGAR. So far, however, mining has contributed only slightly to the country’s GDP.<sup>637</sup> The FY 1394 Afghan budget projected annual mining revenues of AFN 2 billion, but actual receipts were only about AFN 479 million in the first eight months (24%). Compared to the same time last year, extractives revenue decreased approximately 24%.<sup>638</sup> The need for infrastructure financing, Afghan progress on regulatory and legislative frameworks, and an improved security environment make the timing of significant revenues from this sector uncertain.<sup>639</sup>

The majority of mining contracts and tenders 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 under the Karzai administration.<sup>640</sup>

“Unlocking the potential of extractive industries will require progress on the legislative framework as well as securing financing for the necessary infrastructure.”

Source: World Bank, *Afghanistan: Emerging from Transition*, Senior Officials Meeting, September 4–5, 2015, 9/2015, p. 16.

USAID said the Afghan government continues to take a slow, methodical approach to the sector until it feels it has the capacity to manage tenders and contracts. Currently, the MOMP refuses to authorize any more sample/core drilling contracts.<sup>641</sup> It is unclear how this may affect negotiated but yet-unsigned contracts, but it could cause further investor uncertainty.

Representatives from the U.S. and Afghan governments and the Afghan civil society organization Integrity Watch Afghanistan all agree that the MOMP still lacks the technical capacity to research, award, and manage contracts without external support despite receiving U.S. assistance since 2009. MOMP's independently managed tenders were said to be severely flawed and rife with corruption.<sup>642</sup>

In one high-value example, the Mes Aynak copper mine project in Logar Province is stagnant, even though the MOMP awarded the \$3 billion contract for extraction rights to state-owned Metallurgical Corporation of China (MCC) in 2008.<sup>643</sup> This is partly due to the continuing archeological mitigation of damage to cultural relics in the area and to landmine clearing.<sup>644</sup> The MOMP announced this quarter that the Aynak demining program will be completed at the end of the year.<sup>645</sup> Nevertheless, MCC wants to reduce its commitments, including building a power plant, smelter, and railway.<sup>646</sup>

Also this quarter, the deputy minister of mines began a review of the Aynak contract with the license holder and developer. MOMP wants a firm schedule for MCC to complete the required feasibility study, initiate and complete construction of the mine and associated infrastructure, and begin commercial copper production. The MOMP also wants greater protection for the surrounding environment and affected communities. The first stakeholders meeting took place in July.<sup>647</sup>

Contract negotiations for valuable Hajigak iron-ore concessions have been deadlocked since it was awarded in November 2011.<sup>648</sup> 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.<sup>649</sup>

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

## Mining Investment and Development for Afghan Sustainability

This quarter, USAID's Mining Investment and Development for Afghan Sustainability (MIDAS) program resumed geospatial/geographic-data training, and geophysics training for Afghan Geological Survey (AGS) staff; provided legal training on mineral-contract reviews and negotiations for MOMP staff; and reviewed shareholder and investment agreements, and supported planning and negotiations for the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline project.<sup>650</sup>

**MIDAS aims to strengthen MOMP and relevant private-sector-entity capacities to exploit Afghanistan's natural resources, in accordance with international standards.**

Source: USAID, *Mining Investment and Development for Afghan Sustainability (MIDAS), Monthly Progress Report, August 2015*, 9/5/2015.

TABLE 3.24

USAID EXTRACTIVES-ASSISTANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2015 (\$)
Sheberghan Gas Generation Activity (SGGA)	12/21/2011	7/31/2016	\$30,440,958	\$23,178,610
Sheberghan Gas Development Project (SGDP)	5/15/2012	8/31/2016	90,000,000	0
Mining Investment and Development for Afghan Sustainability (MIDAS)	3/31/2013	3/31/2017	50,096,175	22,097,148

Source: USAID, response to SIGAR data call, 10/8/2015; USAID, response to SIGAR vetting, 10/12/2015.

MIDAS continued cataloging potential amendments to the mining law for the minister of mines and petroleum’s review. One proposed change would base exploration-license issuance on application filing order rather than competition. Another proposal would limit the number of licenses MOMP can issue to a single firm.<sup>651</sup>

MIDAS and USAID’s other extractives-assistance programs are listed in Table 3.24.

## 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.<sup>652</sup> 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.<sup>653</sup> The country imports 10,000 tons of oil products a day from Turkmenistan, Uzbekistan, Russia, Pakistan, and Iran,<sup>654</sup> representing roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.<sup>655</sup>

This quarter, Tolo News reported that an Afghan government investigation found the China National Petroleum Corporation (CNPC) had violated the terms of its 2011 contract to extract oil from three blocks in the Amu Darya Basin. The government accused CNPC of owing the government \$68 million for not developing land surrounding their operations as stipulated, and of improper extractions leading to corruption. CNPC has reportedly extracted about 627,000 barrels of crude oil so far.<sup>656</sup> No update on the royalties the Afghan government has received from this extraction was available. While DOD’s former Task Force for Business and Stability Operations (TFBSO) provided technical assistance to the MOMP for this award, USAID, which funds the only U.S. government extractives assistance program in Afghanistan, is not involved and has no further information on this project.<sup>657</sup>

## 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.<sup>658</sup> USAID is supporting the Sheberghan project to help

## SIGAR AUDIT

A SIGAR audit 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.

