

3 RECONSTRUCTION UPDATE



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Afghan National Police women load AK-47 rifle magazines during an eight-week course at the Kabul Military Training Center. (U.S. Air Force photo by Staff Sgt. Sarah Brown)

RECONSTRUCTION UPDATE

OVERVIEW

On October 5, 2016, the European Union and the government of Afghanistan co-hosted the Brussels Conference on Afghanistan. The conference brought together 75 countries and 26 international organizations and agencies. The Afghan government introduced the Afghanistan National Peace and Development Framework (ANPDF), the Afghan government's new five-year strategy for achieving self-reliance. International participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities. Secretary of State John Kerry, speaking in Brussels, pledged to work with the United States Congress to provide civilian assistance "at or very near" the current levels through 2020.

September marked the two-year anniversary of the compromise agreement, brokered by the United States, that resolved the 2014 election crisis and created the National Unity Government. In September 2014, the two candidates from the second round of presidential elections—Ashraf Ghani and Abdullah Abdullah—agreed to implement reforms prior to parliamentary elections and, before September 2016, convene a *Loya Jirga* (grand assembly) to amend the constitution and consider creating the post of executive prime minister. Election reform efforts have stalled, the 2015 parliamentary election was postponed, and the *Loya Jirga* has not been held. As the deadline approached, opposition groups questioned the government's legitimacy.

In September, the Afghan government and the Gulbuddin faction of Hezb-e Islami signed a peace deal. The United States designated Gulbuddin Hekmatyar, the leader of Hezb-e Islami Gulbuddin (HIG), a global terrorist in 2003 for participating in and supporting terrorist acts committed by al-Qaeda and the Taliban. In a statement, the U.S. Embassy in Kabul welcomed the agreement as an Afghan-led step in bringing the conflict in Afghanistan to a peaceful end.

This quarter, USFOR-A described the "sustainable security strategy" the Afghan National Defense and Security Forces (ANDSF) is using to classify which areas of the country to "Hold" at all costs, which to "Fight" for, and which to "Disrupt" insurgent activity when resources are available. Almost a year after the battle for Kunduz, Afghan forces were again fighting

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the Taliban in Kunduz City. In northern Faryab Province, Taliban dressed in police uniforms ambushed the convoy of First Vice President General Abdul Rashid Dostum, but he was not injured. As this report went to press, the ANDSF were fighting insurgents in Helmand, Farah, Faryab, Kunduz, Uruzgan, and Baghlan Provinces. U.S. advisors reported the continual misuse and overuse of the Afghan Special Security Forces may result in their burnout.

Results of ANA recruits and soldiers surveyed from December 2015 through May 2016 found overall positive job expectations and satisfaction. Of note was the increased education levels of new recruits: 62% reported having a high-school education compared to 26% of current soldiers; only 3% of new recruits reported having no formal education compared to 30% of current soldiers.

Afghanistan became the World Trade Organization's 164th member (and ninth least-developed country) on July 29, 2016.

In October, the World Bank said it expected slow economic recovery over the next four years. Afghanistan's growth prospects depend on new sources of revenues, exports, and more donor aid (or more aid delivered on budget). The Bank said past gains are eroding: poverty, unemployment, underemployment, violence, out-migration, internal displacement, and the education gender gap have all increased, while services and private investment have decreased. The International Monetary Fund projected Afghanistan's real (net of inflation) gross domestic product, excluding opium, to grow 2.0% in 2016, higher than the estimated 0.8% in 2015. Although an improvement, the World Bank said it remains far below the growth necessary to increase employment and improve living standards. According to Afghan treasury department data total domestic revenues—a figure that excludes donor grants—stood at AFN 115.6 billion (\$1.76 billion in current dollars) in the first nine months of FY 1395, which runs December 21, 2015–December 20, 2016. This is about 42.5% above the same period last year, yet it paid for slightly more than half of Afghanistan's total non-security budget expenditures so far in FY 1395. Afghan government expenditures, AFN 222.6 billion (\$3.38 billion), grew by about 6.5%.

Afghanistan's large year-on-year revenue increase does not reflect an improved economy, according to an Afghan Analysts Network report. Although some revenue was the result of stronger collection efforts and the impact of new taxes at higher rates, the report said some was due to currency depreciation, which artificially increased paper profits from exchange-rate changes, and one-time revenue injections from public enterprises such as the sales of government land and other property, which are likely unsustainable.

The U.S. government's revised counter-narcotics strategy is making its way through the interagency clearance process, and the November U.S. elections should have minimal impact on the timeline, according to INL.

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The U.S. has provided \$8.5 billion for counternarcotic efforts since 2002, yet this year saw a 43% increase in opium production, according to the United Nations. Eradication results are the lowest in a decade because of security challenges, namely in Helmand Province.

Cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$115.2 billion, as of September 30, 2016. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$96.9 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$7.5 billion of this amount remained available for potential disbursement.

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STATUS OF FUNDS

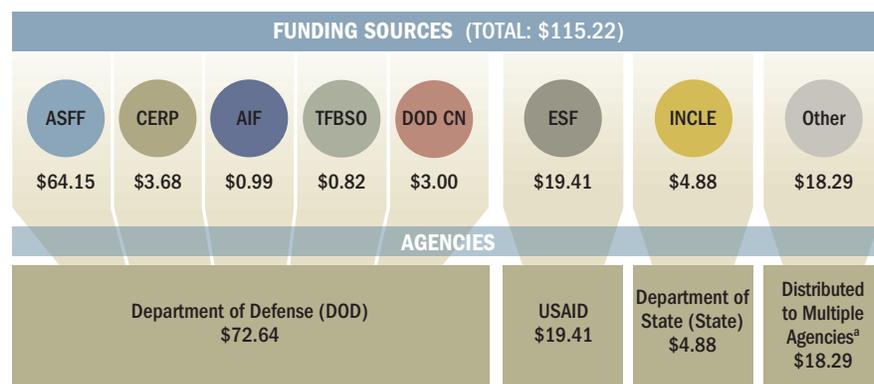
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of September 30, 2016, the United States had appropriated approximately \$115.22 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$68.67 billion for security (\$4.31 billion for counternarcotics initiatives)
- \$32.83 billion for governance and development (\$4.22 billion for counternarcotics initiatives)
- \$3.04 billion for humanitarian aid
- \$10.68 billion for civilian operations

Figure 3.1 shows the major U.S. funds that contribute to these efforts.

FIGURE 3.1

U.S. FUNDS SUPPORTING AFGHANISTAN RECONSTRUCTION EFFORTS (\$ BILLIONS)



- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander’s Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-drug Activities
- ESF:** Economic Support Fund
- INCLE:** International Narcotics Control and Law Enforcement
- Other:** Other Funding

Note: Numbers have been rounded.

^a Multiple agencies include DOJ, State, DOD, USAID, Treasury, USDA, DEA, Broadcasting Board of Governors (BBG), and SIGAR.

Source: DOD, response to SIGAR data calls, 10/18/2016, 10/12/2016, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 10/18/2016, 10/12/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012, and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013, and 1/4/2013; USAID, response to SIGAR data calls, 10/19/2016, 7/11/2016, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 9/30/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016,” 10/19/2016; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

STATUS OF FUNDS



U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

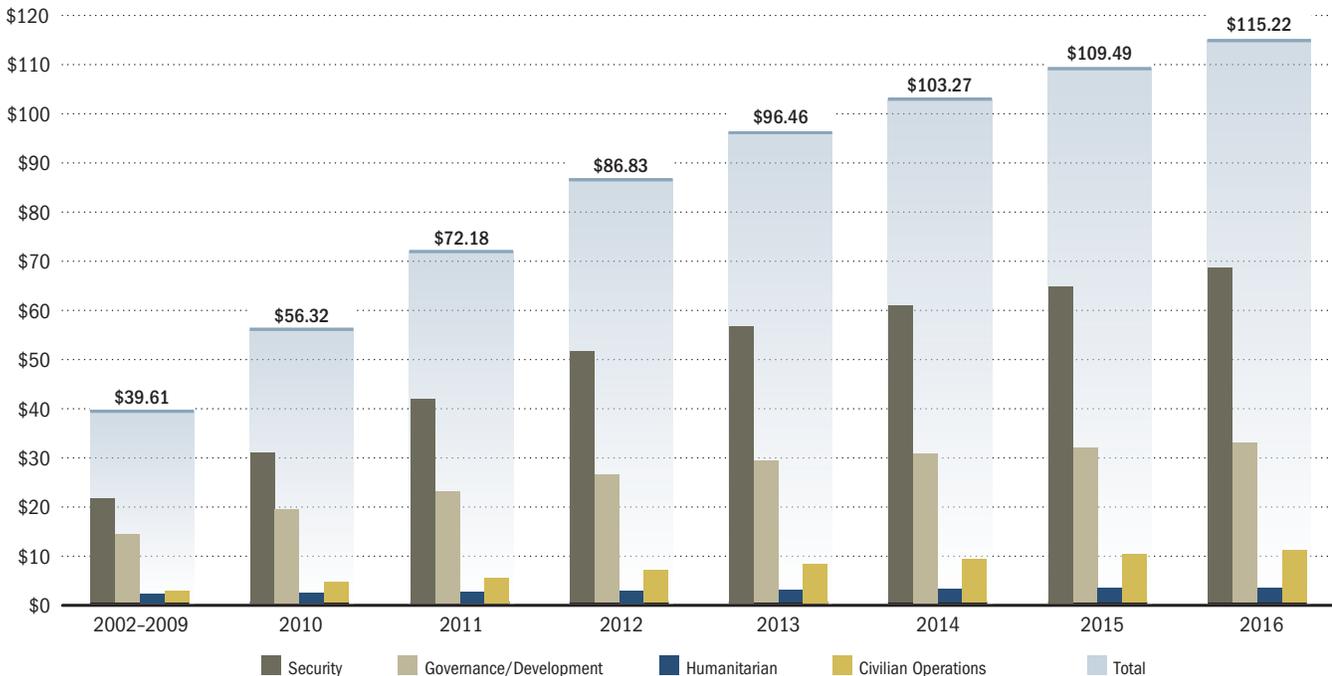
As of September 30, 2016, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$115.22 billion, as shown in Figure 3.2. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately \$8.53 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.31 billion) and governance and development (\$4.22 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

This quarter, DOD reprogrammed \$230 million into FY 2015 ASFF as part of DOD's omnibus reprogramming request for 2016, increasing the total cumulative appropriations for FY 2015 to \$6.22 billion, as shown in Figure 3.3 After numerous reprogramming outflows and rescissions, this was the first reprogramming inflow in the ASFF's history.¹⁶⁰

The amount provided to the seven major U.S. funds represents more than 84.1% (over \$96.93 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, almost 93.3% (nearly \$90.43 billion) has been obligated, and over 87.6% (nearly \$84.96 billion) has been disbursed. An estimated \$4.52 billion of the amount appropriated these funds has expired.

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF SEPTEMBER 30, 2016 (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD reprogrammed \$230 million into FY 2015 ASFF. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID.

Source: DOD, response to SIGAR data calls, 10/18/2016, 10/12/2016, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 10/18/2016, 10/12/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012, and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data calls, 10/19/2016, 7/11/2016, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 9/30/2016, and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/19/2016; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

STATUS OF FUNDS

The United States aims to channel at least 50% of its development assistance on-budget to the Government of Afghanistan.¹⁶¹ This assistance is provided either directly to Afghan government entities or via contributions to multilateral trust funds that also support the Afghan government's budget.¹⁶² Since 2002, the United States has provided more than \$10.22 billion in on-budget assistance. This includes about \$5.62 billion to Afghan government ministries and institutions, and nearly \$4.60 billion to three multinational trust funds—the World Bank's Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme's Law and Order Trust Fund (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance disbursed to the Afghan government and multilateral trust funds.

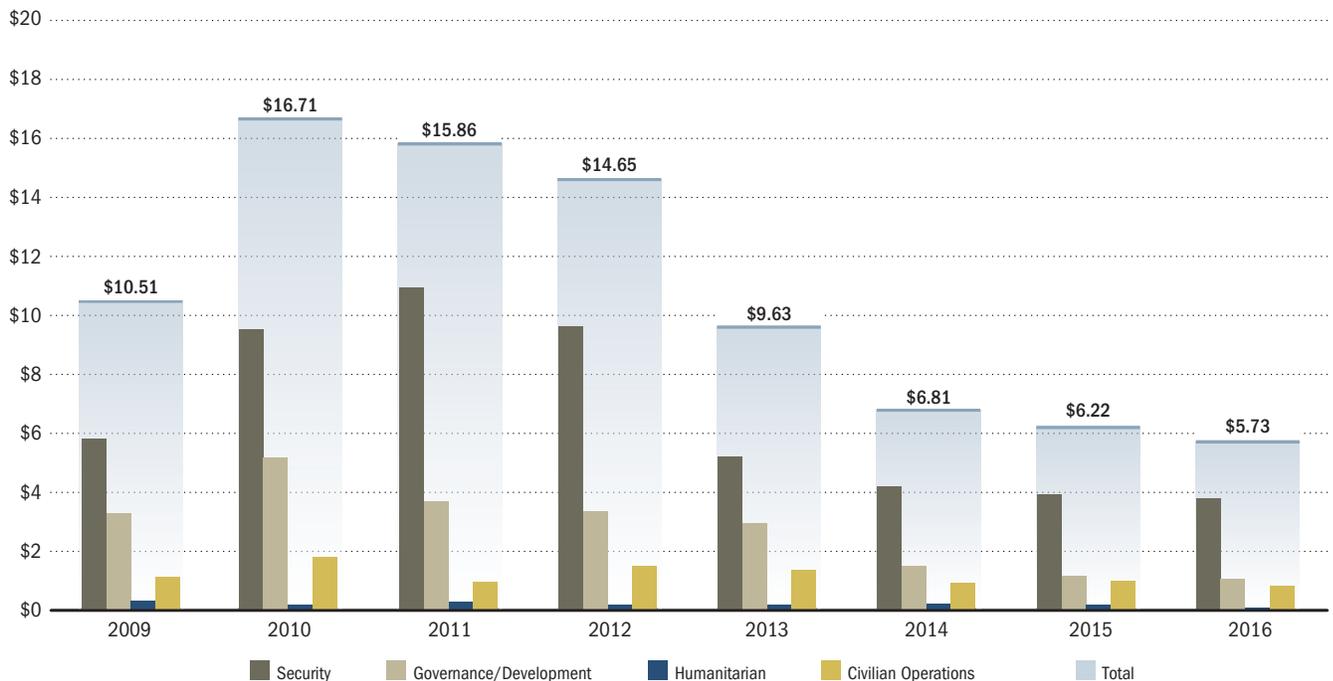
TABLE 3.1

U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-to-Government	
DOD	\$4,946
State	92
USAID	587
Multilateral Trust Funds	
LOTFA	\$1,641
ARTF	2,842
AITF	113

Note: Numbers have been rounded. Figures reflect amounts the United States has disbursed in on-budget assistance to Afghan government entities and multilateral trust funds. As of September 30, 2016, USAID had obligated approximately \$1.2 billion for government-to-government assistance.

Source: USAID, response to SIGAR data call, 10/13/2016; DOD, response to SIGAR data call, 6/25/2015; World Bank, "ARTF: Administrator's Report on Financial Status as of September 21, 2016 (end of 9th month of FY 1395)", p.4; UNDP, response to SIGAR data call, 10/13/2016.

FIGURE 3.3
APPROPRIATIONS BY FISCAL YEAR, AMOUNT, AND CATEGORY (\$ BILLIONS)



Note: Numbers have been rounded. DOD reprogrammed \$1 billion from FY 2011 ASFF, \$1 billion from FY 2012 ASFF, and \$178 million from FY 2013 ASFF to fund other DOD OCO requirements. ASFF data reflects the following rescissions: \$1 billion from FY 2012 in Pub. L. No. 113-6, \$764.38 million from FY 2014 in Pub. L. No. 113-235, and \$400 million from FY 2015 in Pub. L. No. 114-113. DOD reprogrammed \$230 million into FY 2015 ASFF. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID.

Source: DOD, response to SIGAR data calls, 10/18/2016, 10/12/2016, 10/11/2016, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data calls, 10/18/2016, 10/12/2016, 5/4/2016, 10/20/2015, 4/15/2015, 4/15/2014, 6/27/2013, 10/5/2012, and 6/27/2012; Treasury, response to SIGAR data call, 7/9/2015; OMB, response to SIGAR data calls, 4/16/2015, 7/14/2014, 7/19/2013, and 1/4/2013; USAID, response to SIGAR data calls, 10/19/2016, 7/11/2016, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data calls, 9/30/2016 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/19/2016; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

STATUS OF FUNDS

AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated approximately \$115.22 billion for Afghanistan relief and reconstruction. Of this amount, \$96.93 billion (84.1%) was appropriated to the seven major reconstruction funds, as shown in Table 3.3.

FIGURE 3.4

CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



TABLE 3.3

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2016 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$64.15	\$61.19	\$60.08	\$2.09
Commander's Emergency Response Program (CERP)	3.68	2.29	2.27	0.02
Afghanistan Infrastructure Fund (AIF)	0.99	0.77	0.57	0.20
Task Force for Business & Stability Operations (TFBSO)	0.82	0.75	0.64	0.11
DOD Drug Interdiction and Counterdrug Activities (DOD CN)	3.00	3.00	3.00	0.00
Economic Support Fund (ESF)	19.41	17.87	14.56	4.12
International Narcotics Control & Law Enforcement (INCLE)	4.88	4.55	3.83	0.91
Total Major Funds	\$96.93	\$90.43	\$84.96	\$7.45
Other Reconstruction Funds	7.61			
Operations & Oversight	10.68			
Total	\$115.22			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.5 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/20/2016.

TABLE 3.2

FY 2016 AMOUNTS APPROPRIATED (\$ MILLIONS)	
	Appropriated
ASFF	\$3,652.26
CERP	5.00
DOD CN	138.76
ESF	812.27
INCLE	185.00
Total Major Funds	\$4,793.29

As of September 30, 2016, approximately \$7.45 billion of the amount appropriated to the seven major reconstruction funds remained for possible disbursement, as shown in Figure 3.4. These funds will be used to train, equip, and sustain the ANDSF; complete on-going, large-scale infrastructure projects, such as those funded by the AIF and ESF; combat narcotics production and trafficking; and advance the rule of law, strengthen the justice sector, and promote human rights.

The major reconstruction accounts were appropriated \$4.79 billion for FY 2016. Of this amount, almost \$2.67 billion had been obligated from ASFF, and \$138.76 million had been transferred from DOD CN to the military services and defense agencies for obligation and disbursement, as of September 30, 2016. More than \$2.07 billion remained for possible disbursement. Table 3.2 shows amounts appropriated the major reconstruction funds for FY 2016.

STATUS OF FUNDS

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014. Of that amount, nearly \$1.05 billion remained for possible disbursement, as of September 30, 2016, as shown in Table 3.4 and Figure 3.5.

TABLE 3.4

FY 2014 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,962.34	\$3,947.42	\$3,809.09	\$138.33
CERP	30.00	6.62	6.44	0.18
AIF	144.00	127.92	12.96	114.95
TFBSO	122.24	106.77	85.84	20.93
DOD CN	238.96	238.96	238.96	0.00
ESF	907.00	835.92	216.48	619.43
INCLE	225.00	224.74	69.56	155.18
Total Major Funds	\$5,629.54	\$5,488.34	\$4,439.33	\$1,049.01

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$141 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/20/2016.

Congress appropriated more than \$5.03 billion to four of the seven major reconstruction funds for FY 2015. Of that amount, more than \$1.59 billion remained for possible disbursement, as of September 30, 2016, as shown in Table 3.5 and Figure 3.6.

TABLE 3.5

FY 2015 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,939.33	\$3,939.23	\$3,361.81	\$577.42
CERP	10.00	3.37	1.60	1.77
ESF	831.90	790.40	2.00	788.40
INCLE	250.00	249.98	27.03	222.95
Total Major Funds	\$5,031.23	\$4,982.98	\$3,392.44	\$1,590.53

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$48 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/20/2016.

FIGURE 3.5

FY 2014 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

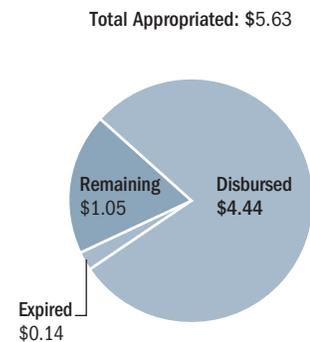
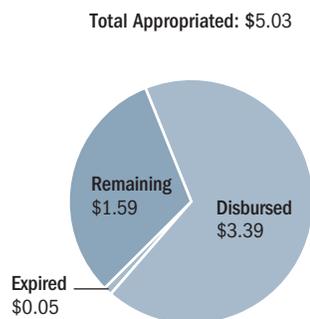
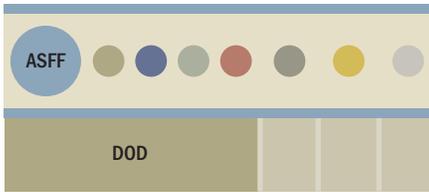


FIGURE 3.6

FY 2015 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



STATUS OF FUNDS



ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANDSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.¹⁶³ The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.¹⁶⁴ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.¹⁶⁵

This quarter, DOD reprogrammed \$230 million into FY 2015 ASFF, increasing total cumulative funding to more than \$64.15 billion. This reprogramming activity, which was part of DOD's omnibus reprogramming request for 2016, was the first reprogramming inflow in the fund's history.¹⁶⁶

As of September 30, 2016, more than \$61.19 billion of total ASFF funding had been obligated, of which more than \$60.08 billion had been disbursed.¹⁶⁷ Figure 3.7 displays the amounts made available for the ASFF by fiscal year. DOD reported that cumulative obligations increased by nearly \$1.10 billion over the quarter, and cumulative disbursements increased by more than \$1.75 billion.¹⁶⁸ Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

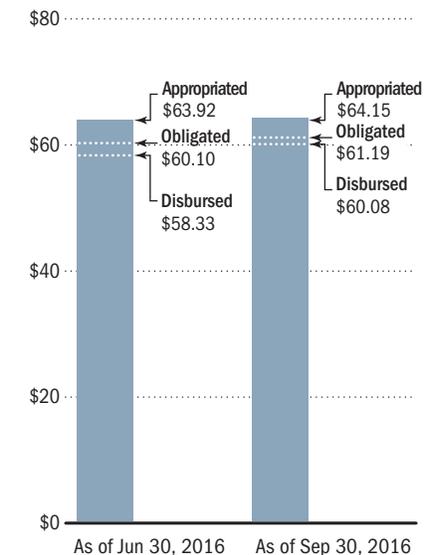
FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR (\$ BILLIONS)



FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON (\$ BILLIONS)



Note: Numbers have been rounded. Data reflects reprogramming actions and rescissions. DOD reprogrammed \$1 billion of FY 2011, \$1 billion of FY 2012, and \$178 million of FY 2013 out of the ASFF to fund other DOD requirements. Pub. L. No. 113-6 rescinded \$1 billion from FY 2012. Pub. L. No. 113-235 rescinded \$764.38 million from FY 2014. Pub. L. No. 114-113 rescinded \$400 million from FY 2015. DOD reprogrammed \$230 million into FY 2015 ASFF.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/19/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2016," 7/15/2016; Pub. L. Nos. 114-113, 113-235, 113-76, and 113-6; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016.

STATUS OF FUNDS

ASFF BUDGET ACTIVITIES

DOD allocates funds to three **budget activity groups** within the ASFF:

- Defense Forces (Afghan National Army, ANA)
- Interior Forces (Afghan National Police, ANP)
- Related Activities (primarily Detainee Operations)

Funds for each **budget activity group** are further allocated to **four subactivity groups**: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.¹⁶⁹ The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.¹⁷⁰

As of September 30, 2016, DOD had disbursed more than \$59.80 billion for ANDSF initiatives. Of this amount, nearly \$40.20 billion was disbursed for the ANA, and nearly \$19.61 billion was disbursed for the ANP; the remaining \$388.36 million was directed to related activities such as detainee operations. This total is about \$108 million higher than the cumulative total disbursed due to an accounting adjustment which arises when there is a difference between the amount of disbursements or collections reported to the Defense Finance and Accounting Service and the Department of the Treasury.¹⁷¹

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$17.31 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—more than \$8.38 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.¹⁷²

Budget Activity Groups: categories within each appropriation or fund account that identify the purposes, projects, or types of activities financed by the appropriation or fund

Subactivity Groups: accounting groups that break down the command's disbursements into functional areas

Source: DOD, *Manual 7110.1-M Department of Defense Budget Guidance Manual*, accessed 9/28/2009; Department of the Navy, *Medical Facility Manager Handbook*, p. 5, accessed 10/2/2009.