## SIGAR SPECIAL PROJECT

This quarter, SIGAR's Office of Special Projects published its review of TFBSO's Downstream Gas Utilization project. The Task Force spent nearly \$43 million to construct a compressed natural gas (CNG) automobile filling station in the city of Sheberghan, Afghanistan. Although TFBSO achieved its immediate objective of building the CNG filling station, it apparently did so at an exorbitant cost to U.S. taxpayers. Furthermore, there is no indication that TFBSO considered the feasibility of achieving the station's broader objectives or considered any of the potentially considerable obstacles to the project's success before beginning construction. For more information, see Section 2, p. 41.

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.<sup>659</sup>

USAID said the entire Sheberghan program is behind its original 2012 schedule due to a year-long absence of a minister of mines and petroleum, and because the government had to replace almost the entire Petroleum Authority staff. This quarter, Turkish Petroleum Corporation (TPAO), SGDP's drilling contractor, completed drilling the first of three test wells, although the work has taken almost twice as long as the contract stipulated and is causing oversight challenges. The revised drilling schedule demanded all three wells to be completed by September 25, 2015. Last quarter, TPAO requested an extension to December 31, 2015, and again this quarter through January 2016. The MOMP rejected both revisions and said all work after October 10 is subject to penalties.<sup>660</sup>

## AGRICULTURE

Agriculture continues to be the main source of employment and subsistence for the Afghan population, accounting for about 25% of GDP, employing more than 50% of the labor force, and affecting the 75% of Afghans who depend on agricultural activities for their livelihoods.<sup>661</sup> USAID believes agriculture can stimulate and sustain Afghan-led economic growth. USAID projects aim to help farmers improve their output and sales through new technology, management practices, and the cultivation of key high-value

TABLE 3.25

### USAID ACTIVE AGRICULTURE PROGRAMS

Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2015 (\$)
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	\$19,814,702	\$5,036,227
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	620,416
Capacity Building and Change Management Program II (CBCMP II)	7/10/2014	7/9/2017	19,999,989	6,924,961
Digital Integration to Amplify Agriculture Extension in Afghanistan (DIAAEA)	11/30/2014	11/29/2015	391,000	265,525
Famine Early Warning System Network (FEWSNET) Phase III	12/29/2011	12/28/2016	7,492,739	3,420,553
Strengthening Afghan Agricultural Faculties (SAAF)	3/25/2011	12/31/2016	7,824,209	6,436,618
Mothers and Under-Five Nutrition and Child Health (MUNCH)	12/16/2014	12/31/2016	5,000,000	5,000,000
Irrigation and Watershed Management Program (IWMP)	12/21/2012	12/20/2017	129,963,114	14,923,248
SERVIR	9/14/2015	9/30/2020	3,600,000	0

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see Table 3.14 on p. 122 of this report.

Source: USAID, response to SIGAR data call, 10/8/2015.

crops, while also focusing on improving natural-resource management, and creating or rehabilitating irrigation and drainage systems.<sup>662</sup>

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).<sup>663</sup>

Since 2002, USAID has obligated approximately \$2.4 billion to improve agricultural production, increase access to markets, and to develop income alternatives to growing poppy.<sup>664</sup> Pages 121–127 of this quarterly report discuss USAID’s alternative-development programs. A list of all active USAID agriculture programs is found in Table 3.25.

## Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project is the technical-assistance/advisory-support component of the conditions-based, MAIL-led Agricultural Development Fund (ADF). The USAID-ADF grant to the MAIL extends agriculture-related credit access to small- and medium-sized farms and agribusinesses, in all regional economic zones, particularly to those like distributors, producers, processors, and exporters who add value to agricultural products. ACE II supports the ADF by encouraging other financial intermediaries—banks, farm stores, leasing companies, and food processors—to enter into agriculture-related finance.<sup>665</sup>

This quarter, USAID reported that with ACE help, ADF has cumulatively provided around \$60 million: \$21.8 million in loans to farmers in the north, \$11 million in the central region, \$14.1 million in the east, \$4.1 million in the south, and \$9.6 million in the west.<sup>666</sup>

## 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

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.<sup>667</sup> Afghanistan imports approximately 81% of its total electricity.<sup>668</sup> Electricity imports are expected to rise in the near term, according to the World Bank, which also noted that limited access

### SIGAR SPECIAL PROJECT

This quarter, SIGAR again wrote to USAID about the utilization of the Tarakhil Power Plant. Based on information provided in USAID’s response to a past SIGAR inquiry letter about the plant, SIGAR found that the \$335 million Tarakhil Power Plant, an apparently “vital component” of the electrical grid serving Kabul, remains severely underutilized. In fact, SIGAR analysis determined that power production has actually declined over time. In addition to running far below its full capacity, the plant contributes a relatively small amount of electricity to the power grid serving Kabul. For more information, see Section 2, p. 39.

to electricity is one of Afghanistan's biggest constraints to private-sector development.<sup>669</sup> Afghanistan will need regional cooperation to meet its energy demands.<sup>670</sup>

## Regional Energy Initiatives

On August 6, the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline leadership committee elected state-owned TurkmenGaz to lead the consortium.<sup>671</sup> The \$9 billion, 1,127-mile natural gas pipeline, will transport up to 33 billion cubic meters of natural gas per year from Turkmenistan to these other countries.<sup>672</sup> The MOMP urged Afghan construction companies to participate in the TAPI effort; work is scheduled to begin in December 2015.<sup>673</sup>

Afghanistan, through the Afghanistan-Tajikistan-Kyrgyzstan-Pakistan, Central Asia-South Asia Electricity Transmission and Trade project (CASA-1000) 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 was scheduled to begin in September 2015 and be completed in 2018.<sup>674</sup> The \$953 million project is financed by the World Bank, Islamic Development Bank, and European Investment Bank; USAID provided initial technical and financial support for the CASA-1000 Secretariat.<sup>675</sup>

Another regional energy initiatives involving Afghanistan is the Turkmenistan-Uzbekistan-Tajikistan-Afghanistan-Pakistan (TUTAP) transmission line that will enable power to be dispatched from Turkmenistan to Pakistan through Afghanistan. TUTAP is financed by the ADB and the ADB-administered Afghanistan Infrastructure Trust Fund, to which USAID contributes. Work is scheduled to be completed in 2020.<sup>676</sup>

## U.S. Power Sector Assistance

Since 2002, USAID obligated more than \$2.2 billion to build generators, substations, and transmission lines, and provide technical assistance in the sector.<sup>677</sup> USAID believes that economic expansion and increased employment depends on maintaining and improving Afghanistan's electrical infrastructure. It is helping Afghanistan's national electric utility, Da Afghanistan Breshna Sherkat (DABS), to increase electricity supply and revenue generation by improving sustainability, management, and commercial viability.<sup>678</sup> For its part, 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.<sup>679</sup>

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: (1) the Power Transmission Expansion and Connectivity (PTEC) project to construct a transmission line connecting Kabul with Kandahar and build

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**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.

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

TABLE 3.26

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2015 (\$)
Kandahar Helmand Power Project	12/9/2010	11/30/2015	\$229,222,002	\$227,069,778
Power Transmission Expansion and Connectivity	1/1/2013	12/31/2018	670,000,000	52,730,385
Contribution to the Afghanistan Infrastructure Trust Fund	3/7/2013	3/6/2018	113,670,184	105,000,000
Kajaki Dam Unit 2	4/22/2013	12/31/2015	75,000,000	33,604,487
Public Awareness Campaign to Increase Afghans' Knowledge of Energy Development Programs	2/1/2014	1/31/2016	1,789,224	1,439,504
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555
Afghan Engineering Support Program	11/9/2009	11/8/2016	97,000,000	68,213,502
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. 175 of this report.

Source: USAID, response to SIGAR data call, 10/8/2015.

the capacity of 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.<sup>680</sup> USAID's active power-infrastructure projects are listed in Table 3.26.

## Kandahar-Helmand Power Project

The KHPP is intended to increase power supply and reliability in Kandahar and Helmand Provinces.<sup>681</sup> All USAID components of this project are closed out, except for a technical-support services subcomponent scheduled to end on November 30. Black and Veatch is providing technical support to DABS in its efforts to increase long-term, sustainable hydro-power from Kajaki Dam by installing a third turbine, known as Unit 2, in the powerhouse.<sup>682</sup>

DOD said ongoing fighting in northern Helmand Province continued to challenge contractors at Kajaki Dam and SEPS construction sites between Tangi and Sangin. Insurgent activity this quarter continued to cause road closures along Route 611—the road leading from Sangin to Kajaki—delaying delivery of construction materials and possibly affecting project completion.<sup>683</sup> The turbine-installation completion date was revised to July 2016 and is 30% achieved.<sup>684</sup>

Last quarter, Black and Veatch reported delays in both project and design schedules.<sup>685</sup> However, this quarter USAID reported that the civil design is complete and approved by GFA Consulting Ltd., DABS's



**Stakeholders attend a meeting** in Kandahar about the DABS public awareness campaign. (USAID photo)

construction-management consultant; the mechanical design is under GFA review; and the electrical design is scheduled to be submitted for GFA review in November 2015. USAID said design delays have not affected project completion dates.<sup>686</sup> No updated contractor reports were provided to SIGAR this quarter.