FIGURE 3.9

ASFF DISBURSEMENTS FOR THE ANA
BY SUBACTIVITY GROUP,
FY 2005–SEPTEMBER 30, 2016 (\$ BILLIONS)

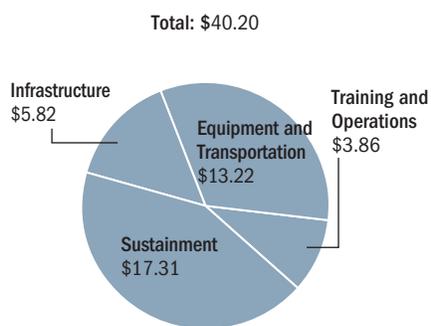
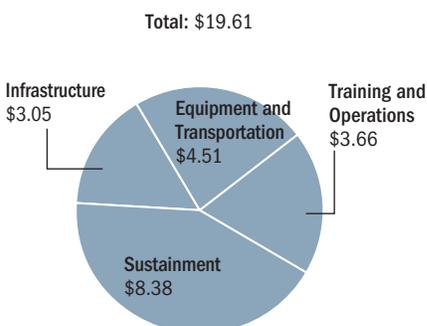


FIGURE 3.10

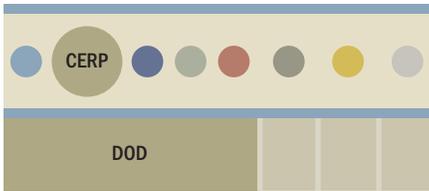
ASFF DISBURSEMENTS FOR THE ANP
BY SUBACTIVITY GROUP,
FY 2005–SEPTEMBER 30, 2016 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/15/2016.

STATUS OF FUNDS



CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/14/2010.

COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.¹⁷³ CERP-funded projects may not exceed \$2 million each.¹⁷⁴

The Consolidated Appropriations Act, 2016, appropriated \$5 million for CERP, increasing total cumulative funding to more than \$3.68 billion.¹⁷⁵ Of this amount, DOD reported that nearly \$2.29 billion had been obligated, of which nearly \$2.27 billion had been disbursed as of September 30, 2016.¹⁷⁶ Figure 3.11 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for CERP projects.

After a period of consistent and substantial decreases in CERP funding levels, as shown in Figure 3.12, the FY 2016 CERP obligation rate of 63% of the \$5 million appropriated was the fund's highest since FY 2011. Regardless, FY 2016 CERP obligations of \$3.13 million were still \$243,104 less than the amount obligated in FY 2015.¹⁷⁷

FIGURE 3.11

CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

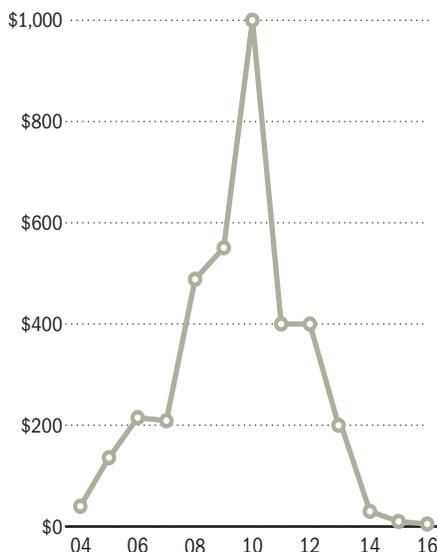


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers.

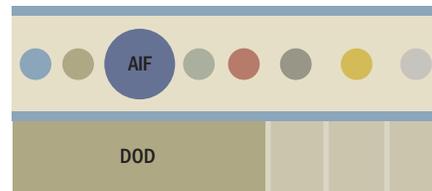
Source: DOD, response to SIGAR data calls, 10/18/2016 and 7/19/2016; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, 112-10.

AFGHANISTAN INFRASTRUCTURE FUND

The AIF was established in FY 2011 to pay for high-priority, large-scale infrastructure projects that support the U.S. civilian-military effort. Congress intended for projects funded by the AIF to be jointly selected and managed by DOD and State. Each AIF-funded project is required to have a plan for its sustainment and a description of how it supports the counter-insurgency strategy in Afghanistan.¹⁷⁸ The AIF received appropriations from FY 2011 through FY 2014. Although the AIF no longer receives appropriations, many projects remain in progress. DOD may obligate up to \$50 million from FY 2016 ASFF to complete existing AIF projects.¹⁷⁹

The AIF received cumulative appropriations of over \$1.32 billion; however, \$335.50 million of these funds were transferred to the Economic Support Fund (ESF) for USAID's power transmission lines projects, bringing the cumulative amount remaining in the AIF to \$988.50 million.¹⁸⁰ Figure 3.13 shows AIF appropriations by fiscal year.

As of September 30, 2016, nearly \$774.71 million of total AIF funding had been obligated, and nearly \$571.22 million had been disbursed, as shown in Figure 3.14.¹⁸¹



AIF FUNDS TERMINOLOGY

DOD reported AIF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2012.

FIGURE 3.13

AIF APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

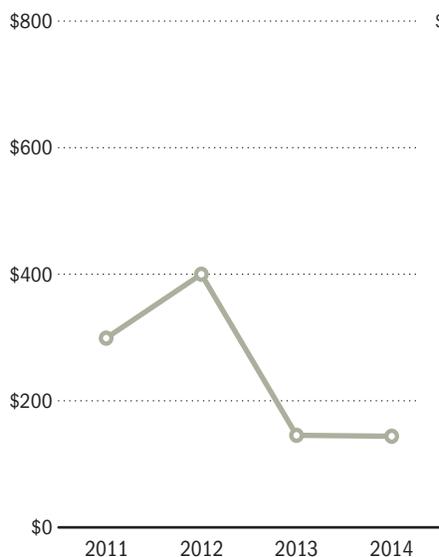
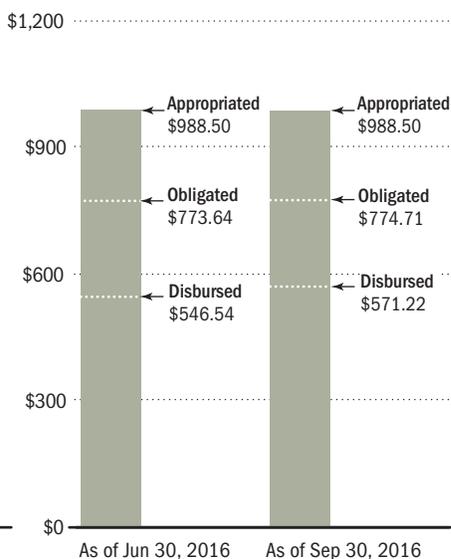


FIGURE 3.14

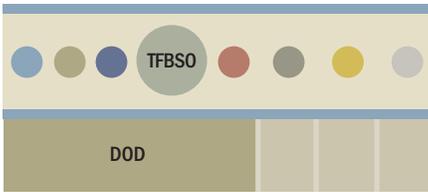
AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Note: Numbers have been rounded. Data reflects the following transfers from AIF to USAID's Economic Support Fund: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016," 10/15/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2016," 7/15/2016; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

STATUS OF FUNDS



TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO authorities expired on December 31, 2014, and the TFBSO concluded its operations on March 31, 2015. TFBSO projects included activities intended to facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.¹⁸²

Through September 30, 2016, the TFBSO had been appropriated more than \$822.85 million since FY 2009. Of this amount, more than \$754.36 million had been obligated and more than \$640.61 million had been disbursed.¹⁸³ Figure 3.15 displays the amounts appropriated for the TFBSO by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for the TFBSO and its projects.

FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

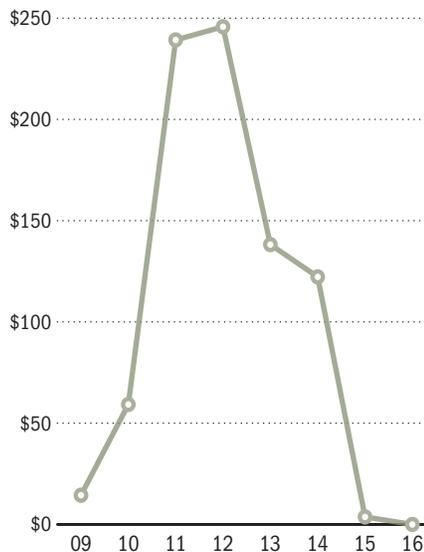
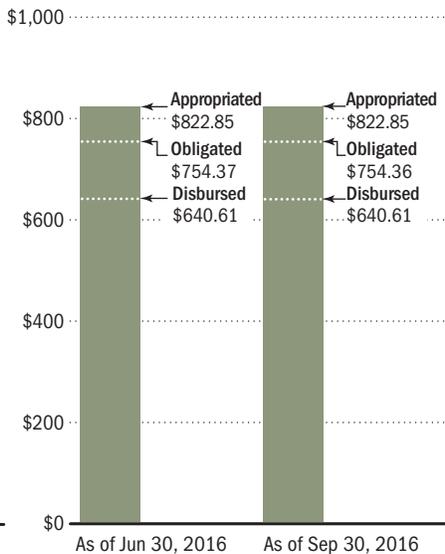


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower obligated figure than reported last quarter. Of the \$822.85 million appropriated the TFBSO, \$366.05 million was from the Operations and Maintenance, Army, account to pay for the sustainment of U.S. assets, civilian employees, travel, security, and other operational costs; all FY 2015 funding was from this account.

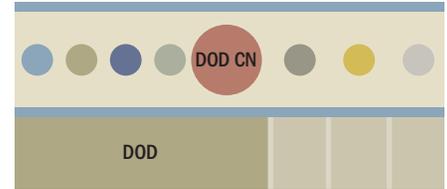
Source: DOD, response to SIGAR data calls, 10/11/2016, 7/12/2016, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

DOD DRUG INTERDICTION AND COUNTER-DRUG ACTIVITIES

The DOD Drug Interdiction and Counter-drug Activities (DOD CN) fund supports efforts to stabilize Afghanistan by combating the drug trade and related activities. DOD uses the DOD CN to provide assistance to the counternarcotics effort by supporting military operations against drug traffickers; expanding Afghan interdiction operations; and building the capacity of Afghan law enforcement bodies—including the Afghan Border Police—with specialized training, equipment, and facilities.¹⁸⁴

DOD CN funds are appropriated by Congress to a single budget line for all military services. DOD reprograms the funds from the Counter-narcotics Central Transfer Account (CTA) to the military services and defense agencies, which track obligations of the transferred funds. DOD reported DOD CN accounts for Afghanistan as a single figure for each fiscal year.¹⁸⁵

DOD reported that DOD CN received more than \$138.76 million for Afghanistan for FY 2016, bringing cumulative funding for DOD CN to nearly \$3 billion since FY 2004, all of which had been transferred to the military services and defense agencies for DOD CN projects, as of September 30, 2016.¹⁸⁶ Figure 3.17 shows DOD CN appropriations by fiscal year, and Figure 3.18 provides a cumulative comparison of amounts appropriated and transferred from the DOD CN CTA.



DOD CN FUNDS TERMINOLOGY

DOD reported DOD CN funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: DOD, response to SIGAR data call, 4/13/2010.

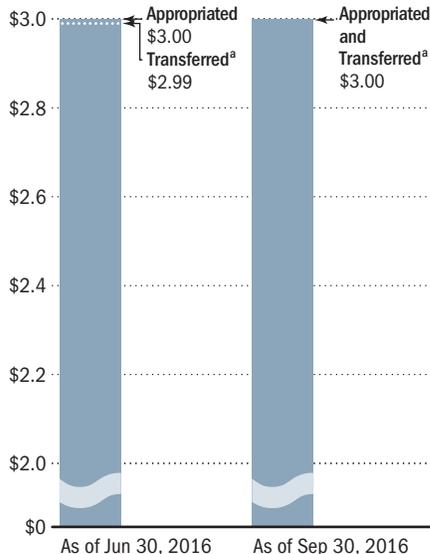
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

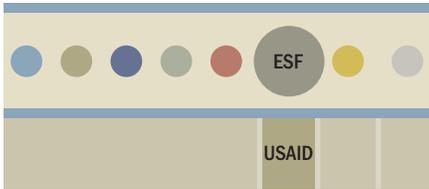


Note: Numbers have been rounded. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

^a DOD reprograms all DOD CN funds to the military services and defense agencies for obligation and disbursement.

Source: DOD, response to SIGAR data calls, 10/12/2016 and 6/21/2016; OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

STATUS OF FUNDS



ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: USAID, response to SIGAR data call, 4/15/2010.

ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.¹⁸⁷

The ESF was appropriated \$812.27 million for FY 2016, bringing cumulative funding to more than \$19.41 billion, including amounts transferred from AIF to the ESF for USAID's power transmission lines projects. Of this amount, nearly \$17.87 billion had been obligated, of which nearly \$14.56 billion had been disbursed.¹⁸⁸ Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of September 30, 2016, increased nearly \$787.62 million and cumulative disbursements increased by more than \$78.49 million from the amounts reported last quarter.¹⁸⁹ Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

FIGURE 3.19

ESF APPROPRIATIONS BY FISCAL YEAR
(\$ BILLIONS)

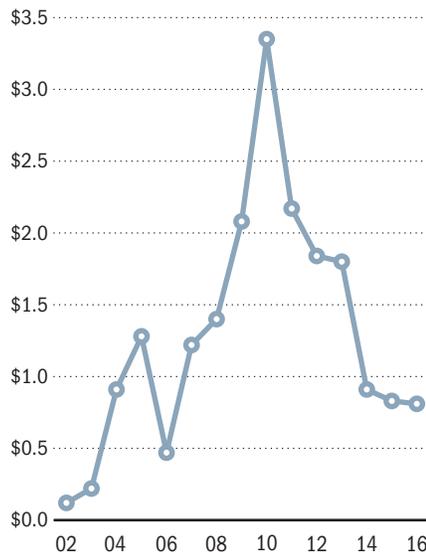
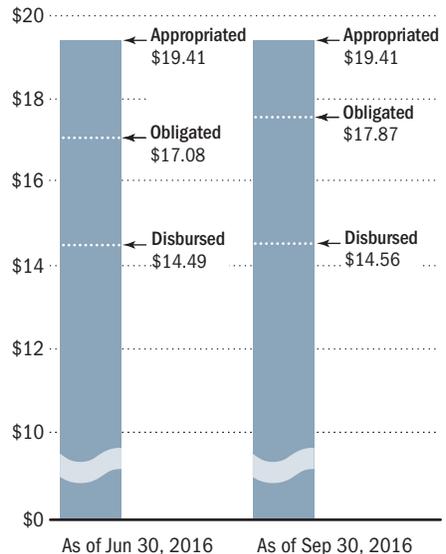


FIGURE 3.20

ESF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data reflects the following transfers from AIF to the ESF: \$101 million for FY 2011, \$179.5 million for FY 2013, and \$55 million for FY 2014.

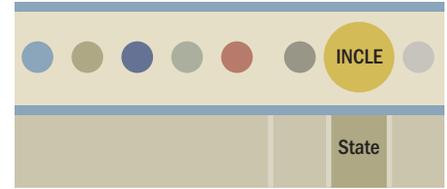
Source: USAID, response to SIGAR data calls, 10/19/2016 and 7/11/2016; State, response to SIGAR data calls, 5/4/2016, 10/20/2015, 4/15/2015, and 4/15/2014.

INTERNATIONAL NARCOTICS CONTROL AND LAW ENFORCEMENT

The U.S. Bureau of International Narcotics and Law Enforcement Affairs (INL) manages the International Narcotics Control and Law Enforcement (INCLE) account which funds projects and programs for advancing rule of law and combating narcotics production and trafficking. INCLE supports several INL program groups, including police, counternarcotics, and rule of law and justice.¹⁹⁰

State reported that INCLE was appropriated \$185 million for FY 2016, bringing cumulative funding for INCLE to nearly \$4.88 billion. Of this amount, more than \$4.55 billion had been obligated, of which, nearly \$3.83 billion had been disbursed.¹⁹¹ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of September 30, 2016, increased nearly \$229.20 million and cumulative disbursements increased nearly \$97.90 million over amounts reported last quarter.¹⁹² Figure 3.22 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for INCLE.



INL FUNDS TERMINOLOGY

INL reported INCLE and other INL funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

Source: State, response to SIGAR data call, 4/9/2010.

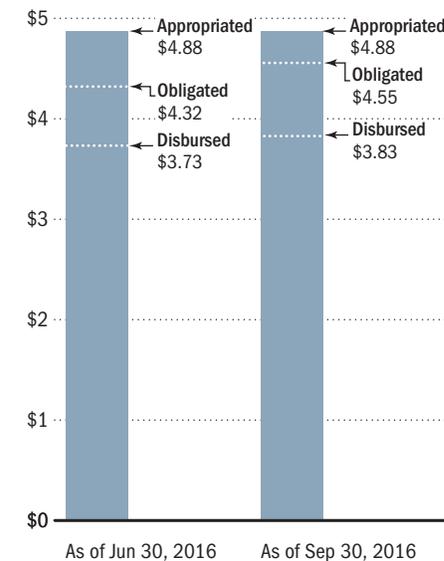
FIGURE 3.21

INCLE APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include interagency transfers.

Source: State, response to SIGAR data calls, 10/12/2016, 7/15/2016, and 4/7/2016.

INTERNATIONAL RECONSTRUCTION FUNDING FOR AFGHANISTAN

In addition to assistance provided by the United States, the international community provides a significant amount of funding to support Afghanistan relief and reconstruction efforts. Most of the international funding provided is administered through trust funds. Contributions provided through trust funds are pooled and then distributed for reconstruction activities. The two main trust funds are the Afghanistan Reconstruction Trust Fund (ARTF) and the Law and Order Trust Fund for Afghanistan (LOTFA).¹⁹³

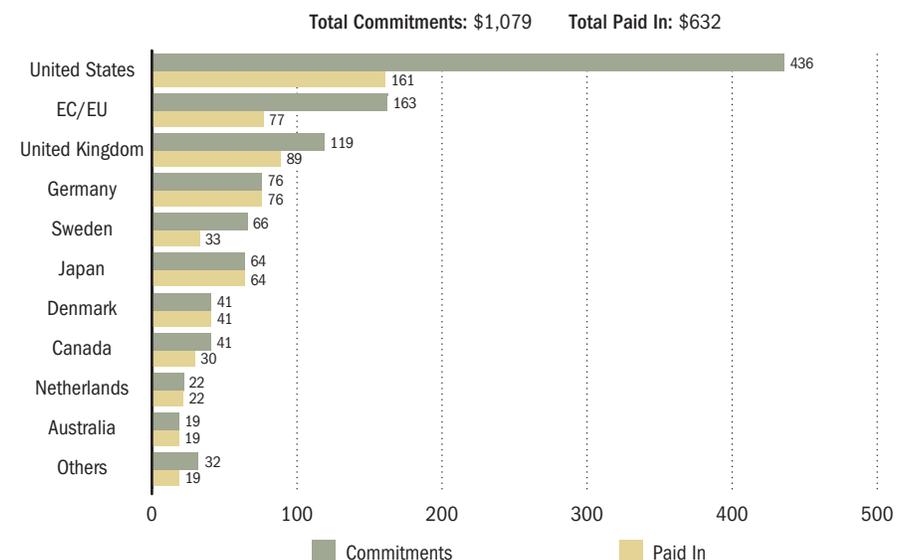
Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to September 21, 2016, the World Bank reported that 34 donors had pledged more than \$9.66 billion, of which nearly \$9.22 billion had been paid in.¹⁹⁴ According to the World Bank, donors had pledged nearly \$1.08 billion to the ARTF for Afghan fiscal year 1395, which runs from December 22, 2015, to December 21, 2016.¹⁹⁵ Figure 3.23 shows the 10 largest donors to the ARTF for FY 1395.

As of September 21, 2016, the United States had pledged nearly \$3.12 billion and paid in more than \$2.84 billion since 2002.¹⁹⁶ The United States and

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1395 BY DONOR, AS OF SEPTEMBER 21, 2016 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1395 = 12/22/2015–12/21/2016.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of September 21, 2016 (end of 9th month of FY 1395)," p. 1.

STATUS OF FUNDS

the United Kingdom are the two biggest donors to the ARTF, together contributing over 48% of its total funding, as shown in Figure 3.24.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.¹⁹⁷ As of September 21, 2016, according to the World Bank, more than \$4.05 billion of ARTF funds had been disbursed to the Afghan government through the RC Window to assist with recurrent costs such as salaries of civil servants.¹⁹⁸ The RC Window supports the operating costs of the Afghan government because the government’s domestic revenues continue to be insufficient to support its recurring costs. To ensure that the RC Window receives adequate funding, donors to the ARTF may not “preference” (earmark) more than half of their annual contributions for desired projects.¹⁹⁹

The Investment Window supports the costs of development programs. As of September 21, 2016, according to the World Bank, nearly \$4.46 billion had been committed for projects funded through the Investment Window, of which nearly \$3.53 billion had been disbursed. The World Bank reported 25 active projects with a combined commitment value of nearly \$3.12 billion, of which nearly \$2.19 billion had been disbursed.²⁰⁰

Contributions to the Law and Order Trust Fund for Afghanistan

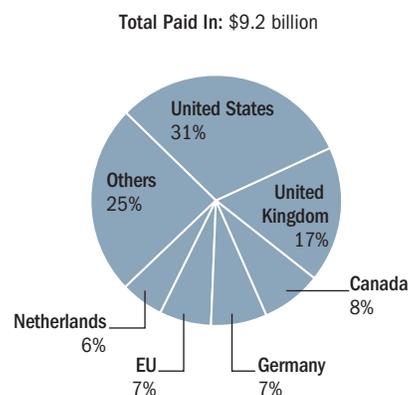
The United Nations Development Programme (UNDP) administers the LOTFA to pay ANP salaries and build the capacity of the Ministry of Interior (MOI).²⁰¹ Since 2002, donors have pledged more than \$4.70 billion to the LOTFA, of which nearly \$4.68 billion had been paid in, as of October 13, 2016. UNDP reported that the United States had committed and paid in more than \$1.64 billion since the fund’s inception.²⁰² Figure 3.25 shows the four largest donors to the LOTFA since 2002.

The LOTFA’s eighth phase began on July 1, 2015. The phase has an initial estimated budget of \$883.56 million and is planned to run through December 31, 2016. The Phase VIII budget is divided between two individual projects. Over \$850.56 million is for the Support to Payroll Management (SPM) project that aims to develop the capacity of the Afghan government to independently manage all non-fiduciary aspects of its pay budget for the ANP and Central Prisons Directorate (CPD) staff by December 31, 2016.²⁰³ While capacity building is an important aspect of the project, most SPM project funding—nearly \$842.44 million—will be transferred from the UNDP Country Office to the Ministry of Finance (MOF) for ANP and CPD staff remunerations.²⁰⁴ The MOI and Police Development (MPD) project is budgeted the remaining \$33 million. The MPD project focuses on institutional development of the MOI and police professionalization of the ANP.²⁰⁵

From July 1, 2015, through June 30, 2016, UNDP had expended more than \$439.79 million on the SPM project for Phase VIII. Of this amount, nearly \$435.98 million was transferred to the MOF to pay for ANP and CPD staff. In addition, more than \$9.37 million was expended on the MPD project.²⁰⁶

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–SEPTEMBER 21, 2016

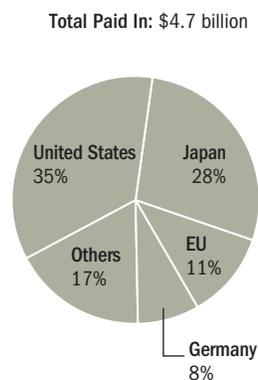


Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of September 21, 2016 (end of 9th month of FY1395),” p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF OCTOBER 13, 2016



Note: Numbers have been rounded. EU = European Union. “Others” includes 26 donors.