## Kandahar Bridging Solution

The Kandahar Bridging Solution (KBS), which provided fuel and technical support to operate and maintain diesel power-generation plants in Kandahar City while turbine-installation work at Kajaki Dam is under way, expired on September 30, 2015.<sup>687</sup> DOD disbursed almost \$141 million since FY 2011 for this effort through the AIF.<sup>688</sup>

The United States has no plans for additional funding for the diesel generators. State and DOD said that DABS requested no additional assistance, expressing confidence it can operate and fund the generators that have been under its control since December 2013.<sup>689</sup> DOD added that DABS, which is planning to contribute \$4 million in FY 2016 to fuel the generators, could absorb the cost and/or raise customer rates, if necessary.<sup>690</sup> However, USAID told SIGAR that when DABS considered raising rates last year to pay for diesel after DOD subsidies ended, it faced difficulties convincing the Kandahar governor and community to accept higher prices.<sup>691</sup>

State expects electricity rates in Kandahar to rise significantly higher than the previously subsidized rate and said DABS is considering a progressive rate based on usage. USAID will continue to train DABS in revenue-generation and cost-recovery strategies, but State maintained

that the Afghan government is ultimately responsible for Kandahar's electricity supply.<sup>692</sup>

## Power Transmission Expansion and Connectivity Program

The U.S.-funded PTEC program was designed to strengthen and expand Afghanistan's power-generation, transmission, and distribution systems, including funding the 320-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS.<sup>693</sup> PTEC's DABS commercialization and capacity-building components aim to increase revenues using utility management software in Kabul, Mazar-e Sharif, Herat, and Jalalabad, while reducing technical and commercial losses through training and support.<sup>694</sup>

Construction has started on the transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, which USAID sees as essential for power-sector development. USAID reported that equipment is arriving after being delayed by customs and that construction is moving forward, but is about a month behind schedule. To date, \$52.7 million has been disbursed to PTEC contractors for this effort.<sup>695</sup>

In support of the second segment, Ghazni to Kandahar, \$179.5 million from FY 2013 AIF funds was reprogrammed and transferred to USAID after DOD cancelled construction at Dahla Dam in Kandahar Province.<sup>696</sup> Another \$55 million in FY 2014 AIF funds is being transferred. Furthermore, an additional \$300 million was deobligated from the Asian Development Bank-administered Afghanistan Infrastructure Trust Fund (AIF) 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 and transmission lines were submitted and are under evaluation by DABS.<sup>697</sup>

On September 8, DABS, with USAID funding, issued a request for proposals for the design and construction of a Salang Tunnel substation and associated infrastructure; a subcomponent of NEPS expansion. Bids are due on November 8, and project completion is expected by October 2017.<sup>698</sup>

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 compared to the diesel generators funded through the Bridging Solution, which have a combined average output of 8–13 MW.<sup>699</sup> USAID reported this quarter that DABS accepted a power-purchase agreement and tariff rate ceiling, and the construction of an 11.2-mile overhead transmission line connecting the solar plant to the distribution substation. The MOF transferred 60 acres of land to DABS for this effort.<sup>700</sup>

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.27

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF SEPTEMBER 23, 2015 (\$ MILLIONS)						
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status	
AIF FY 2011	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	\$40.5	\$39.1	\$39.1	Complete
	SEPS - Kajaki Dam-Lashkar Gah	Repair, install transmission lines and rebuild, construct power substations	130.0	67.0	51.8	Terminated Due to Security Cost Increase
	NEPS - SEPS Connector, Arghandi to Ghazni	Design, construct transmission line and substation (first segment of NEPS-SEPS connection) USAID: PTEC	101.0	101.0	20.1	Under Construction
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line and power substations	93.7	51.8	12.2	In Design
AIF FY 2012	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	67.0	64.7	64.7	Complete
	SEPS - Maiwand to Durai Junction - Phase 2	Design, construct transmission line; rebuild and construct substations	40.0	29.5	3.7	In Design
	NEPS - Pul-e Alam to Gardez - Phase 2	Design, construct transmission line and power substation	77.5	70.2	37.3	Transmission Line Under Construction; Substation in design
	NEPS - Charikar to Gul Bahar and Nejrab - Phase 3	Design, construct transmission lines and power substation	42.5	38.8	14.1	Transmission Line Under Construction; Substation In Design
AIF FY 2013	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	37.0	34.0	34.0	Complete
	NEPS - Charikar to Gul Bahar and Nejrab -Phase 3	Design, construct transmission lines and power substation	33.0	25.3	13.4	Transmission Line Under Construction; Substation In Design
	SEPS Completion - Phase 1	Design, construct, and rehabilitate substations in Tangi, Sangin North and South	15.0	64.6	36.2	Under Construction; Security Challenges
		Design, construct, transmission lines from Sangin North to Lashkar Gah	60.0			In Design
	NEPS - SEPS Connector, Ghazni to Kandahar	Design, Construct transmission line and substations. Final Phase of NEPS-SEPS connector. USAID: PTEC	179.5	179.5	0.0	Bids Received; Under Evaluation by DABS
AIF FY 2014	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	20.0	3.9	2.9	Bridging Solution ended; \$16 million reprogrammed
	SEPS Completion - Phase 2	Design, construct transmission line, and install equipment and commission substations	55.0	0.0	0.0	Transferring to USAID
	NEPS - Gardez to Khowst - Phase 4	Design, construct transmission line and substation. DOD's final contribution to NEPS.	130.0	124.0	0.4	Contract Awarded