Source: UNDP, response to SIGAR data call, 10/13/2016.

SECURITY CONTENTS

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SECURITY

As of September 30, 2016, the U.S. Congress had appropriated nearly \$68.7 billion to support the Afghan National Defense and Security Forces (ANDSF). This accounts for 60% of all U.S. reconstruction funding for Afghanistan since fiscal year (FY) 2002.

In 2005, Congress established the Afghanistan Security Forces Fund (ASFF) to build, equip, train, and sustain the ANDSF, which comprises all security forces under the Ministry of Defense (MOD) and the Ministry of Interior (MOI). Additionally, ASFF is used to support the Afghan Local Police (ALP), which come under the MOI, although the ALP is not considered part of the ANDSF. Most U.S.-provided funds were channeled through the ASFF and obligated by either the Combined Security Transition Command-Afghanistan (CSTC-A) or the Defense Security Cooperation Agency. Of the \$64.2 billion appropriated for the ASFF, \$61.2 billion had been obligated and \$60.1 billion disbursed.²⁰⁷

This section discusses assessments of the Afghan National Army (ANA), Afghan National Police (ANP), and the Ministries of Defense and Interior; gives an overview of how U.S. funds are used to build, equip, train, and sustain the Afghan security forces; and provides an update on efforts to combat the cultivation of and commerce in illicit narcotics in Afghanistan.

KEY ISSUES AND EVENTS THIS QUARTER

Peace with Hezb-e Islami

In September, President Ashraf Ghani signed a peace deal with the leader of Hezb-e Islami Gulbuddin, the first since the war began in 2001.²⁰⁸ The 25-point peace agreement gives Gulbuddin Hekmatyar and his followers immunity for past actions and grants them the right to participate in Afghanistan's political system.²⁰⁹ The Afghan government agreed to lobby international organizations to lift sanctions on Hekmatyar and Hezb-e Islami.²¹⁰ However, critics expressed concerns about the agreement's failure to hold perpetrators accountable for war crimes, crimes against humanity, and gross violations of human rights.²¹¹ Ghani said the deal should serve as an example, and "now is the time for the Taliban to decide whether they want to continue the war or participate in peace talks."²¹²

October 7, 2016, marked the 15-year anniversary of America's war in Afghanistan.

Source: *New York Times*, "Voices from a Worsening Afghan War," 10/7/2016.

Security incidents: reported incidents that include armed clashes, improvised explosive devices, targeted killings, abductions, suicide attacks, criminal acts, and intimidation. Reported incidents are not necessarily actual incidents.

Growing Volatility in Afghanistan

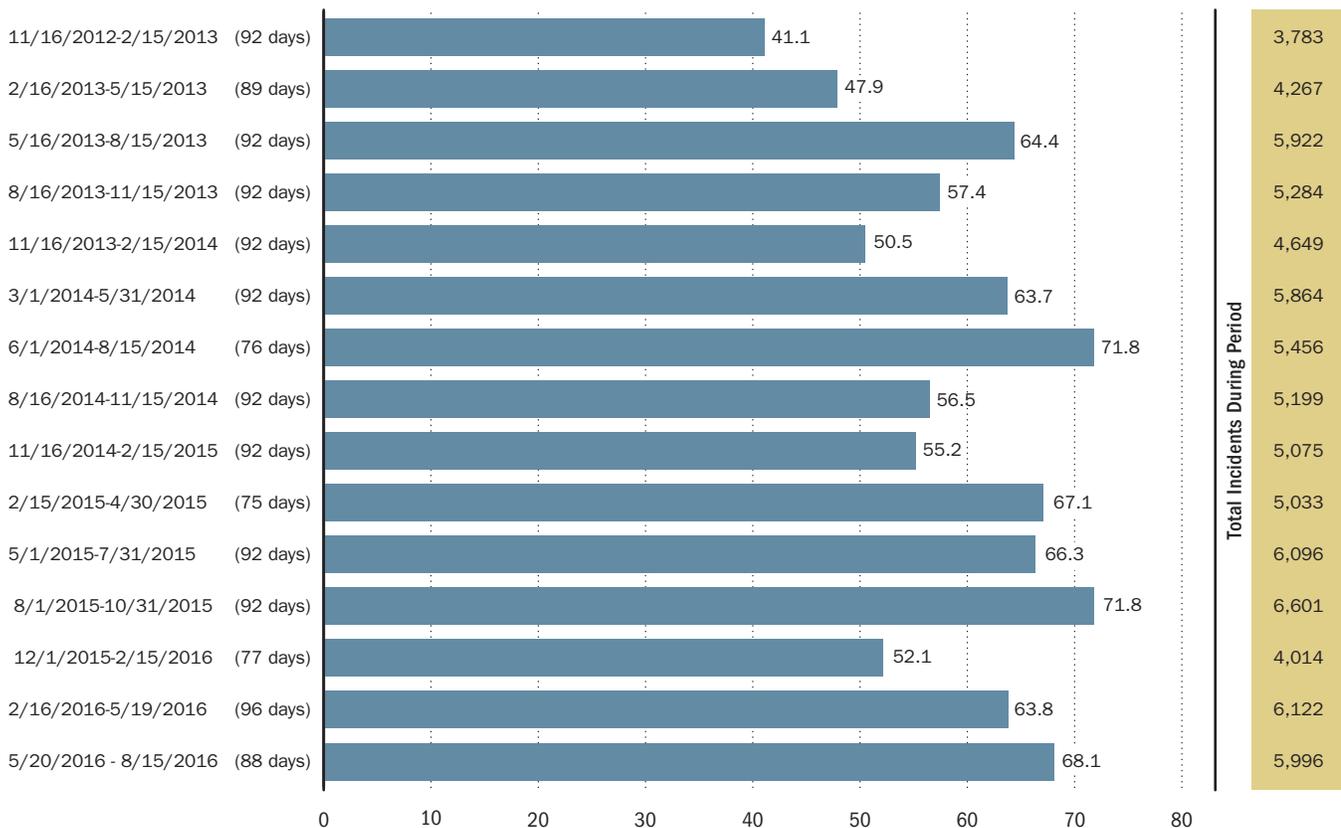
The United Nations (UN) Secretary-General reported in September that increased tensions between the Afghan President and the Chief Executive, persistent security challenges, and rising pressure from political opposition groups contributed to growing volatility in Afghanistan.²¹³ The overall security situation remained highly volatile as intensive Taliban operations continued, challenging government control in northeastern, northern, and southern provinces, and attempting to cut key supply routes.²¹⁴

The UN recorded 5,996 security incidents between May 20, and August 15, 2016, as reflected in Figure 3.26, representing a 4.7% increase as compared to the same period last year, and a 3.6% decrease against the same period in 2014.²¹⁵ As in past UN reporting, armed clashes account for the majority of the security incidents (62.6%), followed by those involving

Source: SIGAR, analysis of the United Nations report, 12/9/2014.

FIGURE 3.26

AVERAGE NUMBER OF REPORTED SECURITY INCIDENTS PER DAY



Note: Security incidents were not reported for November 2015.

Source: UN, reports of the Secretary-General, *The situation in Afghanistan and its implications for international peace and security*, 9/7/2016, p. 5; 6/10/2016, p. 4; 3/7/2016, p. 6; 12/10/2015, p. 5; 9/1/2015, p. 4; 6/10/2015, p. 4; 2/27/2015, p. 4; 12/9/2014, p. 5; 9/9/2014, p. 6; 6/18/2014, p. 5; 3/7/2014, p. 5; 12/6/2013, p. 6; 9/6/2013, p. 6; 6/13/2013, p. 5; and 3/5/2013, p. 5.

improvised-explosive devices (17.3%.)²¹⁶ During the period, 68.1% of the recorded security incidents occurred in the southern, southeastern, and eastern regions.²¹⁷

High-profile attacks in the capital city continued with the Department of Defense (DOD) reporting there have been about 16 high-profile attacks this year as compared to 23 last year.²¹⁸ The July 23 attack during an ethnic-Hazara demonstration, in which 73 civilians were killed and 293 injured, was the deadliest single incident recorded by the UN in Afghanistan since 2001.²¹⁹ The UN Assistance Mission in Afghanistan reported that the highest number of civilian casualties recorded since 2009 occurred in the first six months of 2016—1,601 killed and 3,565 injured.²²⁰ Nearly one in three casualties were children and 507 casualties were women.²²¹

General John Nicholson, Commander of Resolute Support (RS) and U.S. Forces-Afghanistan, said ISIL was operating primarily in three to four districts including Nangarhar and Kunar—a decrease from the nine to ten districts the group populated last year. The general estimated the number of ISIL fighters in Afghanistan range from 1,200 to 1,300.²²² In late July, the general attributed the killing of 12 top ISIL leaders and roughly 25% of the fighters to joint U.S.-Afghan special forces operations in Nangarhar.²²³

During the reporting period, the Taliban launched attacks on the cities of Tarin Kowt, Kunduz, and Kandahar.²²⁴ Afghan media reported that police forces abandoned 89 Tarin Kowt checkpoints to the Taliban; however, an interior ministry spokesman denied such reports.²²⁵ General Nicholson said the police at isolated checkpoints are vulnerable to being overrun by a larger enemy force.²²⁶ After overrunning a checkpoint, insurgents use “psychology operations” by calling the next checkpoint and telling Afghan forces there that they will not be attacked if they leave their posts.²²⁷

In late September, Afghan forces and the Taliban were again fighting for control of Kunduz City, invoking memories of the October 2015 battle there that resulted in a high number of civilian casualties and damaged property.²²⁸ A Ministry of Public Health spokesperson reported fighting in every street, and an MOD spokesperson noted the challenge of fighting insurgents in garb indistinguishable from that of local residents.²²⁹ Residents reported shelling of civilian areas, the governor’s office, and the city hospital.²³⁰ Approximately two-thirds of the city’s medical staff fled to avoid the violence and Taliban harassment.²³¹ After five days of fighting, the ANDSF had retaken most of the city but fighting continued on the Kabul-Kunduz highway and the Taliban still controlled several outlying regions.²³² After 11 days, security officials announced the city was cleared of insurgents.²³³ The Taliban attack has also led to shortages of food, water, medical care, and electrical power.²³⁴ The UN reported the fighting has forced as many as 10,000 people from their homes.²³⁵ The Independent Human Rights Commission of Afghanistan reported at least 50 civilians killed and over 350 others wounded.²³⁶ According to Afghan media, nearly 200 Taliban,



Afghan Defense Minister Habibi and RS commander General Nicholson participating in the Kunduz security shura with the Afghan government, ANDSF, local elders, and civilian representatives on August 2, 2016. (Photo by Tech. Sgt. Roberto C. Velez)

“Of the 98 U.S.- or UN-designated terrorist organizations around the globe, 20 of them are in the Af-Pak region. This is highest concentration ... in any area in the world.”

—General John Nicholson,
Commander Resolute Support and
U.S. Forces-Afghanistan

Source: General John Nicholson, Department of Defense, press briefing via teleconference from Afghanistan, 9/23/2016.

“Political stability and unity are also necessary to create the right conditions for continued progress by the ANDSF on the battlefield.”

—Richard Olson,
Special Representative to
Afghanistan and Pakistan,
U.S. Department of State

Source: Committee Testimony, “Statement of Richard Olson Special Representative, Afghanistan and Pakistan U.S. Department of State on Afghanistan Policy,” 9/15/2016.

including their shadow provincial governor, and around 20 Afghan security forces had been killed or wounded.²³⁷

As this report went to press, the ANDSF were also fighting insurgents in Helmand, Farah, Faryab, Uruzgan, and Baghlan Provinces.²³⁸

SUSTAINABLE SECURITY STRATEGY

USFOR-A reported the ANDSF implemented a sustainable security strategy during the summer campaign.²³⁹ The strategy prioritizes the use of available resources by following what it calls a “hold-fight-disrupt” methodology.²⁴⁰ The methodology focuses on maintaining key security environments—those that the ANDSF must hold to prevent defeat—while targeting foreign terrorist and violent extremist organizations.²⁴¹ USFOR-A defined three sustainable security-strategy elements:²⁴²

- **Hold** in strategic areas that cannot be lost to the enemy
- **Fight** in areas where enemy control for a long period will negatively affect the Afghan government; such areas would warrant fewer resources to secure than hold regions
- **Disrupt** in areas that the ANDSF has limited ability to secure by using intermittent offensive operations

Resolute Support Brigadier General Charles H. Cleveland, Deputy Chief of Staff for Communications, described the sustainable security strategy as maintaining control of certain, but not all, areas of the country. The ANDSF will immediately act against insurgent activity in a hold or fight area, such as key population centers, major economic arteries, and the Ring Road. In other areas the ANDSF will disrupt insurgent operations but will not seek to hold on or fight for those areas.²⁴³

DISTRICT CONTROL

USFOR-A reported that approximately 63.4% of the country’s districts are under Afghan government control or influence as of August 28, 2016, a decrease from the 65.6% reported as of May 28, 2016. During a press briefing on September 23, General Nicholson reported “68–70% of the population lived in those districts.”²⁴⁴ As reflected in Table 3.6, of the 407 districts within the 34 provinces, 258 districts were under government control (88 districts) or influence (170), 33 districts (in 16 provinces) were under insurgent control (8) or influence (25), and 116 districts were “contested.”²⁴⁵ USFOR-A described contested districts as having “negligible meaningful impact from insurgents.”²⁴⁶

According to USFOR-A, the RS mission determines district status by assessing five indicators of stability: governance, security, infrastructure, economy, and communications.²⁴⁷ USFOR-A identified the regions/provinces with the largest percentage of insurgent-controlled or -influenced

TABLE 3.6

DISTRICT CONTROL WITHIN THE 34 AFGHANISTAN PROVINCES AS OF AUGUST 28, 2016						
Control Status	Districts		Population		Area	
	Number	%	In millions	%	Sq Km	%
GIROA			22.0	68.5%	394,586	61.3%
Control	88	21.6%				
Influence	170	41.8%				
CONTESTED	116	28.5%	7.3	22.7%	182,686	28.4%
INSURGENT			2.8	8.7%	66,517	10.3%
Control	8	2.0%				
Influence	25	6.1%				
Total	407	100%	32.1	100%	643,789	100%

Note: GIROA = Government of the Islamic Republic of Afghanistan; sq km = square kilometers.

Source: USFOR-A, response to SIGAR data call, 8/30/2016.

districts as Helmand (21%) and the RS Train, Advise, Assist Command-North (TAAC) (15%) and TAAC-South (11.6%) regions.²⁴⁸ The nine provinces within the TAAC-North area of responsibility are Badakhshan, Baghlan, Balkh, Faryab, Jowzjan, Kunduz, Samangan, Sar-e Pul, and Takhar.²⁴⁹ The TAAC-South area of responsibility includes Kandahar, Uruzgan, Zabul, and Daykundi.²⁵⁰ According to USFOR-A, the districts under insurgent control or influence from December 2015 to August 2016 were districts in “disrupt” areas. The ANDSF will target these districts for clearance operations when the opportunity arises, but will give first priority to protecting “hold” and “fight” districts under its control.²⁵¹ Although the ANDSF intentionally ceded ground in the “disrupt” areas, USFOR-A reported that the more populated parts of Helmand, one of the most historically contested provinces, remained under Afghan government control. As reflected in Table 3.6, the majority (68.5%) of the population lives in districts under Afghan government control or influence while 8.7% of the population live in districts under insurgent control or influence; the rest live in contested areas.²⁵²

U.S. FORCES IN AFGHANISTAN

According to DOD, the NATO-led Resolute Support (RS) train, advise, and assist mission consists of 13,453 U.S. and Coalition personnel as of September 17, 2016. Of that number, 6,939 are U.S. forces, 4,934 are from the 26 NATO allied partners, and 1,580 are from the 12 non-NATO partner nations.²⁵³ The number of U.S. forces conducting or supporting counterterrorism operations was not provided.²⁵⁴

Since the RS mission began on January 1, 2015, through October 3, 2016, 12 U.S. military personnel were killed in action, in addition to 12 non-hostile deaths, for a total of 24 U.S. military deaths. During this period, 124 U.S.

As this report was going to press, USFOR-A reported one U.S. service member and one U.S. civilian were killed during an attack by what news reports said was an assailant wearing an Afghan army uniform near a Coalition base on October 19, 2016. In addition, one U.S. service member and two U.S. civilians were wounded in the attack.

Source: RS News, “Kabul casualty release,” 10/19/2016; *Washington Post*, “Two Americans killed in attack on base in Afghanistan,” 10/19/2016.

military personnel were wounded in action.²⁵⁵ Since the RS mission began through the last update on March 7, 2016, seven U.S. civilians or contractors were killed due to hostile actions in addition to nine deaths due to non-hostile causes. Nine DOD, U.S. civilian, or contractor personnel were wounded during this period.²⁵⁶ In vetting comments of this report, DOD noted that some of the contractors may have been involved in missions other than Resolute Support's train, advise, and assist mission.²⁵⁷

Since the Resolute Support Mission began on January 1, 2015, through August 19, 2016, eight insider attacks occurred in which ANDSF personnel turned their weapons on U.S. military personnel.²⁵⁸ Five insider attacks in 2015 killed three U.S. personnel and wounded 14; the three attacks reported this year killed two U.S. personnel and wounded one.²⁵⁹ Both 2016 fatalities occurred in Helmand Province.²⁶⁰ Insider attacks during 2015 were also responsible for the death of three of the seven U.S. civilians killed in Afghanistan and one of the nine wounded during this period.²⁶¹ There were 101 insider attacks in which ANDSF personnel turned on fellow ANDSF security forces during the same period. These attacks killed 257 Afghan personnel and wounded 125.²⁶² Of these attacks, 44 occurred in 2016, killing 120 and wounding 70.²⁶³ USFOR-A warned that their numbers may differ from official Afghan government casualty figures, which could be subject to some degree of error.²⁶⁴ According to USFOR-A, from January 1, 2016, through August 19, 2016, 5,523 ANDSF service members were killed and an additional 9,665 members were wounded.²⁶⁵

Challenges in Developing the Essential Functions of the ANDSF, MOD, and MOI

Key areas of the RS mission are organized under eight Essential Functions (EF). The highlights of each function reported to SIGAR this quarter include:

- **EF-1 (Multi-Year Budgeting and Execution):** EF-1 provided train-advise-assist (TAA) efforts to the MOD and MOI for the start of their fiscal year. Additionally, both ministries were reported to have identified unexecuted resources and proposed realignments of expiring current fiscal-year funds.²⁶⁶ While procurement remains a significant challenge for both ministries, improvements were reported in requirements validation, early contract awards, and use of multi-year or framework contracts.²⁶⁷
- **EF-2 (Transparency, Accountability, and Oversight):** EF-2 advisors supported the ministry and general-staff inspector generals (IG) on the Ministry Internal Control Program implementation.²⁶⁸ The IGs were reported to be making progress on the required annual and special inspections. The MOI IG identified instances of misuse of fuel, vehicles, and weapons and stopped unauthorized vehicles from receiving fuel. In addition, ministry-owned fuel tanks were authorized to be installed at

SIGAR FINANCIAL AUDIT

SIGAR published a financial audit this quarter on the U.S. Department of the Army's support for the Afghan Ministries of Defense and Interior (SIGAR 16-61-FA). The audit found \$17.7 million in unsupported costs incurred by Dyncorp International LLC for mentoring and training the Afghan National Police and Afghan National Army. For more information on the audit, see Section 2 of this report.

locations that previously only had privately owned fuel stations that lacked fuel-distribution controls.²⁶⁹

- EF-3 (Civilian Governance of Afghan Security Institutions):** EF-3 advisors met weekly with high-level MOD and MOI officials to discuss numerous gross violations of human rights cases in an effort to move them forward. EF-3 advisors received critical documents on ministry efforts, official investigations, prosecutions, and judicial decisions. The ministry officials accepted the advisors’ revisions to reflect vital facts and the current status of each case. EF-3 reported some resistance in responding to gross human rights violations, however, advisors noted that making U.S.-funds available for official travel contingent on measurable progress has helped to serve as motivation.²⁷⁰ With the recruitment of five Afghan attorneys from the Functional Area Support Teams program, MOD’s legal department now has nine attorneys, however many of its staff are not legally educated or trained. EF-3 is assisting the MOD in reviewing all 46 employees’ qualifications and to evaluate the directorate’s capacity for legal work.²⁷¹
- EF-4 (Force Generation):** EF-4 estimates 70–80% of the ANA and 95% of the ANP are biometrically registered—a prerequisite for enrollment in the Afghanistan Personnel Pay System. A review and validation of all ANA personnel and biometric information that began in August is scheduled to be completed in October 2017.²⁷² DOD reported in their vetting comments that validation efforts are expected to eliminate “ghost soldiers.”²⁷³ The EF-4 Police Institutional Advisory Team visited three of the Regional Training Centers, with plans to visit two additional ones by the end of October, to identify systemic training issues and develop future TAA focus.²⁷⁴
- EF-5 (Sustainment):** This quarter the EF-5 advisors assisted the MOI in awarding a contract for radio operation and maintenance in support of the Kabul MOI first responders. The competitive process resulted in a contract award that reduced annual costs from over \$14 million to under \$2 million.²⁷⁵ According to EF-5, the ANP Information, Communication, and Technology staff transitioned all network operations from the old MOI headquarters into the new headquarters building without disrupting network, video teleconferencing, data, or voice communications.²⁷⁶ Additionally the ANP was able address critical shortages by inventorying, recording in CoreIMS, and distributing 60 pallets of critical radio-repair equipment in four days.²⁷⁷ Additional updates are included in the ANA and ANP Equipment portions of this section.
- EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** EF-6 has two missions: (1) strategic planning and policy and (2) execution and employment of the force. For the execution and employment mission, EF-6 oversees execution of operations to ensure forces are used correctly.²⁷⁸ This quarter EF-6 reported the Afghan ministries made moderate progress over the summer. Two milestone assessments were upgraded, two milestones required timeline adjustments, and two other



RS advisors train Afghans on flying the MD-530 helicopter in Kabul, August 25, 2016. (U.S. Air Force photo by Capt. Jason Smith)

milestones had minor amendments.²⁷⁹ EF-6 assesses the ANA are misusing personnel during high-tempo operations, there is a broken link between readiness reporting and prioritizing the fielding of equipment, and the summer campaign is blunting the effects of TAA efforts.²⁸⁰ Additionally, advancement is hindered by ANP delays in approving standard operating procedures and the MOI's failure to enforce process-oriented operations orders.²⁸¹ For more in-depth information, see page 112 of this section.