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 power utility. Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 8/31/2015. All other information is as of 9/23/2015.

Source: DOD, response to SIGAR data calls, 10/7/2014 and 9/28/2015; USAID, OEGI, response to SIGAR data call, 9/23/2015; U.S. Embassy Kabul/USFOR-A, Memorandum for United States Secretary of State, United States Secretary of Defense, Afghanistan Infrastructure Fund Reprogramming for Fiscal Year 2014, 5/8/2015.

## Afghanistan Infrastructure Fund Programs

AIF projects were initiated to support critical counterinsurgency and economic development objectives in Afghanistan. DOD's mission has since evolved to advising and assisting Afghan security forces and ministries, as well as counterterrorism operations, but AIF projects remain a high priority, with an expected four million to five million Afghan beneficiaries.<sup>701</sup> This quarter, DOD remained focused on implementing power 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 3.27.<sup>702</sup>

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.<sup>703</sup> DABS has recently started to pay for more of its operating expenses,<sup>704</sup> but nonrecurring major capital-infrastructure expenses are still mainly funded by donors. SIGAR has raised questions about DABS's capacity and said Afghanistan lacks the resources necessary to pay for O&M.<sup>705</sup>

## TRANSPORTATION

Afghanistan's lack of transportation infrastructure hinders internal commerce, foreign trade, and economic growth. The World Bank said Afghanistan's transportation-infrastructure shortcomings constrain the service and agriculture sectors, which have typically been the leading drivers of the economy.<sup>706</sup> It also holds back the mining industry, whose future revenues the Afghan government and international donor community are counting on to offset declining international aid.<sup>707</sup> 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.<sup>708</sup>

### Roads

The United States has disbursed approximately \$2.4 billion cumulatively for road construction and O&M, and will spend up to \$5 million this year for additional O&M.<sup>709</sup> Yet the World Bank has said 85% of Afghan roads are in poor shape and a majority cannot be used by motor vehicles.<sup>710</sup> 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.<sup>711</sup> USAID's active road construction and O&M programs are listed in Table 3.28 on the following page. The largest is Engineering, Quality Assurance, and Logistical Support (EQUALS), which provides architectural, engineering, and construction-quality-assurance services, and other management support for infrastructure development projects.<sup>712</sup>

## 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.

TABLE 3.28

USAID ACTIVE ROAD-CONSTRUCTION AND OPERATIONS AND MAINTENANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2015 (\$)
Technical Assistance to Ministry of Public Works	8/3/2014	8/2/2017	\$25,486,058	\$6,890,587
Gardez to Khowst Road, Phase IV	6/26/2014	12/31/2015	32,960,265	25,584,057
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	109,191,325
Support for USAID's Construction of Health and Education Facilities Program	1/19/2008	12/31/2015	57,160,749	57,160,748
Emergency Road O&M	11/30/2014	11/30/2015	5,000,000	49,102

Source: USAID, response to SIGAR data call, 10/8/2015; USAID, response to SIGAR vetting, 10/12/2015.



**Workers construct the footing** for a bridge that is part of the Gardez-Khowst road rehabilitation project. (USAID photo)

## 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.<sup>713</sup> It includes bridges, causeways, drainage structures, excavation, “river training” structures to control flow and sedimentation, and asphalt pavement.<sup>714</sup>

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 September 24, 2015, \$25.5 million has been disbursed.<sup>715</sup>

# ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.29

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2015 (\$)
Financial Access for Investing in the Development of Afghanistan (FAIDA)	2/7/2011	8/5/2016	\$108,258,374	\$95,956,126
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	11/6/2017	77,754,267	32,826,032
Afghanistan Public Financial Management (APFM)	7/27/2015	7/26/2018	22,130,033	0
Afghan Women's Leadership in the Economy (AWLE)	7/1/2015	6/30/2020	71,571,543	80,819
Regenerating Murad Khane	11/2/2008	11/1/2015	10,637,111	10,084,791
Turquoise Mountain Smithsonian Exhibition	3/9/2015	12/31/2016	535,055	26,205
IFC PIO Grant - Support of Business Environment Reform	10/15/2010	10/30/2017	4,030,000	4,030,000
AIB Guarantee Agreement	9/27/2012	9/27/2020	2,000,000	190,400
DCA with FINCA OXUS and 1st Microfinance Banks	9/25/2014	9/24/2020	1,953,875	0
Commercial Law Development Program	3/1/2014	9/30/2019	10,000,000	1,104,131
Afghanistan Workforce Development Program (AWDP) On-Budget	9/18/2013	4/3/2016	30,000,000	1,321,456
Afghanistan Workforce Development Program (AWDP) Off-Budget	4/5/2012	4/4/2016	32,647,898	22,992,075
E-Government Resource Center II	8/28/2013	6/1/2016	3,900,000	30,000
Mobile-izing Saving Study	N/A	N/A	50,022	50,022
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	10/16/2016	104,997,656	55,722,201
Strengthening the Revenue Collection Capacity of GIROA	11/30/2014	12/30/2018	4,000,000	4,000,000
Regional Water Management	N/A	N/A	3,750,000	0
Rebranding Afghanistan	11/2/2015	11/1/2018	4,800,000	0
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	0

Source: USAID, response to SIGAR data call, 10/8/2015.

## ECONOMIC GROWTH

The World Bank ranked Afghanistan 183rd overall in its annual *Doing Business 2015* review of business regulations for domestic companies in 189 economies.<sup>716</sup> At the SOM, President Ghani stressed the need for accountability in carrying out the difficult economic reforms needed for Afghanistan to build a competitive, export-oriented economy, with access to neighboring markets.<sup>717</sup>

As of September 30, 2015, USAID had disbursed approximately \$1 billion cumulatively for economic growth programs in Afghanistan.<sup>718</sup> Active programs can be found in Table 3.29.

### Afghanistan Public Financial Management

USAID's three-year, \$22 million, Afghanistan Public Financial Management (APFM) program was launched on July 27, 2015. It is the United States'

principal off-budget effort to help strengthen the Afghan government's ability to generate and domestic revenue, manage its budget, and become more fiscally sustainable. The program aims to build the government's capacity for forecasting revenue; increasing payment compliance, collection, and transfers to the treasury; and budget planning, execution, monitoring, reporting, and coordination.<sup>719</sup>

## **Assistance in Building Afghanistan by Developing Enterprises**

USAID's four-year, \$105 million, Assistance in Building Afghanistan by Developing Enterprises (ABADE) aims to help small-to-medium enterprises (SMEs) add jobs, increase investment, and improve sales of domestic products and services through public-private alliances (PPAs). ABADE has three components: implementing approved PPAs; identifying, selecting, and supporting the alliances with technical-assistance and business-advisory services; and working with the government to improve the environment for business.<sup>720</sup>

From April through June 30, 2015, 23 PPAs worth \$3.4 million were completed and closed out. Of that, ABADE contributed \$400,000 worth of equipment; the SMEs covered the rest. Twenty-eight new PPAs were signed valued at \$18 million, of which ABADE contributed \$2.6 million. As of October 3, 2015, ABADE had 183 active PPAs valued at \$193.9 million, of which its contribution is \$24.9 million, with the rest invested by the SMEs—almost a 7 to 1 ratio.<sup>721</sup>

Also during this time, ABADE helped identify the technology, equipment, production processes, and systems needed for their investments; it trained 475 people, 66 of them women, in financial, operational, general-management, and other high-value skills; completed an initiative that identified the constraints to growth in the carpet industry; and assisted female SMEs as they navigated business registration and tax requirements.<sup>722</sup>

## **EDUCATION**

Minister of Education Balkhi told parliament last quarter that more than half of all Afghan 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.<sup>723</sup> This quarter, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC) determined that efforts to improve teaching quality are being subverted by a recruitment system that is highly vulnerable to corruption, and that Afghan students' educations are being "significantly undermined by bribery and nepotism."<sup>724</sup> For more information on the MEC's report on corruption vulnerabilities in teacher recruitment at the Ministry of Education, see page 154 of this report.

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.<sup>725</sup> As of September 30, 2015, USAID disbursed more than \$785 million for education programs in Afghanistan.<sup>726</sup>

## Ministry of Education Data

According to the Education Management Information System (EMIS), Afghanistan reportedly has 15,030 general education (government) schools, including 639 inactive schools, with 8.6 million students enrolled.<sup>727</sup> The number of enrolled students is the sum of present and absent students.<sup>728</sup> Students can be absent for up to three years and still count as enrolled in MOE data because they “might” return to school.<sup>729</sup>

EMIS does not track which schools are open or closed at any given time, nor does it track teacher and student attendance. Currently, figures are not independently verified.<sup>730</sup> The MEC said that “ghost teachers” has been a long-standing problem, and found that in most cases student attendance sheets are not filled out or are frequently forged.<sup>731</sup>

Minister Balkhi confirmed that some nonexistent schools receive funding in insecure areas and that EMIS data on the number of functioning schools are imprecise. The Ministry of Education (MOE) is working to improve the data quality; it started its own data-quality assessment and hired a third-party monitoring firm to verify a sample of EMIS data.<sup>732</sup> In August 2015, provincial teams were assigned to collect more reliable figures for 6,000 schools across all 34 provinces. Field work began September 1 and data collection was scheduled to be completed by September 20. The assessment report was not finalized as of October 12.<sup>733</sup>

## USAID Programs

USAID aims to help Afghans with equitable access to education and relevant, in-demand technical skills. Programs will focus on early-grade reading, higher literacy rates through training and coaching to teacher and educators, textbooks, and other learning material.<sup>734</sup> 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.<sup>735</sup>

The programs are:<sup>736</sup>

- **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. A contract to produce a 20-month national reading assessment of 2nd and 4th grade students was awarded on July 27, 2015. The results of the assessment can provide opportunities

### SIGAR AUDIT

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

TABLE 3.30

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2015 (\$)
Global Partnership for Education	10/11/2012	3/31/2016	\$3,108,580	\$1,761,682
Support to American University of Afghanistan	8/1/2013	7/31/2018	40,000,000	16,493,425
Strengthening Education in Afghanistan (SEA II)	5/19/2014	5/18/2019	29,835,920	5,001,568
PROMOTE Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	7,262,016	1,194,883
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	91,927,769	17,677,499
Increasing Access to Basic Education and Gender Equality	9/17/2014	12/31/2019	77,402,457	54,027,000
Basic Education, Literacy, and Technical-Vocational Education (BELT) Textbooks	11/16/2011	12/31/2015	26,996,813	24,436,268
Early Grade Reading Survey	7/27/2015	3/27/2017	12,487,469	0
BELT/All Children Reading and Improved Access	7/27/2015	3/27/2017	427,585	0

Source: USAID, response to SIGAR data call, 10/8/2015.

for early-stage intervention, and test ministry capacity to implement nationwide intervention, if necessary.

- American University of Afghanistan (AUAF):** This quarter, USAID signed a contract modification to provide an additional \$5.9 million for scholarships for 20 Afghan female government-ministry employees to pursue MBA degrees, and to expand scholarship study for women in AUAF's Professional Development Institutes by opening a center in Jalalabad.
- 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. This quarter, USWDP hired a senior advisor for the MOHE minister to assist in academic planning and program coordination; provided technical support for the National Higher Education Strategic Plan; completed a comprehensive assessment of Jowzjan University; signed a letter of agreement with Herat University; and supported a Partnership Agreement between Herat University and Purdue Universities.
- Community Based Education:** provides access to basic education in 13 provinces. As of September 2015, 802 Community Based Education schools and 56 accelerated learning centers have been established providing access to more than 43,000 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 additional teachers were trained for the last two quarters.

A full list of USAID's active education programs can be found in Table 3.30.

## HEALTH

Afghanistan has registered 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.<sup>737</sup> U.S. health-sector programs aim to preserve and enhance gains made since 2002. USAID assistance to the Ministry of Public Health (MOPH) includes capacity-building, training, and quality-assurance activities to strengthen the ministry's management and control over health-care delivery across Afghanistan.<sup>738</sup>

### USAID Funding

U.S. on- and off-budget assistance disbursed to Afghanistan's health sector totaled more than \$955 million, as of September 30, 2015.<sup>739</sup> 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.<sup>740</sup>

### USAID Health Programs

USAID believes that the MOPH's ownership of and ability to deliver quality health care through the **Basic Package of Health Services (BPHS)** and **Essential Package of Hospital Services (EPHS)**—the cornerstone of health service delivery in Afghanistan—is critical to improve health outcomes. Between 2015 and 2018, USAID will aim to further improve health services, outcomes, and access for women, infants, and children.<sup>741</sup> USAID's active health programs have a total estimated cost of \$752.2 million, and are listed in Table 3.31 on the following page.