- **EF-7 (Intelligence):** While the Afghan Geodesy and Cartography Head Office has had difficulty supporting ANDSF geospatial requirements since its 2007 inception, EF-7 advisors reported on the progress made to make it easier for the MOD and NDS to request products.²⁸² The Afghans are using an advisor-provided checklist for the A-29 Super Tucano aircraft to ensure safe, effective targeting in the absence of a fully functioning target board or pending the enactment of targeting procedures.²⁸³ According to the EF, the Police Intelligence Training Center has conducted more courses than planned for the current year, is seeking to expand their mobile-training team capability, and is creating an intermediate intelligence course.²⁸⁴ Police intelligence reports are disseminated to focus data collection on the most important threats and to prioritize intelligence efforts.²⁸⁵
- **EF-8 (Strategic Communications):** Afghan communication capability is growing, according to EF-8. In June, the primary Palace spokesperson was appointed. In July, daily communication working groups convened in preparation for the Brussels conference, and the Palace has held weekly security-communication events.²⁸⁶ A Directorate of Local Governance spokeswoman participated in the MOD/MOI information operations in Nangarhar during July–August and eight ANA female officers were provided public affairs training and professional development.²⁸⁷ The Palace's order for provincial governors to increase pro-government messaging had mixed results, as some governors and police chiefs had commented on the inability of the ANDSF to maintain security. However, EF-8 noted a decrease in such reports since the ANDSF transitioned to offensive-focused operations.²⁸⁸
- **Gender Office:** The RS Gender Advisor Office reported on the appointment of an advisor to serve as a Gender Focal Point (GFP) in each EF to promote women.²⁸⁹ While several factors affect EF advisors' ability to promote women, RS reports the most significant factor is the Afghan receptivity to and acceptance of more women in the workplace. The Gender Advisor Office noted that a great deal of unified effort and collaboration across the EFs is necessary to achieve its goals.²⁹⁰ This quarter the first women graduated from the radio-maintenance class so that repair services can continue when men leave the shop for the battle field.²⁹¹

ANDSF Strength

This quarter, ANDSF assigned force strength was 317,709 (not including civilians), according to USFOR-A.²⁹² As reflected in Table 3.7, the ANA is at

TABLE 3.7

ANDSF ASSIGNED FORCE STRENGTH, JULY 2016						
ANDSF Component	Approved End-Strength Goal	Target Date	Assigned as of July 2016	% of Goal	Difference Between Current Assigned Strength and Goals	Difference (%)
ANA including AAF	195,000	December 2014	169,229	86.8%	(25,771)	(13.2%)
ANA Civilians including AAF Civilians	8,004	—	6,829	85.3%	(1,175)	(14.7%)
ANA + AAF Total	203,004		176,058	86.7%	(26,946)	(13.3%)
Afghan National Police	157,000	February 2013	148,480	94.6%	(8,520)	(5.4%)
ANDSF Total with Civilians	360,004		324,538	90.1%	(35,466)	(9.9%)

Note: ANDSF = Afghan National Defense and Security Forces; ANA = Afghan National Army; AAF = Afghan Air Force.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; USFOR-A, response to SIGAR data calls, 6/3/2016 and 8/30/2016; USFOR-A, response to SIGAR vetting, 10/9/2016 and 10/11/2016.

TABLE 3.8

ANDSF ASSIGNED FORCE STRENGTH, FEBRUARY 2014–JULY 2016				
	2/2014	5/2014	8/2014	11/2014^b
ANA including AAF	184,839	177,489	171,601	169,203
ANP	153,269	152,123	153,317	156,439
Total ANDSF	338,108	329,612	324,918	325,642
	2/2015	5/2015	7/2015^a	10/2015^a
ANA including AAF	174,120	176,762	176,420	178,125
ANP	154,685	155,182	148,296	146,026
Total ANDSF	328,805	331,944	324,716	324,151
	1/2016	4+5 2016^c	7/2016	
ANA including AAF	179,511	171,428	176,058	
ANP	146,304	148,167	148,480	
Total ANDSF	325,815	319,595	324,538	

Note: ANA = Afghan National Army; AAF = Afghan Air Force; ANP = Afghan National Police; ANDSF = Afghan National Defense and Security Forces. ANA and AAF numbers include civilians except for the May 2016 numbers; available data for ANP do not indicate whether civilians are included.

^aTotal “ANA including AAF” numbers for July 2015 and October 2015 are not fully supported by the detailed numbers in the USFOR-A response to SIGAR data call; Trainee, Transient, Holdee, and Students (TTHS) may represent all or part of the unreconciled portion.

^bReported November 2014 ANP number appears to double-count some Afghan Uniformed Police; actual number may be 151,272.

^cANA data as of 5/20/2016; ANP data as of 4/19/2016.

Source: CSTC-A response to SIGAR data calls, 3/31/2014, 7/1/2014, and 10/6/2014; RSM, response to SIGAR request for clarification, 3/14/2015; USFOR-A, response to SIGAR vetting, 4/10/2015, 7/12/2015, 1/29/2016, 4/12/2016, 10/9/2016, and 10/11/2016; USFOR-A, response to SIGAR data calls, 12/28/2014, 3/24/2015, 6/29/2015, 9/11/2015, 12/14/2015, 3/4/2016, 6/3/2016, and 8/30/2016.

86.8% and the ANP at 94.6% of their authorized force strengths, not including civilian employees.²⁹³ The July 2016 assigned-strength number reflects a decrease of 178 over the same period last year.²⁹⁴

Compared to last quarter, the ANP had an increase of 313 personnel; while overall the ANA (including Afghan Air Force and civilians) increased by 4,630 personnel, as shown in Table 3.8.²⁹⁵ However, when ANA civilians are excluded, the ANA military strength decreased by 2,199 personnel.²⁹⁶

THE STATUS OF AHRIMS AND APPS

To encourage the MOD and MOI to use electronic-payment systems, CSTC-A plans to provide 100% funding only for personnel in authorized positions being paid electronically, once the automated pay system is ready for use.²⁹⁷

The Afghan Human Resource Information Management system (AHRIMS) contains data that includes the name, rank, education level, identification-card number, and current position of ANDSF personnel. AHRIMS also contains all the approved positions within the MOD and the MOI along with information such as unit, location, and duty title. The Afghan Personnel Pay System (APPS) is under development and when implemented will integrate the data in AHRIMS with compensation and payroll data to process authorizations, record unit-level time and attendance data, and calculate payroll amounts.²⁹⁸

Two other systems round out the effort to manage personnel: the Afghan Automated Biometric Identification System (AABIS) and the ANDSF Identification Card System (ID). APPS, AABIS, and ID will contain unique biometric-registration numbers. Only those ANDSF members registered in AABIS will be issued an ID, and only those members both registered and with a linked ID will be authorized to have an APPS record. AABIS will electronically update the ID system and APPS, eliminating the error-prone manual process of inputting 40-digit numbers into the ID system.²⁹⁹ CSTC-A is overseeing the integration of the biometrically linked ID into the APPS³⁰⁰ to ensure the employee exists and payments are sent directly into the employee's bank account.³⁰¹ According to CSTC-A, this structure will dramatically reduce the potential for nonexistent personnel to be entered into APPS, although it will not completely eliminate the risk of paying for "ghost" personnel. Routine checks are required to determine that personnel are properly accounted for and are still actively serving in the ANDSF.³⁰²

USFOR-A reports there are two ongoing efforts to ensure that accurate personnel data exist in AHRIMS to migrate into APPS: slotting—matching a person to an authorized position—and data cleansing—correcting and completing key personnel data.³⁰³ A related AHRIMS effort is correcting the employment status of those personnel retired, separated, or killed in action.³⁰⁴ According to USFOR-A, as of mid-August 2016, 75% of ANA personnel³⁰⁵ and 88% of ANP personnel³⁰⁶ were "slotted" to an authorized position, against a goal of 95% slotted in both forces.³⁰⁷ Accurate and complete personnel records are critical to improve accountability, transparency, and oversight of the ANDSF.³⁰⁸ USFOR-A reports ANA data-cleansing efforts will continue through 2017, and the MOI has undertaken a similar data-cleansing effort of the ANP records.³⁰⁹ In vetting, USFOR-A reported the biometric enrollment, being performed concurrently with the data cleansing effort, will be completed in 2017.³¹⁰

ANDSF CONTINUE TO RELY ON THE ASSF

USFOR-A reported that the “sustainable security strategy” employed by the ANDSF over the summer campaign has proven effective.³¹¹ According to DOD, with the exception of Afghan special operations and aviation units, U.S. advisors participating in the RS train, advise, and assist mission have little or no direct contact with ANDSF units below ANA-corps and ANP-zone-headquarters levels. In addition to USFOR-A advisor observations and TAA activities, the advisors rely on data provided by the Afghan ministries to evaluate the operational readiness and effectiveness of the ANDSF. The consistency, comprehensiveness, and credibility of this data varies and cannot be independently verified by U.S. officials.³¹²

According to USFOR-A, the sustainable security strategy using a “hold-fight-disrupt” methodology (see page 104 of this section for more details) has enabled the ANDSF to avoid strategic setbacks.³¹³ RS anticipates that ANDSF capabilities will continue to improve given an increased focus on training and force generation and assesses that the ANDSF can succeed in bringing the Taliban to the negotiating table by fully applying the sustainable security strategy.³¹⁴

USFOR-A noted that the most capable elements of the ANDSF are the Afghan Special Security Forces (ASSF) and the Afghan National Civil Order Police (ANCOP). They are reported the most successful in ground combat and often perform the role of the ANA.³¹⁵ Last quarter USFOR-A reported the ANDSF relied heavily on the ASSF for conventional missions that the ANA or ANP should perform.³¹⁶ One adviser expressed concern that the ANA’s reliance on “commandos” risks burning out its elite forces.³¹⁷

Brigadier General Charles Cleveland, Resolute Support deputy chief of staff for communications, said mission advisors want “to take some of the best practices from the commandos and export them to the conventional forces, starting with leadership.”³¹⁸ General Nicholson estimated 80% of Afghan special forces operations are performed independent of RS advisors, enablers, or U.S. special forces.³¹⁹ According to the general, U.S. special forces accompanying the Afghans only go so far as the “last covered and concealed position prior to the objective.”³²⁰

USFOR-A also reported improved intelligence and aviation support. The ANDSF have conducted intelligence-driven operations and proven capable of integrating close air support. The AAF has demonstrated effectiveness in engaging enemy targets while minimizing civilian and friendly-fire casualties.³²¹ Nonetheless, DOD reported the demand for aviation support is still much greater than the Afghan resources available.³²²

According to USFOR-A, while maintenance operations did not degrade over the rating period, unsynchronized or poorly executed maintenance and logistics remains a significant challenge for the ANDSF.³²³ Reporting also remains a challenge, especially in the ANP, as commanders report to whom they prefer rather than following existing but unapproved standard operating procedures.³²⁴

“Something money can’t buy is their willingness to take the fight to the enemy.”

—General John Nicholson,
Commander Resolute Support and
U.S. Forces-Afghanistan

Source: General John Nicholson, Department of Defense, press briefing via teleconference from Afghanistan, 9/23/2016.

“During recent operations, the ANDSF [did] not exhibit an offensive mind-set in certain areas allowing insurgents temporary tactical success. However, the insurgents cannot hold their temporary tactical successes once the ANDSF attack.”

—USFOR-A Afghan
Assessment Group

Source: USFOR-A, response to SIGAR data call, 8/30/2016.

Members of Congress Ask SIGAR to Investigate Allegations of Sexual Abuse

A bipartisan, bicameral group led by Senator Patrick Leahy (D-VT) and Representative Thomas J. Rooney (R-FL) and 91 other members of Congress in December 2015 asked SIGAR to conduct an inquiry into the U.S. government's experience with allegations of sexual abuse of children committed by members of the Afghan security forces. The inquiry is ongoing and will also look into the manner in which the Leahy amendment prohibiting DOD and the State Department from providing assistance to units of foreign security forces that have committed gross violations of human rights is implemented in Afghanistan. See SIGAR Quarterly Report to the United States Congress, January 2016, p. 40, for more information. The Department of Defense Inspector General is conducting a similar investigation.

SIGAR cannot verify the accuracy of ministry-assessment data provided by the RS mission.

Cross-ministerial coordination also remains a challenge, according to USFOR-A. Generally the regional operational-coordination centers (OCC) are effective at integrating ANA and ANP activities, while the provincial OCCs are not as effective, and a lack of tactical coordination at the district level commonly results in confusion as to which organization is in charge.³²⁵

Leadership challenges continue. Appointments to high-level positions are often not based on merit, while staff positions are generally provided to junior and inexperienced officers due to their ability to read and write, not necessarily for their suitability to the position.³²⁶

The ANDSF lacks a risk-management system and therefore relies heavily on U.S. forces to prevent strategic failure. ANDSF leadership is focused on short-term tactical-level issues. Consequently, neither strategic nor operational risks are addressed or mitigated. RS assesses this shortfall will not significantly improve in the next 12 months and will require continued support at the institutional and operational levels.³²⁷

In July, General Nicholson said the ASSF is the only ANA force employing an operational readiness cycle (ORC) to allow the forces to rotate out, refit, retrain, or take leave, before returning to the fight. However, NSOCC-A reported that since late August the ASSF has been unable to accomplish any ORC due to the complete overuse and misuse of the ASSF.³²⁸ The general said this winter RS will work on implementing an ORC for the conventional forces.³²⁹ As units rotate through an ORC, each ANA corps is responsible for conducting its own collective training through the regional military-training center while the ANP conducts local training as officers are rotated out of position.³³⁰

MINISTRIES OF DEFENSE AND INTERIOR DEVELOPMENT

Each RS Essential Function (EF) directorate and the Gender Advisor Office use the Essential Function Program of Actions and Milestones (POAM) to assess the essential-function capabilities of the offices in the ministries of Defense and Interior.³³¹ This quarter, RS classified the overall assessments of the Ministries of Defense and Interior; SIGAR will report on them in a classified annex to this report.

The milestones are assessed using a five-tier rating system.³³² Milestone assessments are combined to determine the overall assessment of a department. Department assessments are then combined to determine the overall assessment of the ministry.³³³

The five ratings reflect the degree to which Afghan systems are in place, functioning, and being used effectively. The highest rating, "sustaining capability," indicates an Afghan ministry can perform a specific function without Coalition advising or involvement.³³⁴



General Joseph F. Dunford Jr., chairman of the U.S. Joint Chiefs of Staff, meets with General Dhatar 'Qadam Shah' Shahin, ANA Chief of Staff, in Kabul, July 17, 2016. (DOD Photo by Navy Petty Officer 2nd Class Dominique A. Pineiro)

This quarter, EF-6 (Strategy and Policy, Planning, Resourcing, and Execution) reported that the two Afghan ministries made moderate developmental progress over the summer. Two milestone assessments were upgraded while two milestones required timeline adjustments, and two additional milestones were amended.³³⁵

The MOI Deputy Minister for Strategic Policy achieved a “fully effective” milestone rating for producing two strategic documents codifying the five ANP strategic goals and actions to accomplish those goals without “major TAA influence.”³³⁶

The MOD Strategy and Plans office, with significant Coalition assistance, produced the Defense Capabilities Planning Guidance which provides details on MOD’s strategic objectives and tasks. Despite Coalition assistance, the MOD’s understanding of how to create this type of document increased, resulting in this milestone-assessment rating being raised from “in development” to “partially effective.”³³⁷

The date for achieving the milestone for the ANA to identify and address capability gaps in a “partially effective” manner was pushed back from July 2016 to January 2017.³³⁸ The milestone for the ANP Deputy Minister for Security, Plans and Operations to issue “process-oriented operations” orders to the provincial chiefs of police in a “partially effective” manner was pushed to October 2016.³³⁹

Additionally, a milestone to train sufficient Mi-17 helicopter instructors and maintenance pilots (pilots who test aircraft after maintenance) to achieve “sustainable” status, was pushed from June 2016 to December 2016 due to a shortage of qualified maintenance pilots.³⁴⁰

Afghan Local Police

Afghan Local Police members, known as “guardians,” are usually local citizens selected by village elders or local leaders to protect their communities against insurgent attack, guard facilities, and conduct local counterinsurgency missions.³⁴¹

As of August 27, 2016, according to the NATO Special Operations Component Command-Afghanistan (NSOCC-A), the ALP has 28,577 guardians, 24,181 of whom are trained with an additional 305 guardians in training.³⁴² The ALP has incurred a 1,261 force reduction since May.³⁴³ Consistent with advising the Afghan security forces at the ANA-corps and ANP-zone-headquarters level, NSOCC-A advises the ALP at the ALP staff-directorate level and does not track ALP retention, attrition, or losses.³⁴⁴ According to Afghan reporting, 0.24% of ALP guardians were killed in action during June–August 2016. Additionally, 514 ALP guardians were wounded March 21–August 20, 2016.³⁴⁵

NSOCC-A reported the FY 2016 cost to support the ALP at its authorized end strength of 30,000 is \$97.5 million. The United States expects to fund approximately \$93 million, with the Afghan government contributing the remaining \$4.5 million.³⁴⁶ This is a decrease of \$19.5 million from the amount NSOCC-A reported last quarter.³⁴⁷ CSTC-A reported that as of August 22, 2016, \$32.1 million had been disbursed during FY 2016 in support of the ALP.³⁴⁸ Unlike the ANP, the ALP is not paid via the UN Development Programme’s multilateral Law and Order Trust Fund for Afghanistan (LOTFA), but through the U.S.-provided ASFF as on-budget assistance to the Afghan government.³⁴⁹

This quarter NSOCC-A reported efforts continue to enroll ALP personnel into the Afghan Human Resources Information Management System, to transition ALP salary payments to an electronic funds-transfer (EFT) process, and to inventory materiel.³⁵⁰ According to CSTC-A, 82% of the ALP are registered to receive salary payments via EFT or mobile money, with 18% receiving salary payments via the trusted-agent payment method, (long criticized as susceptible to corruption). CSTC-A reports ALP guardians in 12 provinces have been registered for mobile money.³⁵¹ According to CSTC-A, ALP guardians perceive they receive more of their salary when they are paid via mobile money and find it easier to access funds than through alternate payment methods.³⁵²

AFGHAN NATIONAL ARMY

As of September 30, 2016, the United States had obligated \$40.8 billion and disbursed \$40.2 billion of ASFF funds to build, train, equip, and sustain the ANA.³⁵³

ANA Military Personnel Decrease for Second Quarter

As of July 2016, the overall assigned strength of the ANA, including the AAF but not including civilians, was 169,229 personnel.³⁵⁴ Compared to last quarter, the ANA (including Afghan Air Force and civilians) increased by 4,630 personnel, as shown in Table 3.8 on page 109 of this section.³⁵⁵ However, when ANA civilians are excluded, the ANA military strength decreased by 2,199 personnel.³⁵⁶ ANA assigned-military personnel are at 86.8% of the approved end strength.³⁵⁷ The number of ANA civilians reported this quarter was 6,829.³⁵⁸

USFOR-A reports overall ANA attrition over the summer months at 2.9% during June, 1.8% during July, and 2.8% during August. The overall 12-month attrition rate as of August 2016 was 33.5%, an increase from the 12-month rate of 28% as of August 2015.³⁵⁹

Eight Afghan nationals in the United States for military training went missing during September: two from Fort Leonard Wood, Missouri; one from Fort Gordon, Georgia; two from Fort Benning, Georgia; one from Fort Lee, Virginia; one from an Army facility in Little Rock, Arkansas; and, one from an unspecified location. Officials believe two may have fled the country.³⁶⁰ Later a DOD spokesperson reported that 44 Afghans have disappeared during training since January 2015.³⁶¹

RS components conducted a survey from December 2015 through May 2016 to obtain soldiers' and recruits' perceptions on enlisting and reenlisting. It found strong esprit de corps among the ANA. A total of 380 soldiers were surveyed in addition to recruits who in-processed from December 2015 to April 2016.³⁶² The new recruits:³⁶³

- came from 29 provinces but most from the north and east: Nangarhar (13%), Kabul (11%), and Kapisa (9%)
- were mostly 18–22 years old (71%), while 24% were 23–27 years old
- commonly reported having a high-school education (62%), with 7% holding a university degree and 3% having no education
- were mostly Pashtuns (38%) and Tajiks (35%), with 9% Hazaras

The top three influences on the decision to enlist were television advertising (40%), radio (24%), or family encouragement (17%).³⁶⁴ Their motivations to join the ANA included patriotism and duty to country (80%), keeping their community safe (36%), religious duty (18%), and the belief that the ANDSF will take care of its soldiers (15%) (respondents could provide multiple reasons). Other reasons included the belief that it was the best job available or because of family and friends or other personal reasons.³⁶⁵ Most new recruits had a relative serving in the ANA (82%), were proud to be in the army (98%), and said their families were proud they had joined (97%).³⁶⁶

The majority of the recruits say their army experience has been what they expected (48%) or has exceeded their expectations (46%). Nearly all (88%) believe their lives will become better for having joined the ANA.³⁶⁷ Two-thirds said the ANA provided transportation to the

SIGAR SPECIAL PROJECT

This quarter SIGAR, concerned about the number of “ghost” soldiers in the ANDSF, questioned DOD on their efforts to validate the number of personnel in the Afghan security forces.



Afghan National Defense and Security Forces celebrate the 97th Afghanistan Independence Day at Camp Hero, home of the 205th “Hero Corps” of the Afghan National Army, in Kandahar on August 18, 2016. (U.S. Army photo by Major Luke Talbot, 36th Infantry Division)

recruitment-processing center.³⁶⁸ Three-quarters strongly agree they have received good care (food, medical, facilities, etc.), whereas 20% somewhat agree.³⁶⁹ If wounded, almost all (98%) expect they will receive good medical care. If killed, 92% expect their families will be taken care of. More recruits in the March and April surveys had much stronger favorable opinions than those that took the survey earlier.³⁷⁰

Practically all recruits (91%) understood how they would be paid and were satisfied with their pay.³⁷¹ About half (47%) said they were aware of the penalties for being away without leave and for desertion. However, a third were concerned about their ability to take leave (33%), or that the distance from family could impact their ability to take leave (30%). Only 10% reported being assigned to a duty location near family.³⁷²

While recruits surveyed in December 2015 (21%) and March 2016 (19%) reported the highest percentage of contact with anti-government elements, overall 16% of recruits reported being approached by anti-government elements. Anti-government elements are reported to watch for opportunities to influence or compromise ANA recruits.³⁷³ Currently serving soldiers:³⁷⁴

- came from 28 provinces, although the percentage distribution was not reported
- were mostly 28–32 years old (33%), 23–27 years old (29%), or 33–40 years old (24%)
- reported having some high-school education or graduated (48%), attending or graduating from a university (6%), or having no formal education (30%)
- were mostly Pashtuns (41%), Tajiks (23%), or Hazaras (19%)
- had up to 3 years (32%), 3–5 years (28%), or 5–10 years (25%) army service

Approximately 83% of the soldiers stated they wanted to remain in the army, with more than a third (42%) citing patriotism and duty to country.

Other reasons included pride in being a soldier (15%), to keep their families and communities safe (14%), for the salary and benefits (10%), and lack of other jobs (10%).³⁷⁵ Of the 17% of soldiers reporting they wanted to leave the army, reasons included fear of retaliation against self or family (18%), disagreement with the government or perception the government is not committed to winning (18%), and a salary inadequate for supporting a family (unreported %). However, the primary reason was not provided in an unclassified manner.³⁷⁶

Approximately 58% reported they knew or knew of personnel who had left the army before their commitment was over. Threats against self/family members was the most commonly cited reason for leaving (31%), followed by loss of trust/confidence in the government or ANA leadership and the perception that the ANDSF does not take care of their people (17%). Other reasons included lack of family support, better job opportunities, dissatisfaction with their army job, and a perception that the ANA cannot win. Additionally, some soldiers were concerned that the Taliban were “interfering with the burial of ANA casualties.”³⁷⁷

A third of the soldiers expressed the intention to make a career of army service or remain for the duration of the conflict, another third intended to remain for more than 10 years, and 16% intended to re-contract for another term of up to three years.³⁷⁸

SIGAR will report on the quarterly change in ANA corps-level troop strength in a classified annex to this report.

ANA Sustainment

As of September 30, 2016, the United States had obligated \$17.7 billion and disbursed \$17.3 billion of ASFF for ANA sustainment.³⁷⁹ Most ASFF sustainment funding is for salaries and incentive payments. Other uses include procuring items such as ammunition, organizational clothing and individual equipment (OCIE), aviation sustainment, and vehicle maintenance.³⁸⁰

CSTC-A reported the total amount expended for all payroll and nonpayroll sustainment requirements in Afghan FY 1395 (2016) was \$387.9 million through June 20, 2016.³⁸¹ Aside from salaries and incentives, the largest uses of sustainment funding are for fuel (\$73.7 million), “energy operating equipment” (\$8.3 million), and building sustainment (\$3.5 million).³⁸²

Last quarter SIGAR reported on the boot shortage within the ANSDF.³⁸³ This quarter CSTC-A reported an adequate number of winter boots were procured for the ANA soldiers and new recruits: 194,000 pairs of winter boots and 194,000 of summer boots. The MOD was provided a listing of the winter OCIE in stock and on order so they could distribute the boots and other cold-weather gear before the onset of winter.³⁸⁴

ANA Salaries and Incentives

CSTC-A reported the funding required for ANA base salaries, bonuses, and incentives will average \$545.8 million annually over the next five years.³⁸⁵ In vetting comments, however, DOD noted that these forecasted numbers are

for planning purposes only and are not definitive indicators of future DOD support, which will depend on Afghan progress toward reconciliation and reducing corruption, security conditions, and other factors.³⁸⁶

During Afghan FY 1395 (2016), the United States provided \$120.9 million, as of June 20, 2016, directly to the Afghan government to fund ANA salaries and contractor payments, with the significant majority of the funding, \$80.9 million, applied toward officer base pay. An additional \$37.7 million was used for noncommissioned officers' and soldiers' pay, with the remainder applied toward ANA civilians and contractors' base pay.³⁸⁷ In contrast, funding provided for FY 1394 salaries and incentives totaled \$271 million.³⁸⁸

ANA Equipment and Transportation

As of September 30, 2016, the United States had obligated \$8.7 billion and disbursed \$8.4 billion of ASFF for ANA equipment and transportation.³⁸⁹ Most of these funds were used to purchase vehicles, aircraft, communication equipment, weapons, and related equipment. Approximately 48.2% of U.S. funding in this category was for vehicles and related parts, as shown in Table 3.9.

TABLE 3.9

COST OF U.S.-FUNDED ANA EQUIPMENT, AS OF AUGUST 31, 2016			
Type of Equipment	Procured	Remaining to be Procured	Procured and Fielded to the ANA
Vehicles	\$7,360,979,333	\$669,663,170	\$6,648,731,649
Ammunition	2,469,192,205	303,734,912	2,223,968,551
Aircraft	2,454,887,858	312,253,892	1,526,849,750
Other	884,304,375	0	801,295,177
Communications	870,966,975	80,719,961	745,480,497
Weapons	642,851,434	30,687,563	542,320,095
C-IEDs	455,211,247	113,513,808	341,550,056
Transportation Services	120,802,600	0	13,459,569
Total	\$15,259,196,027	\$1,510,573,306	\$12,843,655,344

Note: C-IED = Counter-improvised-explosive devices. Equipment category amounts include the cost of related spare parts. Procured and Fielded to the ANA = Title transfer of equipment is initially from the applicable U.S. Military Department/Defense Agency to CSTC-A; title to the equipment is later transferred to the MOD/ANA.

Source: CSTC-A, response to SIGAR data call, 9/16/2016; CSTC-A, response to SIGAR vetting, 10/9/2016.

Since last quarter, the total cost of equipment and related services procured for the ANA increased by over \$73.7 million.³⁹⁰ The majority of the increase was in transportation services, followed by vehicle- and communication-equipment procurements.³⁹¹ Additionally, CSTC-A reported an increase of \$46.4 million in the counter-improvised-explosive devices that are “remaining to be procured.”³⁹²

This quarter EF-5 Information, Communication, and Technology advisors conducted a bottom-up review of the entire MOD tactical radio inventory.

After accounting for equipment that was battle-damaged or had reached the end of life, as well as equipment for new hires, a procurement request was submitted for over 5,170 radios valued at \$52 million.³⁹³

According to CSTC-A, there are over 54,000 vehicles in the ANA inventory, although DOD noted that the number of operational vehicles is estimated at far fewer.³⁹⁴ Due to inconsistent and unreliable reporting by the MOD, the accuracy of the ANA equipment operational-readiness rate remains questionable. CSTC-A said data quality is expected to improve once the National Maintenance Strategy is implemented and training results are realized, but pointed to several factors within MOD that contribute to poor readiness rates:³⁹⁵

- high number of battle- or accident-damaged vehicles
- shortage of about 600 trained mechanics for vehicle maintenance (mechanic retention and training remains a serious concern for both the ANA and ANP)³⁹⁶
- assignment of mechanics to combat-related duties such as staffing checkpoints

This quarter CSTC-A reported mixed results following SIGAR's audit which found the ANA faces challenges in developing its vehicle-maintenance capability. According to data the ANA provided to CSTC-A, the corps vehicle-readiness rate declined between May 9, 2016, and July 31, 2016. All corps experienced decreased vehicle readiness except for the 207th Corps in Herat and Nimroz Provinces,³⁹⁷ which reported the highest vehicle readiness rate at 83%, while the 215th Corps in Helmand Province reported only 34% readiness.³⁹⁸ Last quarter CSTC-A questioned the accuracy of ANA reporting on the 215th Corps rate of 35%, as it did not appear to reflect the new vehicle deliveries or the vehicle maintenance that had occurred.³⁹⁹ This quarter EF-5 reported that 651 vehicles were demilitarized during the summer months, attributing the progress in part to the 215th consolidating their battle-damaged vehicles at Shorab.⁴⁰⁰ During the period January–June 2016, the contractor performing ANA vehicle maintenance repaired 2,593 vehicles at the contracted cost of \$12.8 million (\$4,936 per-vehicle cost). The ANA is expected to report if any vehicles are returned in less than a fully operational state. During this period, CSTC-A reported that “very few complaints” were submitted.⁴⁰¹ However, DOD expressed concern that the contractor's vehicle-maintenance performance and ANA-maintainer training had not resulted in improved operational-readiness rates.⁴⁰²

Core Information Management System

CSTC-A also provided an update on the Core Information Management System (CoreIMS) this quarter. CoreIMS is part of the solution to address the Afghan supply-chain logistical capability gap. Since 2012, efforts have

SIGAR AUDIT

Last quarter, SIGAR released an audit on the ANA vehicle-maintenance capability and the DOD-managed ANA Technical Equipment Maintenance Program (A-TEMP). SIGAR found (1) the capacity of the Afghans to manage the supply chain did not meet key assumptions, (2) the costs of spare parts were significantly underestimated, (3) performance metrics did not accurately assess contractor performance or progress, and (4) ANA maintenance capability did not develop as anticipated. Additionally, contract oversight declined due to deteriorating security conditions, and payments to the contractor were based on the number of vehicles in the ANA fleet, not the number of vehicles repaired. This escalated per-vehicle repair costs from \$1,954 to \$59,402 as maintenance sites closed and vehicle turn-ins practically halted before incurring additional costs to reopen six sites. These and other factors resulted in the final contract cost being more than double the original estimate, with DOD planning to award a more costly follow-on contract. For more information, see the July 2016 SIGAR *Quarterly Report to the United States Congress*, pp. 29–32.

been under way to develop and implement an automated system within both ministries to replace their paper-based process.

CoreIMS is a proprietary inventory-management system that is being enhanced to provide visibility of basic items like vehicles, weapons, night-vision devices, and repair parts, both in-stock and on-order. The system will provide information to help allocate material and analyze usage to predict future item and budget requirements, while reducing the opportunity for fraud.⁴⁰³ The web-based CoreIMS is available at ANA and ANP national logistic locations, forward-support depots, and regional logistic centers.⁴⁰⁴ The goal for the system is to improve Afghan sustainment processes by providing managers and decision makers with the current status of assets.⁴⁰⁵

In March, the MOD established a program-management office to manage the implementation, training, and support of the ANDSF's logistics solution.⁴⁰⁶ Recording parts inventory in CoreIMS is an ongoing effort that is expected to be completed in December 2016.⁴⁰⁷ The MOD contracted 130 Afghan logistics specialists to assist and train the ANA at national and regional supply sites with CoreIMS implementation and warehouse procedures.⁴⁰⁸ Once fully implemented, CoreIMS will track requested parts, completed orders, and existing inventory, as well as the time required to fulfill a supply request. Using this data, CoreIMS will provide a predictive analysis capability to identify parts for re-order.⁴⁰⁹ Future modules of CoreIMS will account for serial-numbered items and the maintenance record of those items.⁴¹⁰

ANA Infrastructure

As of September 30, 2016, the United States had obligated \$5.9 billion and disbursed \$5.8 billion of ASFF for ANA infrastructure such as military-headquarter facilities, schoolhouses, barracks, maintenance facilities, air fields, and roads.⁴¹¹

As of August 31, 2016, the United States had completed 386 infrastructure projects valued at \$5.2 billion, with another 25 ongoing projects valued at \$141.2 million, according to CSTC-A.⁴¹² The largest ongoing ANA infrastructure projects this quarter are: the second phase of the Marshal Fahim National Defense University in Kabul (with an estimated cost of \$72.5 million) to be completed in December 2017, a Northern Electrical Interconnect (NEI) substation project in Balkh Province (\$27.7 million), and an NEI substation in Kunduz (\$9.5 million).⁴¹³

Four projects valued at \$2.4 million were completed, including an earth-covered magazine in Kabul for the ANA (\$1.1 million), improvements at Kabul International Airport for the AAF (\$864,262), and upgrades to the ANA Regional Logistics Supply Center in Helmand (\$443,703).⁴¹⁴

Four contracts were awarded this quarter at a cost of \$30 million. Aside from the Balkh NEI substation contract, two contracts were awarded for repair to the electrical system and water-supply lines for the AAF at Kabul



Ceremony marking the handover of a materiel storage facility to the ANA, Kabul Province, July 29, 2016. (Photo by USACE-TAA)

International Airport.⁴¹⁵ Among the 18 projects (\$145.8 million) in the planning phase, five projects worth \$101 million are to provide medical facilities and national electrical-grid capacity, five projects are to construct AAF facilities, and the remaining eight are various sustainment, restoration, and modernization projects.⁴¹⁶

CSTC-A reported that the MOD Construction and Properties Management Department (CPMD) conducted none of the 10 required infrastructure assessments and uploads into the computer system called for to meet the FY 1395 MOD financial-commitment letter requirements. In addition to withholding 20% of the applicable project funding, CSTC-A will also provide contracted training on the assessment process and using the computer system.⁴¹⁷

CSTC-A reported that several infrastructure-related train, advise, and assist activities are ongoing. CSTC-A engineering advisors mentor the MOD CPMD engineers seven to eight times a week.⁴¹⁸ ANA instructors, mentored by CSTC-A advisors and contractors, teach a 16-week program to train Afghan facility engineers to operate and maintain power plants, heating and air-conditioning systems, water-treatment plants, and waste-water treatment plants. Twenty-four students are currently taking the classes.⁴¹⁹

U.S. contractors have provided direct mentorship for 15–20 Afghan instructors in facility maintenance in order to develop a sustainable Afghan resource. These Afghan instructors now independently conduct approximately 60% of the 14-week course curriculum. According to CSTC-A, U.S. advisors believe low course enrollment is due to ANA commanders not wanting to lose personnel for extended periods of time.⁴²⁰

Last quarter CSTC-A reported using the Functional Area Support Team program to obtain 74 Afghan engineers and specialists in an effort to build the Afghan civil-service workforce. The initial six hires were placed at CPMD headquarters; future hires will be placed in ANA corps. In addition to engineering and construction management, program hires will be placed in project management, financial management, and procurement positions.⁴²¹

ANA and MOD Training and Operations

As of September 30, 2016, the United States had obligated and disbursed \$3.9 billion of ASFF for ANA and MOD training and operations.⁴²²

In addition to directly contracting for specialized training, DOD reported on the use of open-ended training agreements with the U.S. military to provide Afghan training or professional development.⁴²³ According to DOD, FY 2016 funding was used for pilot, special forces, and weapons-maintenance training in addition to these open-ended training agreements.⁴²⁴

To determine which Afghan personnel will be sent for training outside of Afghanistan, the MOD has a process to select and screen those applicants that will benefit the most from the training, have the ability to complete the training, and are expected to return to Afghanistan. The selected students

SIGAR SPECIAL PROJECT

SIGAR has an ongoing Special Project on Afghan military students attending training in the United States who go missing.



USAF Staff Sgt. Kyle Green, a pararescue specialist assigned to the 83rd Expeditionary Rescue Squadron, hoists an Afghan Air Force A-29 pilot into a HH-60 Pave Hawk during a personnel-recovery training mission near Kabul, September 6, 2016. (U.S. Air Force photo/Tech. Sgt. Larry E. Reid Jr.)

are then screen by CSTC-A and the U.S. Embassy. According to DOD, discussions are ongoing with the MOD to reexamine the process after several students training in the United States went missing.⁴²⁵

Afghan Air Force and the Special Mission Wing

As of August 31, 2016, the United States has appropriated more than \$3.7 billion to support and develop the AAF since FY 2010. Additionally, DOD requested over \$508 million—mostly for AAF sustainment costs—in the FY 2017 budget justification document. However, this quarter CSTC-A reported that no FY 2017 funds was planned for the AAF.⁴²⁶

Since FY 2010, over \$3.1 billion has been obligated; FY 2015 obligations (which expired on September 20, 2016) stood at \$480.6 million of the more than \$576.2 million appropriated.⁴²⁷ The majority of the funding since FY 2010 has been dedicated to sustainment items, which account for 48.6% of obligated funds, followed by equipment and aircraft at 33.1%.⁴²⁸ However, training costs in the recent years have exceeded the equipment and aircraft costs.⁴²⁹

The AAF's current inventory of aircraft includes:⁴³⁰

- 3 Mi-35 helicopters
- 48 Mi-17 helicopters
- 27 MD-350 helicopters
- 24 C-208 airplanes
- 4 C-130 airplanes
- 8 A-29 airplanes

This quarter, USFOR-A reported one grounded Mi-17 had returned to flying status. However, 11 Mi-17s and 1 C-130 were reported as currently in for repair or overhaul.⁴³¹ Additional armed MD-530 deliveries this summer,

SIGAR SPECIAL PROJECT

SIGAR is conducting ongoing monitoring of the roll-out of the A-29 Super Tucanos and the training of Afghan pilots to fly them.



Afghan Air Force pilots fly A-29 Super Tucanos, the newest attack aircraft in their inventory, over Kabul Province, August 14, 2015. (U.S. Air Force photo/Staff Sgt. Larry E. Reid Jr.)

with the last four delivered on August 25, brings the MD-530 inventory to 27 helicopters.⁴³²

The newest addition to the AAF, the A-29 Super Tucanos, have proven to be valuable assets, according to DOD. Over the next two years, the AAF will receive 12 more A-29s from DOD once their pilots complete their training at Moody AFB and operational weapons testing and cockpit upgrades are completed.⁴³³

The Special Missions Wing (SMW) is the aviation branch of the MOD's Afghan Special Security Forces (ASSF) alongside the special operations command (ANASOC) and the Ktah Khas (KKA) counterterrorism unit.

The FY 1395 MOD financial-commitment letter required the ANASOC, KKA, and SMW to inventory all on-hand equipment by June 30, 2016. The inventory was to include the on-hand quantities, including vehicle-identification numbers and mileage, and the serial numbers for the weapons and communication equipment.⁴³⁴ NSOCC-A reported the KKA and SMW completed the inventory as scheduled and since the ANASOC met a requested July 31 extension, no penalty was incurred. However, NSOCC-A noted that the inventory is not captured within an automated system.⁴³⁵

SIGAR will report on the details of the SMW budget, manpower, and capabilities in a classified annex to this report.

AFGHAN NATIONAL POLICE

As of September 30, 2016, the United States had obligated \$20.0 billion and disbursed \$19.6 billion of ASFF funds to build, train, equip, and sustain the ANP.⁴³⁶

According to Afghan media, President Ghani suspended several police officials found absent during his late-night unannounced visit to Police District 9. The MOI was ordered to investigate and report on their findings.

Source: *Tofo News*, "Ghani Suspends Officials After Surprise Visit To PD9," 9/26/2016.

ANP Strength

As of July 15, 2016, the overall assigned end strength of the ANP, including the Afghan Uniform Police (AUP), Afghan Border Police (ABP), Afghan National Civil Order Police (ANCOP), and MOI Headquarters and Institutional Support (MOI HQ & IS), was 148,480, according to USFOR-A.⁴³⁷ This is an increase of 313 ANP personnel since last quarter, and 184 more than the July 2015 assigned end strength of 148,296.⁴³⁸ As of August 15, 2016, patrol personnel represent the largest component of the ANP with 70,095 members; noncommissioned officers numbered 50,665, while officer ranks stood at 27,730.⁴³⁹ The largest increase this quarter occurred within the non-commissioned officer ranks.⁴⁴⁰

While the strength of each of the ANP's components (e.g. AUP, ABP, ANCOP) was not provided for July, Table 3.10 provides the six-month change in the strength of those components from January through June 2016. During that time, the bulk of the 9,185 personnel increase was attributed to ANP personnel in training.

According to USFOR-A, the overall ANP monthly attrition rate for the last quarter was:⁴⁴¹

- May 2016: 2.32%
- June 2016: 2.50%
- July 2016: 2.47%

TABLE 3.10

ANP Component	Authorized			Assigned		
	Q1 2016	Q2 2016	6-Month Change	Q1 2016	Q2 2016	6-Month Change
AUP	91,000	88,031	(2,969)	86,827	86,234	(593)
ABP	23,313	25,015	1,702	20,990	21,654	664
ANCOP	16,200	17,061	861	14,450	15,458	1,008
MOI HQs & IS	26,487	28,593	2,106	24,037	25,867	1,830
NISTA	N/A	N/A	N/A	N/R	6,276	–
ANP Total (as reported)	157,000	158,700	1,700	146,304	155,489	9,185

Note: Quarters are calendar-year; Q1 2016 data as of 1/2016; Q2 2016 data as of 6/2016. AUP = Afghan Uniformed Police; ABP = Afghan Border Police; ANCOP = Afghan National Civil Order Police; HQ = Headquarters; IS = Institutional Support personnel; NISTA = Not in Service for Training. N/A = Not applicable. N/R = Not reported.

Source: USFOR-A, response to SIGAR data calls, 3/4/2016 and 8/30/2016.

ANP Sustainment

As of September 30, 2016, the United States had obligated \$8.7 billion and disbursed \$8.4 billion of ASFF for ANP sustainment.⁴⁴² This includes ASFF contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries, the most prominent use of sustainment funding. Other uses of ANP sustainment funding include ammunition and

ordnance, information technology, organizational clothing and individual equipment, electricity, and fuel.⁴⁴³

According to CSTC-A, \$320.5 million has been provided for ANP sustainment during Afghan FY 1395 (which began in December 2015) through August 31, 2016.⁴⁴⁴ Of that amount, \$231.6 million was expended on ANP payroll and incentives, and \$88.8 million on non-payroll items.⁴⁴⁵ Of the payroll amount, \$57.2 million represents the U.S. contribution to LOTFA to fund salaries and the United Nations Development Programme management fee.⁴⁴⁶ In addition to LOTFA, CSTC-A has provided \$106.3 million for ANP incentives and \$32 million for ALP salaries and incentives (a reduction from the \$66.6 million reported last quarter) since August 31, 2016.⁴⁴⁷

CSTC-A estimates the FY 2017 expenses to be \$611.9 million and FY 2018 to be \$614.3 million, consistent with the earlier projected fiscal-year 2016–2020 annual average of \$613.2 million. However, CSTC-A reported the amount the United States or Coalition partners will contribute to LOTFA over the next five years is unknown.⁴⁴⁸

ANP Equipment and Transportation

As of September 30, 2016, the United States had obligated and disbursed \$4.5 billion of ASFF for ANP equipment and transportation.⁴⁴⁹ Most of these funds were used to purchase vehicles, ammunition, weapons, and communication equipment, as shown in Table 3.11, with approximately 67.4% going to purchase vehicles and vehicle-related equipment.

Since last quarter, the total cost of equipment procured for the ANP increased by over \$60.9 million, approximately 50% of which was for transportation services, followed by vehicles and communication equipment.⁴⁵⁰ The transportation services “remaining to be procured” amount increased by \$46.6 million, while the counter-improvised-explosive devices amount increased by approximately \$30 million.⁴⁵¹

TABLE 3.11

COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF AUGUST 2016			
Type of Equipment	Procured	Remaining to be Procured	Procured and Fielded to the ANP
Vehicles ^a	\$3,582,760,677	\$424,824,540	\$3,209,856,026
Ammunition	738,345,136	34,029,991	462,489,917
Communications	245,139,546	2,370,956	231,735,291
Weapons	309,685,463	40,352,942	216,469,486
C-IEDs	125,211,256	46,414,223	115,581,810
Other	243,097,382	0	91,438,300
Transportation Services	72,827,583	46,583,858	7,770,471
Total	\$5,317,067,043	\$594,576,510	\$4,335,341,301

Note: C-IED = Counter-improvised explosive devices. Procured and Fielded to the ANP = Title transfer of equipment is initially from the applicable U.S. Military Department/Defense Agency to CSTC-A; title to the equipment is later transferred to the MOJ/ANP

^a Vehicle costs include vehicles and parts.

Source: CSTC-A, response to SIGAR data call, 9/16/2016; CSTC-A, response to SIGAR vetting, 10/9/2016.

SIGAR AUDIT

An ongoing SIGAR audit will review DOD’s procurement, maintenance, and oversight of organizational clothing and individual-equipment purchases for the ANDSF.



Construction continues on a women's compound at the ANP regional headquarters in Mazar-e Sharif, August 20, 2016. (USACE-TAA photo)

The increase to the communication equipment procured amount is due in part to the efforts of the EF-5 Information, Communication, and Technology advisors, who submitted a procurement request for 125 Motorola HF Base Station Radio Systems after researching a “modern life-cycle replacement radio” for the MOI “HF Radio C2 System.”⁴⁵²

The FY 1395 MOI bilateral financial-commitment letter required the General Command Special Police Units (GCSPU) to inventory all on-hand equipment by June 30, 2016. The inventory was to include the on-hand quantities, including vehicle-identification numbers and mileage, and the serial numbers for the weapons and communication equipment.⁴⁵³ NSOCC-A reported the GCSPU requested an extension until July 31, which was granted but not met. However, due to the operational tempo and acceptance of the efforts made by the GCSPU, NSOCC-A did not recommend any penalty, nor did CSTC-A assess one. NSOCC-A noted that the inventory is not captured within an automated system.⁴⁵⁴

ANP Infrastructure

As of September 30, 2016, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF for ANP infrastructure.⁴⁵⁵

According to CSTC-A, as of August 31, 2016, the United States had completed 740 infrastructure projects valued at \$3.6 billion, with another 10 projects valued at \$58.4 million ongoing.⁴⁵⁶ The largest ongoing ANP infrastructure project this quarter is the installation of an information-technology server at the MOI Headquarters Network Operations Center in Kabul (with an estimated cost of \$34 million) followed by compounds for

women at the Regional Training Center in Jalalabad (\$6.4 million) and MOI headquarters in Kabul (\$3.4 million).⁴⁵⁷

The two infrastructure projects completed this quarter included the MOI headquarters temporary entry-control point (\$998,330) and security upgrade (\$369,645).⁴⁵⁸ Additionally, five contracts were awarded, including two building-refurbishment projects awarded to women-owned businesses and the MOI headquarters network operations center.⁴⁵⁹ In addition, CSTC-A reports the majority of the 23 projects in the planning phase (\$173.9 million) are in support of the **Women's Participation Program**.⁴⁶⁰

CSTC-A reported several ongoing activities aimed at developing Afghan capacity to build and maintain infrastructure. Nine CSTC-A engineering advisors mentor the MOI Facilities Department engineers at least twice a week.⁴⁶¹ A program to train Afghan facility engineers to operate and maintain power plants, heating and air-conditioning systems, water-treatment plants, and waste-water treatment plants had 47 students attending courses from June 1 to August 31, 2016. To better accommodate students, one course is now available at two new training locations and another course was made available at a third location.⁴⁶²

CSTC-A contracted for 65 Afghan subject-matter experts to assist the MOI Facilities Department in meeting daily operation requirements, training facility engineers, and training personnel in contract management. Twenty-two subject-matter experts are located at the MOI Facilities Department in Kabul, one is co-located at CSTC-A serving the subject-matter-expert liaison and the Women's Participation Program manager, and the others are located throughout the provinces. All 73 positions are expected to be filled by the end of November.⁴⁶³

CSTC-A reported the MOI Facilities Department met the FY 1395 MOI bilateral financial-commitment-letter requirement to conduct and upload the infrastructure assessments on 10 facilities into the computer system. CSTC-A also noted that assessments were completed for the ANP hospital and Camp Gibson, which has approximately 40 facilities.⁴⁶⁴

ANP Training and Operations

As of September 30, 2016, the United States had obligated and disbursed \$3.7 billion of ASFF for ANP and MOI training and operations.⁴⁶⁵ According to DOD, FY 2016 funding is used to provide advisors to assist with MOI and police development.⁴⁶⁶

During the second counter-improvised-explosive device (C-IED) awareness training course, three ANP women graduates learned IED awareness during operations and routine duties. Additionally, 15 female, midlevel, non-commissioned officers and junior officers completed the train-the-trainer course.⁴⁶⁷ Additionally, CSTC-A and its training contractor taught four explosive-ordnance-device robot-maintenance courses during 2016, achieving a 92% graduation rate with 23 ANP personnel trained.⁴⁶⁸

Women's Participation Program: An initiative which seeks to advance and promote women's participation in Afghan security institutions. The program promotes safe and secure facilities, proper equipment, training, and opportunities to increase female membership within the ANSDF.