As part of increasing MOPH capacity, this quarter the USAID-funded Strengthening Pharmaceutical Systems (SPS) project migrated away from procuring essential drugs and commodities to providing technical assistance to the organizations and facilities that do, as well as to the MOPH. SPS was extended 22 months to July 2017.<sup>742</sup>

In other developments this quarter, USAID transitioned funding support for health services in 13 provinces through its Partnerships Contract for Health (PCH) program to the System Enhancement for Health Action in Transition (SEHAT) program serving all 34 provinces.<sup>743</sup> Additionally, USAID ended its MOPH capacity-building Health Policy Project to regulate

## 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.

## SIGAR SPECIAL PROJECTS

On August 18, 2015, SIGAR wrote to USAID, addressing USAID's response to a request for a list and locations of PCH-supported health facilities (see SIGAR 15-67-SP). In its response, USAID sent SIGAR an updated list of 586 PCH-supported health facilities, which is 55 fewer facilities than the original list of 641 that SIGAR originally analyzed. After analyzing the updated list, SIGAR found new irregularities that led the agency to believe that the updated list may contain errors. In a related special project, SIGAR provided its findings after conducting 23 site inspections of USAID-supported health facilities in Herat Province. For more information, see Section 2, pp. 39–41.

**BPHS:** provides primary health care services—such as immunizations and prenatal care—at small and rural health clinics and forms the core of health service delivery for all primary care facilities in Afghanistan.

**EPHS:** outlines the medical services each type of hospital in the Afghan health care system should provide in terms of general services, staff, equipment, diagnostic services, and medications while promoting a health referral system that integrates the BPHS with hospitals.

TABLE 3.31

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2015 (\$)
Strengthening Pharmaceutical Systems	8/28/2011	7/10/2017	\$34,399,936	\$23,339,502
Challenge Tuberculosis	1/1/2015	12/31/2020	15,000,000	230,825
Partnership Contracts for Health (PCH)	7/20/2008	12/31/2015	259,663,247	228,899,313
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,408,826
Disease Early Warning System (DEWS Plus)	9/30/1996	9/30/2022	32,728,000	9,600,000
Family Planning and Assessment	5/16/2015	5/15/2016	634,833	634,833
Health Sector Resiliency (HSR)	9/28/2015	9/27/2020	40,000,000	0
Demographic and Health Surveys	9/9/2013	9/8/2018	5,453,731	1,000,000
Leadership Management and Governance (LMG)	9/25/2012	12/31/2015	38,341,106	36,207,450
Regional Fortification in the Central Asian Republics and Afghanistan	9/29/2014	9/29/2016	9,722,000	9,722,000
Enhance Community Access, Use of Zinc, ORS for Management of Childhood Diarrhea	7/21/2015	7/7/2020	15,002,610	0
Helping Mother and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	2,844,038
Basic Package for Health Service (BPHS)	9/17/2015	12/31/2017	8,000,000	0

Source: USAID, response to SIGAR data call, 10/8/2015.

**In October 2014, the MEC reported a “dramatic increase in the importation of poor quality medicine” with 50% of the market composed of illegally imported products.**

Source: Independent Joint Anti-Corruption Monitoring and Evaluation Committee, *Vulnerability to Corruption Assessment on Pharmaceuticals Importation Process*, 10/2014, p. 2.

the health sector, manage public-private partnerships, and strengthen financial management of health resources. USAID is still supporting these same components and providing technical assistance to MOPH staff through the Health Sector Resiliency project.<sup>744</sup>

### System Enhancement for Health Action in Transition

In an effort to consolidate health-sector support of the three main financiers of BPHS and EPHS (USAID, the World Bank, and the European Union), in January 2014, USAID began transitioning away from its PCH program—the core service-delivery component of its health services in 13 provinces—toward the World Bank-administered SEHAT, which provides similar support in all 34 Afghan provinces. That transition was completed on June 30, 2015. SEHAT-contracted nongovernmental organization (NGO) health-service providers are allowed greater flexibility than under PCH to procure medicines and medical equipment, as well as setting and modifying their budgets, in order to adapt to changing health-care needs on the ground.<sup>745</sup>

Under SEHAT phase II, USAID contributions will be disbursed through the ARTF.<sup>746</sup> The United States has contributed \$107.5 million to SEHAT

since 2002; around 4.4% of total U.S. contributions to the ARTF, according to USAID.<sup>747</sup>

## **Afghanistan Demographic and Health Survey**

USAID is funding the Afghanistan Demographic and Health Survey (ADHS), a nationally representative survey designed to provide health and demographic information to help the Afghan government develop modern health and social programs. The survey will also build the government's commitment to evidence-based decision making and capacity to develop and conduct future surveys.<sup>748</sup> ADHS results will be compiled according to international standards and be comparable to results collected in other countries.<sup>749</sup>

Survey teams were deployed in June to all 34 provinces to begin data collection. USAID reported that field teams and staff in Zabul, Uruzgan, and Badghis Provinces have not been able to access certain household clusters due to security risks. Some project areas were relocated as a result, but USAID said the scope of work has not changed. Insecurity in those three provinces, as well as in Nuristan, Helmand, Farah, and Kandahar, also caused some field-work delays, but USAID said the deadline for survey completion is unaffected.<sup>750</sup>