Source: OSD-Policy, response to SIGAR vetting, 4/15/2016.

SIGAR ALERT LETTER

This quarter, SIGAR released an alert letter regarding the lack of fire doors at the MOI compound in Kabul. For more information, see Section 2 of this report.



Afghan border policewomen graduated in August from a forensic-training course that covered theoretical and practical lessons and crime-scene best practices in Herat, Afghanistan. (Resolute Support photo)

WOMEN COMPRISE 1.2% OF ANDSF PERSONNEL

This quarter, RS reported 3,945 women serving in the ANDSF, 263 fewer than last quarter.⁴⁶⁹ Despite an increase in female recruits, the overall percentage of women in the ANDSF remains at only 1.2%.⁴⁷⁰ Of the 3,945 women, 2,866 were in the ANP, 122 were in the ASSF, 877 were in the ANA, and 80 were in the AAF.⁴⁷¹ While the ANP has come more than half way toward reaching its goal of 5,000 women, the ANA is still far from reaching the same goal.⁴⁷²

Of the women in the ANP, ANA, and AAF, 1,219 were officers, 1,321 were noncommissioned officers, and 1,203 were enlisted.⁴⁷³ According to RS, the majority of the women within the ANP, as of August 2016, were Tajik (1,246), followed by Hazara (856), Pashtun (480), and Uzbek (131).⁴⁷⁴

RS reported ANP women have a 95–100% training completion rate. The primary reasons that women drop out of training is pressure from a male family member or sexual harassment or assault in the workplace.⁴⁷⁵ The primary reasons women leave the ANP is pressure from a male family member, problems with male colleagues, insufficient pay, children or family obligations, and a lack of promotion, training, and security.⁴⁷⁶

Last quarter SIGAR reported on the creation new gender-neutral positions in the MOD and the ANP. According to RS, the gender-neutral positions within the ANP are in fields including administration, family affairs, human resources, finance/budget, logistics, training, counternarcotics, medical, intelligence, accounting, and human-rights investigations.⁴⁷⁷

This quarter RS reported the MOI increased the number of police and civilian positions allocated for women.⁴⁷⁸

For more information on gender issues, see the essay in Section 1 of this report highlighting the views of notable Afghan women.

ANDSF MEDICAL/HEALTH CARE

As of August 22, 2016, there were 1,010 physicians and 2,709 other medical staff within the ANDSF healthcare system; 263 physician positions (20.7% of those required) and 477 other medical positions (15%) are vacant, according to CSTC-A.⁴⁷⁹ This reflects an increase of 150 physicians since last quarter when the unfilled positions were at 30.4%.⁴⁸⁰ MOI headquarters is working to increase the number of Surgeon General staff by 243 and the ANP hospital staff by 225.⁴⁸¹

The ANA's Medical Command is to be one of the first commands to implement AHRIMS, the biometrically linked ID card system, and APPS (see "The Status of AHRIMS and APPS" on page 110 of this section). However, even though it is at the forefront of the transition to AHRIMS, challenges remain. While some ANA Medical Command personnel have started training on AHRIMS, CSTC-A noted that the command reported concerns about training deficiencies and a lack of access to correct data fields.⁴⁸²

According to CSTC-A, hospital renovations are under way with the expansion of the ANP Hospital to a 300-bed facility that began in August.⁴⁸³ Additionally, the Kabul National Military Hospital renovation will include a state-of-the-art trauma center, an increase of 100–150 patient beds, an increase of 14–70 critical-care patient beds, a morgue, and a new Armed Forces Academy of Medical Sciences teaching center.⁴⁸⁴

In late August, CSTC-A provided the ANA with \$11.2 million of medical supplies—\$5.2 million of which are pharmaceuticals. The supplies were distributed to all regions and alleviated any significant shortages.⁴⁸⁵

Last quarter, SIGAR reported on problems with the ANDSF supply chain that were impacting the ANDSF medical corps.⁴⁸⁶ This quarter, CSTC-A reported that the inclusion of MOI Surgeon General representatives on the procurement-evaluation committee has resulted in the selection of vendors who provide higher quality medical material and the development of a pooled medical-procurement initiative for all affected ministries.⁴⁸⁷ Additionally, CSTC-A reported the MOI Surgeon General routinely increases the amount of medical supplies and number of medical providers to provinces where security operations are scheduled to start.⁴⁸⁸

Among the mentoring activities the RS physician advisors performed this quarter were developing combat casualty training instructions; assisting the Afghans with developing business plans and budgets; reestablishing

a committee for a national system for triage, treatment, and transport of combat casualties and trauma victims; developing policy on determining the degree of disability of wounded and disabled ANDSF personnel, and obtaining USFOR-A approval to provide security and utilities at the South Korean-donated Bagram Medical Education Hospital.⁴⁸⁹

REMOVING UNEXPLODED ORDNANCE

The Department of State's (State) Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA) manages the conventional-weapons destruction program in Afghanistan. Since FY 2002, State has provided \$341.3 million in weapons-destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has two-year funding and has obligated approximately \$13 million of FY 2016 funds.⁴⁹⁰

State directly funds five Afghan nongovernmental organizations (NGOs), four international NGOs, and one U.S. government contractor. These funds enable clearing areas contaminated by explosive remnants of war (ERW) and support clearing conventional weapons used by insurgents to construct roadside bombs and other improvised-explosive devices. As of June 30, 2016, State-funded implementing partners have cleared more than 193.2 million square meters of land (approximately 74.6 square miles) and removed or destroyed approximately 7.8 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stockpiled munitions, and homemade explosives since 2002 (see Table 3.12).⁴⁹¹

The estimated total area of contaminated land continues to fluctuate as clearance activities reduce hazardous areas, while ongoing survey activities find new contaminated land. At the beginning of this quarter, there were 617 square kilometers (238 square miles) of contaminated minefields and battlefields. During the quarter, 28 square kilometers (11 square miles) were cleared bringing the known contaminated area to 589 square kilometers (227 square miles) by the end of the quarter. PM/WRA defines a minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.⁴⁹²

USAID, in partnership with the UN Mine Action Centre for Afghanistan (UNMACA), provides services for victims and survivors of mines and ERW, as well as for civilians affected by conflict and persons with disabilities, through the Afghan Civilian Assistance Program (ACAP). The goal of this project is to mitigate the short-term and long-term impact of conflict on civilians, including victims of mines and ERW.⁴⁹³

UNMACA draws on its wider network under the Mine Action Programme of Afghanistan (MAPA), which consists of 50 international and national organizations, to access beneficiaries and communities. One of those organizations, the Mine Action Coordination Centre of Afghanistan (MACCA), collects casualty data on mine/ERW victims to help prioritize its clearance

TABLE 3.12

CONVENTIONAL-WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2010–2016						
Fiscal Year	Minefields Cleared (m ²)	AT/AP Destroyed	UXO Destroyed	SAA Destroyed	Fragments Cleared	Estimated Contaminated Area Remaining (m ²)*
2010	39,337,557	13,879	663,162	1,602,267	4,339,235	650,662,000
2011	31,644,360	10,504	345,029	2,393,725	21,966,347	602,000,000
2012	46,783,527	11,830	344,363	1,058,760	22,912,702	550,000,000
2013	25,059,918	6,431	203,024	275,697	10,148,683	521,000,000
2014	22,071,212	12,397	287,331	346,484	9,415,712	511,600,000
2015 ^a	7,419,944	1,287	31,806	64,688	2,449,357	558,900,000
2016 ^b	20,884,231	4,231	4,192	79,063	6,951,077	598,000,000
TOTAL	193,200,749	60,559	1,878,907	5,820,684	78,183,113	598,000,000

Note: AT/AP = anti-tank/anti-personnel ordnance. UXO = unexploded ordnance. SAA = small arms ammunition.

Fragments are reported because their clearance requires the same care as for other objects until their nature is determined. There are about 4,047 square meters (m²) to an acre.

* Total area of contaminated land fluctuates as clearance activities reduce hazardous areas while ongoing survey identifies and adds new contaminated land in the Information Management System for Mine Action (IMSMA) database.

^a Final quarter results for fiscal year unavailable; partial-year results only.

^b Results for first three quarters only.

Source: PM/WRA, response to SIGAR data call, 9/27/2016.

activities. According to USAID, ACAP funding will allow MACCA to expand its victim-assistance activities beyond service provision and data collection to include immediate assistance for individual survivors and their families.⁴⁹⁴ The \$30.2 million ACAP program has expended \$19.6 million to date and will conclude in February 2018.⁴⁹⁵

According to the UN, of nearly 6,000 security incidents that took place between May 20 and August 15, 2016, 17.3% were improvised explosive devices (IEDs)—the second-most prevalent form of attack after armed attacks.⁴⁹⁶ Many of the IEDs used by today’s insurgents are much more powerful and cause greater bodily harm than earlier IEDs. Disabled war victims are more often double rather than single amputees, as was more common a decade ago.⁴⁹⁷

COUNTERNARCOTICS

As of September 30, 2016, the United States has provided \$8.5 billion for counternarcotics efforts in Afghanistan since 2002. Nonetheless, Afghanistan remains the world’s leading producer of opium, providing 80% of the world’s output over the past decade, according to the United Nations.⁴⁹⁸ The country also has a growing domestic addiction problem.⁴⁹⁹

Congress appropriated most of these counternarcotics (CN) funds through the DOD Drug Interdiction and Counter-drug Activities (DOD CN) fund (\$3 billion), the Afghan Security Forces Fund (ASFF) (\$1.3 billion), the Economic Support Fund (ESF) (\$1.6 billion), and a portion of the State Department’s International Narcotics Control and Law Enforcement

Afghan opium production has risen 43% over last year’s levels, to an estimated 4,800 metric tons, according to new Afghanistan Opium Survey figures released October 23 by the Afghan Ministry of Counter Narcotics and the United Nations Office of Drugs and Crime (UNODC).

The survey also said the area under opium-poppo cultivation had increased 10% from last year, to 201,000 hectares (nearly half a million acres). The survey said the production increase reflected the larger area under cultivation, higher yields, and lower eradication results.

Source: UNODC, news release, 10/23/2016.

The Regional Programme for Promoting Counter Narcotics Efforts in Afghanistan and Neighbouring

Countries: provides a strategic framework for drug-control initiatives as well as a platform for coordinating and facilitating counternarcotics efforts across the region. Eight countries are covered under this regional program: Afghanistan, Iran, Kazakhstan, Kyrgyzstan, Pakistan, Tajikistan, Turkmenistan, and Uzbekistan. The program, inaugurated in December 2011, focuses on four areas:

- law-enforcement cooperation
- cooperation in criminal matters
- prevention and treatment of addiction
- trends and impacts

Source: UNODC, *Regional Programme for Promoting Counter Narcotics Efforts in Afghanistan and Neighbouring Countries 2011-14, Semi-Annual Progress Report Issue No. 5*, pp. 6, 10; UNODC, *Regional Programme for Promoting Counter Narcotics Efforts in Afghanistan and Neighbouring Countries 2011-14, A framework for action to achieve greater impact in West and Central Asia*, ii, accessed 7/3/2016.

The Paris Pact: The partnership of several countries and international organizations to combat illicit opium traffic from Afghanistan. It originated from a meeting of various ministers held in Paris in 2003 on Central Asian drug routes. It aims to reduce opium-poppies cultivation, production and global consumption of heroin and other opiates, and to establish a broad international coalition to combat illicit traffic in opiates.

Source: Paris Pact website, "What is it?" <https://www.parispact.net>, accessed 7/16/2014.

(INCLE) account (\$2.2 billion). ASFF is primarily used to develop the Afghan National Army and Police, including the Counternarcotics Police and Special Mission Wing who support MOD and MOI efforts to address narcotics problems.⁵⁰⁰

USAID's alternative-development programs are intended to support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. In addition to reconstruction funding, the Drug Enforcement Administration (DEA) receives funding through direct appropriations to operate in Afghanistan. See Appendix B for additional funding information.⁵⁰¹

The Afghan government rolled out its national counternarcotics strategy, the National Drug Action Plan (NDAP), last year.⁵⁰² According to State's Bureau of International Narcotics and Law Enforcement Affairs (INL), its introduction has refocused international attention and engagement on the country's illicit drug problem. The NDAP featured prominently during several high-profile international meetings, including the December 2015 High-Level Meeting of the **Regional Programme for Promoting Counter Narcotics Efforts in Afghanistan and Neighbouring Countries**, the December 2015 **Paris Pact** Policy Consultative Group, and during a side event at the April 2016 UN General Assembly Special Session on the World Drug Problem. INL further states that the NDAP has been thoroughly reviewed during meetings between the United States and key international partners. International donors and impacted countries have reiterated their intention to create and adapt programs and counternarcotics action to address the needs identified in the NDAP.⁵⁰³ According to INL, the Afghan government is expected to complete a formal review of the NDAP one year since its approval last October 2015.⁵⁰⁴

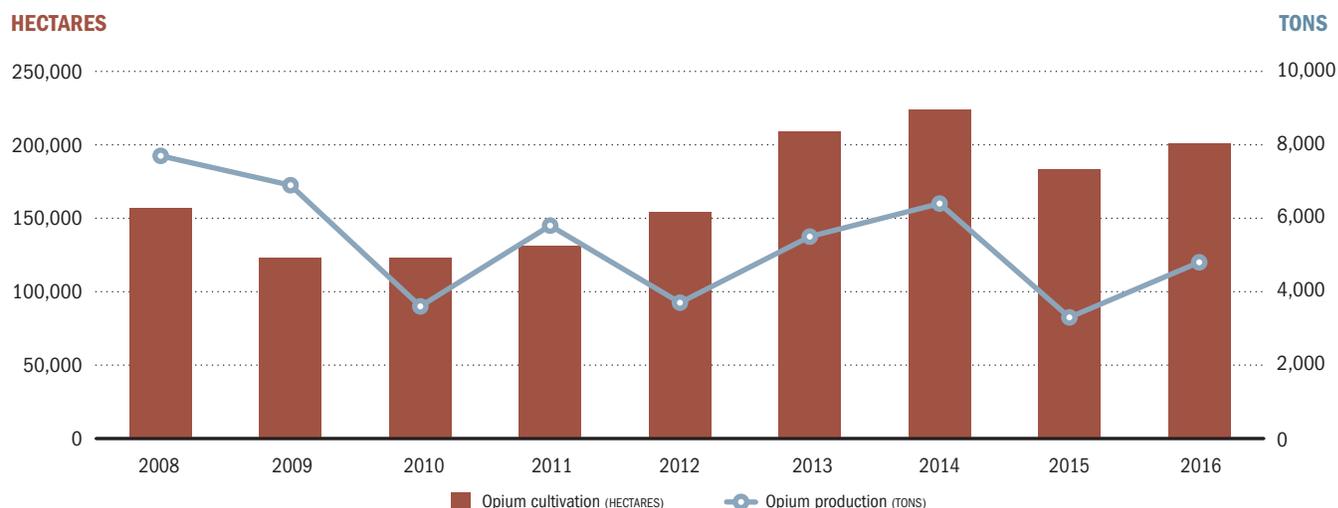
The United States has been operating with mixed results under a strategy in place since 2012 to counter illicit drugs in Afghanistan. A proposed revised U.S. strategy is still making its way through the interagency process and currently awaiting approval. See SIGAR's July 2016 *Quarterly Report to the United States Congress* for an overview of past U.S. counternarcotics strategies during the reconstruction effort. According to INL, the November U.S. elections will not significantly impact the clearance process as the strategy makes its way through the various agencies.⁵⁰⁵

UNODC's latest survey showed that 201,000 hectares were cultivated in 2016 a 10% increase from 2015.⁵⁰⁶ The latest UN Secretary General's report states that areas under cultivation and production have increased after this summer's harvest.⁵⁰⁷

As noted in the UNODC's *World Drug Report 2016*, Afghanistan accounts for nearly two-thirds of the world's illicit opium cultivation, but did share in a global opium-production decline of 38% from the previous year. Afghanistan's estimated opium production declined 48% to 3,300 metric tons from its 2014 level of 6,400 tons. The country's 2015 opium-cultivation

FIGURE 3.27

AFGHAN OPIUM CULTIVATION AND PRODUCTION SINCE 2008



Note: a hectare is slightly less than 2.5 acres.

Source: UNODC, *Afghanistan Opium Survey 2008*, 11/2008, p. 5; *Afghanistan Opium Survey 2009*, 12/2009, p. 5; *Afghanistan Opium Survey 2010*, 12/2010, p. 7; *Afghanistan Opium Survey 2011: Summary Findings*, 10/2011, p. 1; *Afghanistan Opium Survey 2013*, 12/2013, p. 12; *Afghanistan Opium Survey 2014: Cultivation and Production*, 11/2014, p. 7; *Afghanistan Opium Survey 2015: Cultivation and Production*, 12/2015, p. 3; UNODC, "Afghan Opium Production Up 43 per cent: Survey," 10/23/2016.

level of 183,000 hectares decreased 18% from its 2014 total of 224,000 hectares. UNODC attributes the decline mainly to poor harvests in the southern provinces.⁵⁰⁸ UNODC changed its methodology between 2014 and 2015; it is unclear how that change figured into the reported decline, and UNODC cautions that the changing methodology could make changes seem greater than represented.⁵⁰⁹ Production and cultivation results had been rising for the past decade, as illustrated in Figure 3.27.⁵¹⁰

Drug-Demand Reduction

In January 2015, INL transitioned the first group of 13 U.S.-funded treatment programs to the Ministry of Public Health's (MOPH) responsibility. Fifteen more treatment centers began transitioning in January 2016; another 21 treatment centers will begin transitioning in January 2017. The remaining treatment centers will transition by the end of 2019. INL reduced funding to all facilities (including the MOPH portfolio of 23 centers) by approximately 20% in 2015 and another 15% in 2016.⁵¹¹

Last quarter, INL reported it was revisiting the transition plan to determine whether changes were needed. According to INL, the MOPH expressed confidence in managing the transition, assuming there was sufficient funding

Colombo Plan: instituted as a regional intergovernmental organization to further economic and social development, it was conceived at a conference held in Colombo, Sri Lanka (then Ceylon), in 1950 with seven founding member countries, and has expanded to 26 member countries. INL continues to support the Colombo Plan's Asian Centre for Certification and Education of Addiction Professionals (ACCE), a training unit of treatment experts to assist governments in developing a professional certification process for addiction professionals in Asia and Africa.

Source: *The Colombo Plan Secretariat* website, History, www.colombo-plan.org, accessed 4/7/2014; State, INL, *International Narcotics Control Strategy Report: Volume I, Drug and Chemical Control*, 2013, p. 20.

from their own government and the international community.⁵¹² The transition-implementation plan is under review by the Afghan government (MOPH and MCN) and will soon be with the NGOs for comment. The drug-treatment centers are still currently under NGO leadership and have not yet transitioned to full Afghan government control. INL, through the **Colombo Plan**, is monitoring transition-plan progress and ensuring that all agreed-upon benchmarks are met to ensure a smooth transition and that MOPH has the required professional capacity to run all programs itself.⁵¹³

INL informed SIGAR that 500 clinical staff working for NGO-run treatment centers were supposed to be working for the government by January 2016. The MOPH reported that as of May 2016, the process had begun for 105 clinical staff from the 11 treatment centers transitioned to the MOPH's operational control in January 2016.⁵¹⁴ According to INL, the transition of all 500 NGO staff will coincide with the transition of their respective drug-treatment centers to the MOPH.⁵¹⁵

Training of clinical staff under the Colombo Plan is ongoing and separate from the transition of clinical staff to the MOPH. According to INL, currently a total of 577 staff have been trained in the first two programs of the universal treatment curriculum; 363 staff trained on four programs of the curriculum and 132 staff have nearly completed the full curriculum.⁵¹⁶

In May 2016, the MOPH requested \$1.3 million from the Ministry of Finance to cover INL budget cuts to treatment-center operations planned for 2017. The MOPH opened eight new treatment centers in 2016 using approximately \$2 million in new Afghan government development funds.⁵¹⁷ INL has been working with the Afghan Government and the Colombo Plan Drug Advisory Programme since 2003 to develop and sustain the country's drug-treatment system. Between October 1, 2015, and June 30, 2016, INL has provided \$5.1 million in funding for operational costs for all 86 facilities. INL committed \$1.4 million to the Colombo Plan last quarter and contributed \$12.9 million during 2015 for drug-treatment and education programs.⁵¹⁸

The joint monitoring visits by MCN, MOPH, UNODC and Colombo Plan Drug Advisory Programme (DAP) officials led to recommendations to implement changes to drug-dependency programs. Those include an increase in available home-based treatment, an adjustment in treatment duration (45 days for women and children and 90 days for men), and an increase in the number of significant therapeutic activities (e.g. group counseling and/or integration of family therapy and psychoeducation sessions).⁵¹⁹

INL and DAP only support treatment with a minimum duration of 90 days. The treatment duration is divided into three phases:

- the pre-treatment or motivation phase;
- the inpatient/residential or active treatment phase; and
- the continuum of care/ follow-up phase.

For clients who have a shorter residential/active treatment phase, more extensive follow-up care is provided.⁵²⁰

INL informed SIGAR that the Colombo Plan has different durations for the inpatient/active treatment phase based on gender or age, due to cultural and other factors. These factors were established with INL, UNODC, Colombo Plan, MOPH, and MCN.⁵²¹

Counter-Narcotics Community Engagement

INL funds the nationwide Counter-Narcotics Community Engagement (CNCE) program, which focuses on discouraging poppy cultivation, preventing drug use by raising public awareness, and encouraging licit crop production. Since 2013, INL has obligated \$12.7 million and spent \$9.8 million on the program.⁵²²

The program pays an Afghan company, Sayara Media Communications (Sayara), to place reporters in Afghan provinces, which are ranked from tier 1 to tier 4 based on cultivation levels, to gather information and gauge perceptions of counternarcotics policies and messaging. Sayara relies on geographic information system maps to inform the direction of media campaigns. During the quarter, Sayara identified target areas where to focus public information campaigns. Mapping identified where farmers were likely to increase cultivation, where farmers were likely to alternate between cultivation of opium and licit crops, and where farmers were likely to reduce or cease opium cultivation.⁵²³ According to INL, nationwide public-opinion polling shows that the majority of people polled have heard counternarcotics public-information messages. For example, in high-poppy-cultivating provinces, “the program found a statistically significant increase in the percentage of respondents who think poppy can lead to addiction of a farmer and/or his family.” INL messaging has been trying to raise awareness of the dangers of addiction.⁵²⁴

According to INL, once the outreach component of the program begins, data will be available on information campaigns implemented by MCN. Sayara reported that the Afghan Ministry of Finance provided the MCN with approximately \$600,000 to conduct a widely attended national mobilization campaign. Of all the government agencies to apply for funding, MCN’s public-information directorate scored the highest; INL attributes this success to MCN’s ability to integrate capacity-building efforts implemented through the CNCE program.⁵²⁵

Ministry of Counter-Narcotics Capacity Building

INL has put nearly \$6.6 million toward new MCN capacity-building programs before September 30, 2016.⁵²⁶

INL’s new flagship capacity-building program will be implemented through a letter-of-agreement under the Colombo Plan. The program will support an evaluation of MCN’s needs, followed by placing subject-matter

experts at MCN to build the ministry's institutional capacity. Through the program, INL will also expand the Asian University for Women (AUW) fellowship program from one- to two-year fellowships, increase on-the-ground support, and focus capacity-building efforts to better meet needs.⁵²⁷ The fellowship will comprise one year at MCN, followed by an option for two 6-month rotations at relevant ministries (such as MOPH, IDLG, MOI, etc.). According to INL, this will support greater integration of the fellows at MCN in addition to encouraging and improving interagency communication. INL will continue to support two years of academic study for the fellows at AUW, a summer internship at MCN, and participation in one international MCN capacity-building conference.⁵²⁸

INL's June 2016 assessment of the MCN Capacity Building Program found the same strengths and areas for improvement as the first review done in November 2015. INL did not share its findings from both reviews but informed SIGAR after the November review, it would concentrate on delivering training in financial and management capacity building.⁵²⁹ INL determined that those areas remain critical to improving the overall functionality of the MCN.⁵³⁰ Last year, INL conducted an assessment of MCN's public financial-management system which identified deficiencies as reported in previous SIGAR *Quarterly Reports to the United States Congress* (see July 30, 2015, January 30, 2016, and July 30, 2016, reports); the situation prompted the creation of a remediation plan, the contract for which was awarded this September.⁵³¹

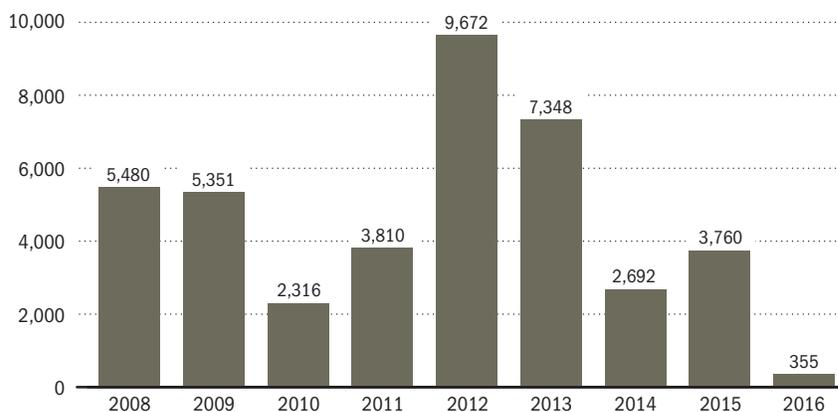
These assessments involve qualitative data analysis, including statements made by the AUW fellows at the ministry. Data requirements are outlined in the MCN Capacity Building Program performance-measurement plan (PMP), and include the number of standard operating procedures for administrative and financial systems and processes developed as well as the number of trainings conducted and the pre- and post-test scores of trained MCN staff. A third-party remote monitoring team will enable INL program officers to better assess the implementation and effectiveness of capacity building efforts at the MCN.⁵³²

Governor-Led Eradication Program

INL funds the Governor-Led Eradication (GLE) program, which reimburses provinces for the cost of eradicating poppies. Between 2007 and 2015, INL has contributed \$10 million to the MCN for the GLE program, which accounts for less than 2% of INL's annual counternarcotics budget for Afghanistan.⁵³³

The MCN tracks cumulative results that are verified by UNODC.⁵³⁴ The United Nations reports little eradication took place this year due to funding constraints and the security situation in the important poppy-growing areas. Eradication results were the lowest reported in the last decade.⁵³⁵ According

FIGURE 3.28

GOVERNOR-LED OPIUM-POPPY ERADICATION, 2008–2016 (HECTARES)

Note: Program results are based on UNODC-verified eradication figures.

Source: UNODC, *Afghanistan Opium Survey 2008*, 11/2008, p. 5; *Afghanistan Opium Survey 2009*, 12/2009, p. 5; *Afghanistan Opium Survey 2010*, 12/2010, p. 7; *Afghanistan Opium Survey 2011: Summary Findings*, 10/2011, p. 1; *Afghanistan Opium Survey 2013*, 12/2013, p. 12; *Afghanistan Opium Survey 2014: Cultivation and Production*, 11/2014, p. 7; *Afghanistan Opium Survey 2015: Cultivation and Production*, 12/2015, p. 8; UNODC, "Afghan Opium Production Up 43 per cent: Survey," 10/23/2016.

to UNODC, a total of 355 hectares (1 hectare is slightly less than 2.5 acres) were eradicated in 2016, a 90.6% decrease from 2015. INL disbursed \$540,750 to the ministry in April 2016 for the final 2015 GLE payment.⁵³⁶

INL informed SIGAR last quarter that it would begin collaborating this quarter with the MCN to start eradication according to the 2016 National Eradication Plan, but approval of the plan has been delayed. INL is working with the ministry to gain approval of next year's eradication plan by December 2016.⁵³⁷

Eradiation results have generally been declining with some fluctuations over the past few years, as shown in Figure 3.28, and represent a small fraction of the opium-cultivation and production results shown in Figure 3.27 on page 133.

Good Performer's Initiative

SIGAR reported that INL ended the \$143 million Good Performer's Initiative (GPI) last quarter due to the MCN's inability to implement the program properly. GPI was a program implemented by the MCN that sought to incentivize provincial counternarcotics performance. No new GPI projects have been approved since April 30, 2016, but funding will continue until current projects are completed. INL and UNODC negotiated two new alternative-development programs that

launched in October to supplement activities performed under GPI. Moreover, INL is independently developing a post-GPI alternative-development, food-zone based program.⁵³⁸ The letters of agreement for these alternative-development programs were signed in August and September 2016.⁵³⁹

According to INL, the Strengthen and Diversify Licit Livelihoods through Alternative Development Interventions project aims to help farmers using alternative-development methods. The project will support and strengthen selected value chains in production, processing, quality control, and market linkages across 13 target provinces which were most impacted by the loss of GPI award funds or had very high levels of poppy cultivation. The \$20 million program is implemented by the UNODC with a four-year period of performance. INL is exploring adopting a simpler project name which it believes will facilitate project branding.⁵⁴⁰

As of July 31, 2016, there have been 286 GPI projects with a value of \$126.2 million: 209 projects have been completed; 73 projects are ongoing, including four near completion.⁵⁴¹

INL's other alternative-livelihood project—the Community-Based Agriculture and Rural Development (CBARD) project—aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities in Farah and Badghis Provinces, the second and third highest poppy-cultivating provinces in Afghanistan in 2015 according to the UNODC. According to INL, CBARD will improve the local production and marketing of high-value crops. The project will also develop and strengthen community-based business infrastructures, such as irrigation, transportation, and facilities. The \$15.2 million program is implemented by UNDP with additional monitoring and evaluation conducted by the UNODC. The project has a 44-month period of performance.⁵⁴²

ALTERNATIVE DEVELOPMENT/ALTERNATIVE LIVELIHOOD

USAID's alternative-development programs are intended to support U.S. counternarcotics objectives by helping countries develop economic alternatives to narcotics production. INL funding supports supply-reduction and alternative-development programs. INL told SIGAR it coordinates regularly with USAID to ensure that INL-supported alternative-development efforts complement past and ongoing investments by USAID in licit livelihoods and rural development in Afghanistan.⁵⁴³

Kandahar Food Zone

Implemented in 2013, the Kandahar Food Zone (KFZ) is a five-year, \$45.4 million USAID project, implemented by International Relief and Development Inc. (IRD) under a joint strategy and in close coordination

with INL.⁵⁴⁴ KFZ is designed to identify and address the drivers of poppy cultivation in targeted districts of Kandahar Province through grants for activities that improve community infrastructure, strengthen alternative livelihoods, and support small businesses. The Ministry of Counter-Narcotics' KFZ has four pillars: public outreach, eradication, drug-demand reduction, and alternative livelihoods.⁵⁴⁵ USAID implements the alternative-livelihoods pillar and approved a two-year extension this quarter, extending the program through the end of August 2018.⁵⁴⁶

KFZ expended \$3.3 million between April and June 2016. During that period, KFZ completed five canals, in addition to 17 already constructed or rehabilitated. The program also focused on government coordination and capacity building by conducting training and placing staff in district agriculture offices.⁵⁴⁷ During the quarter, KFZ completed rehabilitation of 542 hectares and provided vineyard training benefiting over 1,600 Afghans.⁵⁴⁸

As of September 30, 2016, USAID has disbursed \$27.5 million since the program's launch.⁵⁴⁹

Regional Agricultural Development Program

The Regional Agricultural Development Program (RADP) is intended to help Afghan farmers achieve more inclusive and sustainable economic growth. RADP projects are under way in the southern, western, and northern regions of Afghanistan. The projects focus on strengthening the capacity of farmers to improve the productivity of high-value crops and livestock. Using a **value-chain** approach, these projects work with farmers and agribusinesses to overcome obstacles hindering production, processing, sales, and overall development of agricultural value chains. RADP consumes the majority of USAID's alternative-development staff resources that include contractor staff, 82.9% of whom are dedicated to the various RADP programs.⁵⁵⁰

USAID awarded the \$28.1 million, five-year contract for RADP-East in July 2016. The targeted provinces are Ghazni, Kapisa, Laghman, Logar, Nangarhar, Parwan, Wardak, and Kabul.⁵⁵¹

The five-year RADP-North is a \$78.4 million project scheduled to end in May 2019. RADP-North advances food and economic security in rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz and Samangan Provinces. Between January and March 2016, RADP-North implemented 10 activities and issued 41 grants valued at \$4.2 million. The project facilitated the signing of nine contracts between seed companies, seed enterprises, bakeries, mills, and cooperatives for the sale of Afghan wheat. Various trainings on the topics of hygiene and nutrition, seed-business development, and weed control occurred across several provinces. Efforts to support agribusiness development led to \$233,200 in new sales this quarter for businesses that took part in international trade shows in Kazakhstan and Turkey. During that period, project activities supporting the meat value

Value chain: the range of goods and services necessary for an agricultural product to move from the farm to the final customer or consumer. It encompasses the provision of inputs, actual on-farm production, post-harvest storage and processing, marketing and transportation, and wholesale and retail sales.

Source: USAID, response to SIGAR vetting, 4/12/2015.

chain also took place: training for 100 butchers on diseases, training on cashmere harvesting, and implementing wool production and processing. As of September 30, 2016, USAID has made cumulative disbursements of \$25.1 million.⁵⁵²

The purpose of RADP-South is to improve food and economic security for rural Afghans in Helmand, Kandahar, Zabul, and Uruzgan. It began in October 2013 and is scheduled to end in October 2018 at an estimated cost of \$125 million.⁵⁵³

Between April and June 2016, over 20 agribusinesses applied new-management practices using improved financial-management systems, administrative procedures, and marketing strategies. RADP-South support led total reported sales of AFN 30,263,870 (\$445,059) for 14 agribusinesses. Nearly 13,300 households benefited from program interventions during that period. Farmers applied new technologies or management practices on approximately 1,100 hectares.⁵⁵⁴

Last quarter, SIGAR reported that RADP-South ceased all gender-programming activities since March pending an embezzlement investigation in Zabul. Female beneficiaries accused a high-ranking Department of Women's Affairs (DOWA) official of withholding a portion of female beneficiaries' benefits. The investigation is complete and RADP-South restarted its activities in Zabul.⁵⁵⁵ The investigation has found that the implementing partner did not appear to be directly involved. The parties involved were the school's municipal manager, the provincial assembly chief, and the DOWA director. The RADP-South monitoring and evaluation team confirmed that in the verification on 10% of the attendees, all received their stipends. The project-payment process has been strengthened with additional requirements such as the segregation of duties and training of project staff and finance managers to ensure attendee and transportation stipends are confirmed before their submission to the implementing partner.⁵⁵⁶

Attendance decreased approximately 25% and new beneficiaries joining the program also dropped between March and April 2016 during the opium-poppy harvesting season in southern Afghanistan. RADP-South concentrated farmer-mobilization efforts during the first two quarters of this fiscal year in anticipation of this phenomenon. When training numbers are traditionally low, RADP-South conducts individual visits with farmers to bolster participation in demonstration farms and meets with community elders to stress the importance of consistent attendance.⁵⁵⁷

As of September 30, 2016, USAID has made cumulative disbursements of \$69.3 million for RADP-South.⁵⁵⁸

The \$70 million, five-year RADP-West program focuses on helping rural Afghans in the western provinces of Herat, Farah, and Badghis to improve food and economic security. The project supports the Ministry of Agriculture, Irrigation, and Livestock in its efforts to enhance the productivity and profitability of wheat, high-value crops and livestock.⁵⁵⁹

RADP-West's key accomplishments between April and June 2016 include:

- conducting wheat-production and -protection training for 905 farmers
- conducting wheat-harvest and post-harvest training for 1,225 farmers
- assessing a flour-mill company for potential purchase of wheat surplus from beneficiary farmers
- distributing vegetable seedlings and inspecting nearly 500 vegetable plots
- conducting pest-management training
- establishing 20 orchards and implementing orchard-programming activities
- conducting livestock and value-chain programming efforts such as linking cashmere-processing companies and herders or deworming sheep and goats.⁵⁶⁰

As of September 30, 2016, USAID has made cumulative disbursements of \$24 million.⁵⁶¹

Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a \$45.3 million USAID program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production. The program has three components:

- quality improvement
- high-value agricultural marketing and agribusiness development
- gender integration⁵⁶²

SIGAR reported last quarter that all CHAMP's current funds had been disbursed. The implementing partner has concluded two of the program's three components but enough funds are available to continue activities until December 30, 2016. USAID will extend the program for an additional three years after its originally scheduled conclusion for an additional estimated cost of \$15.9 million.⁵⁶³

USAID recently conducted an assessment of the CHAMP program. The purpose of the assessment was to verify the quantity and value of exports reported and the type of services CHAMP provided to the trade offices and exporters. The audit of the 19 export firms that represent the 10,485 metric tons (MT) of fresh and dried fruit reported in 2015 verified the amount of exports valued at nearly \$10.4 million. The majority of the fruit and nut exports go to Pakistan. Of the 19 firms, four were directly supported by the trade offices as part of their direct import activities and received no financial incentive. The two firms under the India trade office and the two under Dubai exported 37.3 MT worth \$59,056 and representing 0.36% of overall exports.

While the trade offices have been operational for several years, the firms have not shown outstanding results for direct exports, and did not reach

the goals of their MOUs and sub-agreements. The verification team recommended that each trade office refocus efforts based on its own market potential. Each office needs to address the obstacles to potential Afghan traders. In general, exporters favored India and had negative experiences shipping to Dubai when costly air shipments were delayed and fruit spoiled. Dubai also has higher quality requirements but can generate higher prices and therefore, higher rewards. Neither the India nor Dubai trade office have been able to secure the quantities, qualities, and specific products to fulfill the required timing for super/hypermarkets. One of the firms does plan to have this established this year.⁵⁶⁴

Some of the recommendations from the review are to:

- revise the first objective during the extension period to better track supermarket- and hypermarket-contract progress
- revise the incentive structure to promote quantity, repeat order, and higher-value markets
- simplify reporting requirements and maintain exporter sales-contact confidentiality
- promote trade-office services and coordinate with other programs.

CHAMP program staff agreed with all recommendations listed above except the penultimate one. According to USAID, the current procedures are simple for export firms to follow. If CHAMP decreases its documentary requirements, it will adversely affect the transparency of the assistance process and make it difficult to track indicators, such as sales or exports. Further, USAID said the current practice is very helpful for CHAMP traders to understand their annual profit, and their compliance enhances traders' organizational capabilities as well.⁵⁶⁵

By generating fees for services, the trade offices could take a more active role and achieve sustainability.⁵⁶⁶

See the July 2016 SIGAR *Quarterly Report to the United States Congress* for more information.

Interdiction Operations and Results

The Counternarcotics Police of Afghanistan (CNPA) consists of regular narcotics police and specialized units in all 34 provinces. The specialized units include the Sensitive Investigation Unit (SIU), National Interdiction Unit (NIU), and the Intelligence Investigation Unit (IIU). Nearly half of the CNPA's 2,800 personnel are assigned to Kabul. In addition to the CNPA, law-enforcement elements contributing to interdiction activities include members of the Afghan National Police, Afghan Border Police, Afghan Uniform Police, and the General Command of Police Special Unit.⁵⁶⁷

DOD reports that the security situation and the drawdown of Coalition forces have negatively impacted the CNPA and other Afghan

counternarcotics agencies. In the south and southwest, the insurgency's expanding influence is increasingly preventing counterdrug units and provincial CNPA units from conducting operations outside of major urban areas. Additionally, reduced Resolute-Support-mission partnering with Afghan forces has reduced available transportation, particularly helicopters, and the use of some counternarcotics forces for general security has resulted in fewer counterdrug missions.⁵⁶⁸

Since February 2016, Coalition advisors provide train, advise, and assist support to the CNPA. Recent emphasis has been on improving CNPA coordination with the Special Mission Wing (SMW). The SMW is an aviation wing that enables the ANDSF to conduct counterterrorism and counternarcotics missions and to disrupt insurgent and drug-smuggling networks in Afghanistan. The SMW has night-vision, rotary-wing air assault and fixed-wing intelligence, and surveillance and reconnaissance capabilities. The relationship has proven to be beneficial: it culminated in the arrest of Haji Watan, one of the country's top drug traffickers in April 2016 in Nangarhar.⁵⁶⁹ During the month of August, the Afghan special narcotics units (NIU/SIU) performed three airmobile operations in Sarobi and Nangarhar, arrested one major heroin trafficker, and seized over three tons of morphine and opium.⁵⁷⁰

Since 2004, DOD's CN requirements for Afghanistan have been funded mostly through supplemental and Overseas Contingency Operations appropriations. These train-and-equip programs aim to support U.S. regional goals and reduce CN-related terrorism and financing. The majority of funding is for special-purpose vetted units such as the Special Mission Wing and the Afghan Counternarcotics Police.⁵⁷¹

INL supports the maintenance and operations of NIU/SIU and DEA facilities as well as a judicial wire-intercept unit (JWIP). INL also provides support to the NIU and SIU of the CNPA including, salary supplements for NIU members (and DEA for SIU members). INL reports that the NIU strength is 492, up from 482 last quarter. Unit strength changes on an ongoing basis.⁵⁷² According to DOD, the partnering of national-level counterdrug units with U.S. Special Forces led to a slight increase of operations and arrests, but long-term mentoring is likely required to maintain these gains.⁵⁷³

As of late 2015, INL started support for SIU training and professional development. The NIU/SIU program is also supported by various DOD-funded activities, which include the SMW and specialized training.⁵⁷⁴

In July 2016, INL signed a letter of agreement with UNODC for \$2.4 million to support the CNPA's mobile detection team, precursor control unit and forensic lab. The agreement will last 24 months.⁵⁷⁵

During the April to June 2016 period, INL reported that combined seizures of the NIU and SIU totaled 2,267 kilograms (kg) of opium, 93 kg of heroin, 650 kg of morphine base, 1,550 kg of morphine solution

SECURITY

TABLE 3.13

INTERDICTION RESULTS, FISCAL YEARS 2008–2016										
	2008	2009	2010	2011	2012	2013	2014	2015	2016*	TOTAL
Number of Operations	136	282	263	624	669	518	333	270	179	3,274
Detainees	49	190	484	862	535	386	442	394	292	3,634
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,056	895,818
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,056	2,859	3,100	35,172
Morphine seized (kg)	409	5,195	2,279	18,040	10,042	11,067	5,925	505	6,450	59,912
Opium seized (kg)	15,361	79,110	49,750	98,327	70,814	41,350	38,379	27,600	9,022	429,713
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	130,846	36,250	53,184	234,981	4,943	700,491

Note: The FY 2015 figure for precursor chemicals seized includes a 135,000 kg seizure in December.
* Results for period 10/1/2015–9/15/2016 only.

Source: DOD, response to SIGAR data calls, 7/29/2015 and 9/27/2016.

and 500 kg of hashish. One kilogram is about 2.2 pounds. The NIU and SIU were responsible for 44 arrests and participated in 114 enforcement operations.⁵⁷⁶

DOD reported that from July 1 to September 14, 2016, Afghan security forces and law-enforcement agencies conducted 21 drug-interdiction operations resulting in the detention of 45 individuals. These operations included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. The Afghans' combined operations resulted in the seizures of 936 kg of opium, 4,300 kg morphine, 19 kg of heroin, 180 kg of hashish/marijuana, and 3,190 kg of precursor chemicals. As noted in previous SIGAR reports, interdiction results have been declining since 2012, as shown in Table 3.13.⁵⁷⁷

Given the U.S. military's reduced capabilities in Afghanistan, in 2015 DOD created a regional narcotics interagency fusion cell (RNIFC) to combat the regional drug trade. The RNIFC, located in Bahrain, tracks and interdicts the illicit movement of Afghan heroin on boats destined for the Middle East and East Africa.⁵⁷⁸

Aviation Support

Between July 1 and September 30, 2016, INL's air wing in Afghanistan provided the following air support to the DEA (fixed-wing and rotary-wing support for National Interdiction Unit movements): 13.8 flight hours, 21 sorties, 238 personnel transported, and 11,978 pounds of cargo moved. Additionally, the air wing provided transport for 463 INL and DEA passengers on embassy-required air shuttles for all movements within Kabul.⁵⁷⁹

INL's ability to support tactical operations in the south and southwest regions of the country has been constrained since the June 2015 closure of INL's base at Kandahar Air Field. INL continues to assist the NIU and

Precursor chemical: a substance that may be used in the production, manufacture, and/or preparation of narcotic drugs and psychotropic substances.

Source: UNODC, "Multilingual Dictionary of Precursors and Chemicals," 2009, viii.

SIU. The arrival of a Resolute Support advisory team in February 2016 at the NIU compound has greatly improved NIU access to Resolute Support assets, including the Afghan Government's Special Mission Wing for movement support for operations in northern and eastern Afghanistan. Since October 2015, 16 NIU missions have been supported by the SMW.⁵⁸⁰

SIGAR INSPECTION

A completed SIGAR inspection report found that the Special Mission Wing (SMW) Air Squadron's facilities at Kandahar Airfield and the infrastructure built by Environmental Chemical Corporation (ECC) were generally constructed in accordance with contract requirements and technical specifications. SIGAR found five instances where ECC was not in full compliance of those requirements and specifications. It also found that not all facilities were being used at full capacity. The Air Squadron is using them to support SMW training and operations. However, as the squadron grows from its current size of 100 personnel, usage is likely to increase. Please see Section 2 for more information on this report.

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GOVERNANCE

As of September 30, 2016, the United States had provided more than \$32.8 billion to support governance and economic development in Afghanistan. Most of this funding, more than \$19.4 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department (State) and the U.S. Agency for International Development (USAID).

KEY EVENTS

On October 5, 2016, the European Union and the government of Afghanistan co-hosted the Brussels Conference on Afghanistan. The conference brought together 75 countries and 26 international organizations and agencies. The Afghan government introduced the Afghanistan National Peace and Development Framework (ANPDF), the Afghan government's new five-year strategy for achieving self-reliance. International participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities.⁵⁸¹ Secretary of State John Kerry, speaking in Brussels, pledged to work with the United States Congress to provide civilian assistance "at or very near" the current levels through 2020.⁵⁸²

The Brussels Conference is the second major follow-up event to the 2012 Tokyo Conference. While the Tokyo Conference resulted in international civilian assistance commitments through 2016, the Brussels Conference secured commitments through 2020. In this way, Brussels was the civilian counterpart to the 2016 NATO Summit in Warsaw that extended security commitments to 2020. Along with the ANPDF, Afghanistan also set out new commitments for the period 2017–2020 under a refreshed set of deliverables for its Self-Reliance through Mutual Accountability Framework (SMAF). Afghanistan also announced five new National Priority Programs (NPPs) that will guide budget allocations.⁵⁸³

September marked the two-year anniversary of the compromise agreement, brokered by the United States, that resolved the 2014 election crisis and created the National Unity Government. In September 2014, the two candidates from the second round of presidential elections—Ashraf Ghani and Abdullah Abdullah—agreed to implement reforms prior to



Many nations were represented at the Brussels Conference in October. (State photo)

Various news sources, citing unnamed Afghan government and Taliban sources, reported the two sides met in secret in Doha, Qatar in September and October. Some Taliban sources said the talks yielded little. Afghan and U.S. officials reportedly demanded the Taliban declare a ceasefire and begin formal talks. The Taliban side reportedly demanded recognition as a political movement, removal of leaders' names from a UN blacklist, and release of all Taliban prisoners be released. The Taliban publicly denied that meetings took place.

Source: *The Guardian*, "Taliban and Afghanistan restart secret talks in Qatar," 10/18/2016; *Voice of America*, "Taliban Formally Denies Reports of Meetings with Afghan Government," 10/18/2016; Reuters, "Some Taliban officials say secret Afghan peace talks held in Qatar," 10/18/2016; *The Telegraph*, "Taliban holds 'informal' peace talks with Afghanistan," 10/18/2016.

parliamentary elections and, before September 2016, convene a *Loya Jirga* (grand assembly) to amend the constitution and consider the post of executive prime minister. Election reform efforts have stalled, the 2015 parliamentary election was postponed, and the *Loya Jirga* has not been held. As the deadline approached, opposition groups questioned the government's legitimacy. Five months earlier, however, Secretary of State John Kerry said that while there was a goal to hold a *Loya Jirga* at some point within the first two years of the agreement, he wanted to be "very, very clear" that the broader agreement for a government of national unity was meant to last the entire five-year presidential term.⁵⁸⁴

This quarter, the Secretary-General of the United Nations expressed concern over increased tensions between President Ghani and Chief Executive Abdullah that have strained the unity of the government and contributed to growing volatility.⁵⁸⁵ In August, Secretary of State John Kerry called Ghani and Abdullah to ask that they work together on political and economic reforms, while General John Nicholson, the commander of U.S. and NATO forces in Afghanistan, asked the two to not "let the political process undermine the security gains and progress within the security institutions."⁵⁸⁶

In September, the Afghan government and the Gulbuddin faction of Hezb-e Islami signed a peace deal. The United States designated Gulbuddin Hekmatyar, the leader of Hezb-e Islami Gulbuddin (HIG), a global terrorist in 2003 for participating in and supporting terrorist acts committed by al-Qaeda and the Taliban. President Ghani signed the agreement in Kabul, while Hekmatyar signed via pre-recorded video that was broadcast during the ceremony.⁵⁸⁷ In a statement, the U.S. Embassy in Kabul welcomed the agreement as an Afghan-led step in bringing the conflict in Afghanistan to a peaceful end.⁵⁸⁸ While news reports have referred to HIG as a dormant and small insurgent movement, DOD said it was not dormant.⁵⁸⁹ Dr. Barnett Rubin—a former senior advisor to the U.S. Special Representative for Afghanistan and Pakistan (SRAP)—commented in April that "Hezb-e Islami is [already] in the [Afghan] government, it is just Hekmatyar [who] is out [and] Hekmatyar is one of the most irrelevant people in Afghanistan."⁵⁹⁰

MUTUAL ACCOUNTABILITY UPDATES

At the Senior Officials Meeting (SOM) in September 2015, the Self-Reliance through Mutual Accountability Framework (SMAF) superseded the Tokyo Mutual Accountability Framework (TMAF). The SMAF is intended to guide the activities of the Afghan government and the international community at least to the end of the present government's term.⁵⁹¹

The SMAF covers six areas: (1) improving security and political stability (with three associated indicators); (2) anticorruption, governance, rule of law, and human rights (14 indicators); (3) restoring fiscal sustainability

and integrity of public finance and commercial banking (nine indicators); (4) reforming development planning and management, and ensuring citizens' development rights (three indicators); (5) private-sector development and inclusive growth and development (four indicators); and (6) development partnerships and aid effectiveness (eight indicators).⁵⁹² In addition to the SMAF indicators, the six areas include 39 short-term deliverables due to be completed by the end of 2016.⁵⁹³

On September 4, donors and the Afghan government met for a Special Joint Coordination and Monitoring Board (JCMB) to review progress in advance of the October 5 Brussels Conference.⁵⁹⁴ As of September, the Afghan government self-assessed that 20 SMAF short-term deliverables were achieved, 14 were in progress and on track or partially achieved, and five were in progress but delayed. Deliverables with outstanding items due by September included:

- (Deliverable 1) Implementation of elections reforms by the first half of 2016. As of September, two legislative presidential decrees for election reform were rejected by parliament. The Afghan government is now working on the revised election law approved by the cabinet in August 2016.
- (Deliverable 2) Full appointment of deputy ministers and provincial governors by the end of 2015. Two governors (Balkh and Nuristan Provinces) remain acting and appointments for vacant deputy minister posts are ongoing.
- (Deliverable 8) Cabinet approval of the subnational governance policy by the first half of 2016. While a draft of the policy has been reviewed by President Ghani, the revised draft is not expected to be submitted to the cabinet until October.
- (Deliverable 22) Public-private partnership regulation issued by March 2016. The legislative subcommittee of the cabinet approved the regulation in principle, but it has not yet been submitted to the full cabinet for approval.
- (Deliverable 31) Donor-funded contractors for off-budget national technical-assistance projects adhere to new salary scales by June 2016. While the new salary scales have been applied to all on-budget projects, implementation is lagging for off-budget projects, with some donors adhering and others just beginning the process.
- (Deliverable 32) An external review of how to best adapt the Afghanistan Reconstruction Trust Fund (ARTF) by July 2016. After accepting the Afghan government's terms of reference for the review, the World Bank has agreed to fast-track the procurement of the study.
- (Deliverable 33) All donor aid information recorded annually in the Development Assistance Database starting in September 2015. As of July 2016, 93% of total official development assistance committed for Afghanistan in 2016 was recorded in the database.

- (Deliverable 34) Donors who have achieved or exceeded the 50% on-budget target commit to joint performance reviews of their projects by the first half of 2016. Joint reviews have been carried out with the Asian Development Bank, Germany, and the World Bank. As a result of this exercise, \$148 million was either reallocated or cancelled from lagging projects.
- (Deliverable 35) Joint project reviews to assess the progress and results of off-budget programs by the first half of 2016. The Ministry of Finance held 16 Development Cooperation Dialogues, which identified a number of follow-up actions.
- (Deliverable 36) Donors and the Afghan government will establish a working group to produce a roadmap for sector-wide approaches by the first half of 2016. A working group has been established with an initial focus on agriculture and health.
- (Deliverable 37) A joint working group to deliver recommendations on taxation by June 2016. The working group has identified three broad principles and 13 recommendations. Four of the 13 recommendations suggest donor actions, three suggest Afghan government actions, and six suggest joint donor and Afghan government action.⁵⁹⁵



Chief Executive Abdullah, left, and President Ghani, right, at the Brussels Conference. (State photo)

At the October 5 Brussels Conference, participants agreed to 24 new “SMART” (Specific, Measurable, Achievable, Realistic, and Time-bound) deliverables for 2017 and 2018.⁵⁹⁶

Electoral Reform Challenges

Overhauling the electoral process was a central part of the power-sharing deal brokered by the United States between President Ghani and his former election rival, now Chief Executive Abdullah, after the troubled 2014 presidential elections. The September 2014 agreement that led to forming the national-unity government called for immediate establishment of a special commission for election reform. The intent was to implement reform before the 2015 parliamentary elections and to distribute electronic identity cards to all Afghan citizens as quickly as possible.⁵⁹⁷

In March, the Independent Election Commission (IEC) announced that elections would be held on October 15, 2016.⁵⁹⁸ In April, President Ghani publicly committed to holding parliamentary and district council elections “on time.”⁵⁹⁹ Despite these pronouncements, State said in late September that an October election would not be possible and that donors are awaiting a realistic timeline and budget from the Afghan government before making any determinations regarding election support. State also pointed out that there was no progress in introducing electronic identity cards.⁶⁰⁰ According to USAID, the Afghan government has not adopted, announced, or enacted any election reforms this quarter. Additionally, Afghanistan’s election bodies have not performed any work this quarter since the Afghan government has

not yet passed a new electoral law, nor has the government nominated new commissioners or confirmed the current commissioners of the IEC.⁶⁰¹

In August, the Afghan Cabinet of Ministers approved a new presidential decree combining the structural law on electoral bodies with the elections law. According to the Independent Commission for Overseeing the Implementation of the Constitution, the decree does not need to be submitted to the parliament for approval.⁶⁰² Electoral reforms stalled last quarter after the lower house of parliament again rejected President Ghani's elections-related legislative decree.⁶⁰³

At the October Brussels Conference, the Afghan government agreed to take concrete steps toward electoral reform and preparations in 2017.⁶⁰⁴

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

Summary of Assistance Agreements

To improve governance and align development efforts with Afghan priorities, international donors at the 2010 Kabul Conference committed to increase to 50% the proportion of civilian development aid delivered **on-budget** through the Afghan government.⁶⁰⁵ Donors, including the United States, reiterated this pledge at the July 2012 Tokyo Conference and again at both the December 2014 London Conference and the September 2015 SOM.⁶⁰⁶ As of September, USAID has not yet achieved the 50% on-budget target.⁶⁰⁷ At the October 2016 Brussels Conference, donors committed to channel a "higher share" of their development assistance via on-budget modalities in 2017 and 2018, but did not commit to a particular percentage of their overall assistance.⁶⁰⁸

At the Brussels Conference in October, international participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities. The EU and its member states committed to \$5.6 billion over the next four years. As part of this commitment, the European Commission announced its first state-building contract with Afghanistan. This first contract will provide up to €200 million (approximately \$223 million) in direct budget support over a two-year period starting in 2017. The State Building Contract forms part of the existing EU development-assistance program for Afghanistan scheduled to run 2014–2020 at €200 million per year.⁶⁰⁹

As shown in Table 3.14 on the following page, USAID expects to spend \$932 million on active, direct bilateral-assistance programs. It also expects to contribute \$2.7 billion to the Afghanistan Reconstruction Trust Fund (ARTF) through 2020, in addition to \$1.37 billion disbursed under the previous grant agreement between USAID and the World Bank. USAID has disbursed \$113 million to the Afghanistan Infrastructure Trust Fund (AITF).⁶¹⁰

On-budget assistance: encompasses donor funds that are aligned with Afghan government plans, included in Afghan government budget documents, and included in the budget approved by the parliament and managed by the Afghan treasury system. On-budget assistance is primarily delivered either through direct bilateral agreements between the donor and Afghan government entities, or through multidonor trust funds.

Off-budget assistance: encompasses donor funds that are excluded from the Afghan national budget and not managed through Afghan government systems.

Source: SIGAR, *Quarterly Report to the United States Congress*, 7/30/2014, p. 130; Ministry of Finance, "Aid Management Policy for Transition and Beyond," 12/10/2012, p. 8; State, response to SIGAR vetting, 1/14/2016.

GOVERNANCE

TABLE 3.14

USAID ON-BUDGET PROGRAMS						
Project/Trust Fund Title	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Bilateral Government-to-Government Projects						
Power Transmission Expansion and Connectivity Project (PTEC)	Da Afghanistan Breshna Sherkat (DABS)	Yes	1/1/2013	12/31/2018	\$725,000,000	\$110,541,160
Sheberghan Gas Development Project (SGDP)	Ministry of Mines and Petroleum	Yes	5/15/2012	8/31/2016	90,000,000	23,295,875
Kajaki Unit 2 Project (Installation of Turbine Generator Unit 2 at Kajaki Dam Hydropower Plant)	DABS	Yes	4/22/2013	9/28/2016	75,000,000	47,399,480
Afghanistan Workforce Development Project (AWDP)	Ministry of Education (MOE)	Yes	9/18/2013	7/31/2017	11,500,000	3,404,162
Basic Education, Learning, and Training (BELT) - Textbooks Printing and Distribution	MOE	Yes	11/16/2011	12/31/2018	26,996,813	24,970,742
E-Government Resource Center (EGRC)	Ministry of Communications and Information Technology (MOCIT)	Yes	8/28/2013	12/1/2017	3,900,000	1,205,000
Multi-Donor Trust Funds						
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	3/31/2017	1,900,000,000	1,290,169,080
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	No	3/7/2013	3/6/2018	113,670,184	113,000,000

Note: * USAID had a previous award to the ARTF that concluded in March 2012 and totaled \$1,371,991,195 in disbursements. Cumulative disbursements from the two ARTF awards are currently \$2,662,160,275. USAID plans to increase the ARTF total estimated cost by \$800 million to reflect the New Development Partnership.

Source: USAID, response to SIGAR data calls, 9/22/2016 and 10/13/2016; USAID, OPPD, response to SIGAR vetting, 10/18/2016.

The U.S. government announced in March 2015 that it intended to seek funding to support the Afghan National Defense and Security Forces (ANDSF), including the army and police, at the level of 352,000 personnel through at least 2017.⁶¹¹ The Department of Defense (DOD) appropriated \$3.65 billion to support the ANDSF for fiscal year (FY) 2016.⁶¹²

At the 2012 Chicago Conference, the United States and its allies affirmed commitments to support the Afghan security forces with an estimated annual budget of \$4.1 billion, to be reviewed regularly against the changing security environment.⁶¹³ At the September 2014 Wales Summit, NATO allies and partners reaffirmed their commitment to the financial sustainment of the ANDSF through the end of 2017. The international community pledged an additional amount of almost €1 billion, or approximately \$1.29 billion, annually to sustain the ANDSF for 2015 through the end of 2017.⁶¹⁴

In July 2016, NATO allies and partners met in Warsaw and committed to extend the financial commitments made at the 2012 NATO Summit in Chicago. Some 30 nations renewed pledges to sustain the Afghan security forces through 2020 at or near current levels. Thus far, the international community has pledged more than \$800 million annually for 2018–2020, and the United States has requested \$3.45 billion in the 2017 budget. President Obama also pledged that he will recommend to his successor that the

United States continue to seek funding for the ANDSF at or near current levels through 2020.⁶¹⁵

Of the total funds in support of the Afghan security forces for 2016, DOD expected to contribute \$110 million on-budget for police salaries to the Ministry of Interior (MOI) through the United Nations Development Programme's (UNDP) Law and Order Trust Fund for Afghanistan (LOTFA).⁶¹⁶

Additional on-budget assistance includes approximately \$1.13 billion in planned contributions to the Ministry of Defense (MOD) and approximately \$412 million in direct contributions to the MOI.⁶¹⁷

Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with seven Afghan government entities and (2) contributions to two multidonor trust funds, the ARTF and the AITF.⁶¹⁸ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance for each program.⁶¹⁹

The ARTF, administered by the World Bank, provides funds to both the Afghan government's operating and development budgets in support of Afghan government operations, policy reforms, and national-priority programs.⁶²⁰ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁶²¹ According to USAID, the majority of on-budget funding has been and will continue to be directed through the multidonor trust funds, particularly the ARTF.⁶²²

As of September, the United States remains the largest donor to the ARTF (31% in actual contributions) with the next largest donor being the United Kingdom (17% in actual contributions). According to the World Bank, the ARTF is the largest single source of support for the Afghan government budget at \$9.1 billion as of September 2016.⁶²³ The ARTF recurrent-cost window supports operating costs, such as non-security salaries. The recurrent-cost window pays 16–20% of the Afghan government's non-security operating budget.⁶²⁴

This quarter, USAID authorized the disbursement of \$100 million as a third tranche of funds from the \$800 million, USAID-administered New Development Partnership (NDP).⁶²⁵ The NDP uses already budgeted or requested funding and is delivered via the ARTF.⁶²⁶ The NDP contains its own, independent conditions that were negotiated bilaterally between the U.S. and Afghan governments.⁶²⁷ In August 2015, the U.S. and Afghan governments signed a memorandum of understanding (MOU) governing the NDP that proposed 40 development results that the Afghan government will be expected to achieve. The Afghan government receives \$20 million through U.S. funds provided via the ARTF's recurrent-cost window for achieving each development result.⁶²⁸

SIGAR AUDIT

SIGAR has an ongoing audit of the ARTF. In July 2011, SIGAR found that the World Bank and the Afghan government had established mechanisms to monitor and account for ARTF contributions, but that several limitations and challenges should be addressed. This new audit will assess the extent to which the World Bank and the Afghan government (1) monitor and account for U.S. contributions to the ARTF, (2) evaluate whether ARTF-funded projects have achieved their stated goals and objectives, and (3) utilize and enforce any conditionality on ARTF funding.

The Afghan government achieved four full NDP results and two partial results. The four results met this quarter were: (1) the establishment of a multi-year International Monetary Fund program in the form of an Extended Credit Facility, (2) an increase in the share of non-tax revenue as a percent of total domestic revenue from 16% in 2014 to 20% in 2015, (3) the signing and implementation of a tax administration law, and (4) implementation of a computerized customs-management system called the ASYCUDA WORLD Valuation Module in six major customs locations (USAID found that the module was implemented in two additional locations). These four results were not due until December 31, 2016. The two partially completed results were: (1) a legal amendment to the 2015 budget to increase revenues through new mobile-phone and business-receipt taxes (per the NDP framework this was supposed to have been completed by December 31, 2015) and (2) an approved provincial budget policy.⁶²⁹

On-Budget Assistance to the ANDSF

A large portion of total U.S. on-budget assistance goes toward the Afghan security forces. DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the MOD and the MOI, and (2) ASFF contributions to the multidonor LOTFA.⁶³⁰ Administered by the UNDP, LOTFA primarily funds Afghan National Police (ANP) salaries and incentives.⁶³¹ Direct-contribution funding is provided to the Ministry of Finance, which allots it incrementally to the MOD and MOI, as required.⁶³²

In February 2011, the Under Secretary of Defense Comptroller authorized the U.S. military's Combined Security Transition Command-Afghanistan (CSTC-A) to provide direct contributions to the Afghanistan government from ASFF to develop ministerial capacity and capability in the areas of budget development and execution, acquisition planning, and procurement. CSTC-A administers all contributions of ASFF resources to the MOD and MOI, subject to certain conditions that the ministries must meet for the use of the funds.⁶³³ CSTC-A monitors and formally audits the execution of those funds to assess ministerial capability and ensure proper controls and compliance with documented accounting procedures and provisions of the annual commitment letters.⁶³⁴ Most of the on-budget funds provided by CSTC-A support salaries, with limited amounts for local procurement of supplies. Funding is also provided for facility-maintenance contracts.⁶³⁵

This quarter, CSTC-A provided \$626 million to the MOD and \$217 million to the MOI. Of the \$217 million for the MOI, \$159 million was in the form of direct contributions and \$57 million was provided via LOTFA.⁶³⁶

MOD and MOI Generally Met Conditions for U.S. Funding; But Some Equipment Withheld Due to Insufficient Accountability

In July, DOD found that while the MOD and MOI generally met the agreed conditions for U.S. funding assistance, both ministries had deficiencies.

Of 42 conditions defined in the commitment letter, the MOD made satisfactory progress on 31 conditions, while 11 had insufficient progress. CSTC-A provided incentive funding to the MOD for: (1) submitting a procurement package to connect bases to the electrical grid, (2) maintaining an accurate tracking system of construction equipment accountability and maintenance status, (3) following proper inventory and distribution procedures, and (4) meeting quarterly female-recruitment goals. CSTC-A identified one deficiency that warranted a penalty due to insufficient accountability of night-vision devices. CSTC-A identified a further 10 conditions with insufficient progress, but did not impose additional penalties on the MOD. No penalties were assessed for 10 conditions that showed insufficient progress; however, DOD says penalties may be assessed following the next quarterly review.⁶³⁷

Of 46 MOI conditions defined in the commitment letter, the MOI made satisfactory progress on 27 conditions, while 19 had insufficient progress. CSTC-A provided incentive funding to the MOI for decreasing the percentage of untrained Afghan National Police (ANP) to below 5% by July 2016. As of May 30, 2016, CSTC-A assessed that 95.3% of the ANP were trained, leading CSTC-A to provide funding for the procurement of an electronic firearms training simulator in the next year's budget. CSTC-A identified four deficiencies that warranted a penalty: (1) insufficient investigation into credible reports of gross violations of human rights, (2) insufficient accountability of ammunition consumption, (3) insufficient night-vision device accountability, and (4) insufficient inputting of Afghan Local Police personnel data into the Afghanistan Human Resources Information Management System (AHRIMS). CSTC-A will withhold the remaining MOI travel budget for the fiscal year until the MOI provides a satisfactory report of actions taken on 24 gross-violation-of-human-rights reports. In addition, CSTC-A will recommend that LOTFA deny any proposed pay incentives to general officers or senior ministerial civilians. In response to the ammunition and night-vision accountability problems, CSTC-A will withhold future night-vision devices until accountability improves and will withhold \$250,000 from the next disbursement. CSTC-A identified a further 15 conditions with insufficient progress but imposed no additional penalties on the MOI; however, DOD says that penalties may be assessed following the next quarterly review.⁶³⁸

NATIONAL GOVERNANCE

Capacity-Building Programs

USAID capacity-building programs seek to improve Afghan ministries' ability to prepare, manage, and account for on-budget assistance. These programs also provide general assistance to support broader human and institutional capacity building of Afghan government entities.⁶³⁹

USAID also seeks to increase civil-society capacity through the Afghan Civic Engagement Program (ACEP). As shown in Table 3.15, active programs include the Ministry of Women's Affairs (MOWA) Organizational Restructuring and Empowerment (MORE) project, a \$14 million project that, among other things, helps the ministry improve its financial management, as required for future on-budget assistance.⁶⁴⁰

As MORE is in its final six months of implementation, the focus has shifted to building sustainability and transferring responsibilities to MOWA officials.⁶⁴¹ For example, MORE developed a tripartite memorandum of understanding between MORE, MOWA, and universities in order to ensure a successful completion of MORE's scholarship program after MORE's termination. MORE also initiated a practical transition of the responsibility of managing and monitoring the scholarships at the central and provincial levels through capacity development of the MOWA human resources directorate.⁶⁴²

USAID has also provided \$5 million for the \$150 million, ARTF-managed Capacity Building for Results (CBR) program. CBR aims to improve the capacity and performance of Afghan government ministries through the provision of skilled civil servants to implement ministries' reform programs. CBR provides Afghan government ministries with the opportunity to recruit high-capacity staff into critical posts at salaries closer to market rates. The aim is to increase on-budget service delivery and reduce reliance upon the so-called "second civil service" wherein Afghan consultants, instead of civil servants, perform government functions.⁶⁴³

At the October Brussels Conference, the Afghan government committed to recruit 1,200 government personnel by December 2017 and to fill the remaining positions by 2018. Previously, the Afghan government had committed to recruit at least 800 of 2,400 planned CBR positions by

TABLE 3.15

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$36,060,523
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	17,264,696
Ministry of Women's Affairs Organizational Restructuring and Empowerment (MORE)	Ministry of Women's Affairs	12/20/2012	12/19/2016	14,182,944	10,050,758

Source: USAID, response to SIGAR data call, 10/13/2016.

December 2016. As of September 2016, the Afghan government had issued contracts to 196 persons.⁶⁴⁴

National Assembly

For most of the quarter, from July 23 to September 6, the parliament was on summer recess.⁶⁴⁵

USAID funds the \$25 million Assistance to Legislative Bodies of Afghanistan project (ALBA) to help Afghanistan's parliament operate as an independent and effective legislative, representative, and oversight body.⁶⁴⁶ In July, the Parliamentary Anti-Corruption Caucus (PACC) introduced a bill in the lower house for whistleblower protection. ALBA provided technical support to the PACC throughout the seven months spent refining the draft bill. ALBA also assisted the upper house's Commission on Legislative Affairs in deliberating a draft bill on military higher-education institutions which was tabled during a lower house plenary session and approved by a majority of votes. Also in July, ALBA again advised the upper house's legislative affairs commission on the legality of certain elements of a proposed bill. ALBA advised that the bill was unconstitutional as it would change provisions of the constitution that can only be changed through a *Loya Jirga* (grand assembly). The commission modified the draft bill, per ALBA's suggestions, by omitting the problematic provisions.⁶⁴⁷

Civil Society

The Afghan Civic Engagement Program's goal is to promote civil-society and media engagement that enables Afghan citizens to influence policy, monitor government accountability, and serve as advocates for political reform. ACEP aims to achieve this goal through five program areas: (1) regular civil-society organization (CSO) engagement with the Afghan government, (2) increased CSO and media thematic expertise in democracy and governance, (3) expanded civic engagement, (4) improved access to independent news and public affairs information, and (5) increased CSO organizational capacity.⁶⁴⁸

This quarter, ACEP supported the launch of a Media Law Summer School in Kabul to provide legal support for journalists and media outlets. The summer school was held at the Afghanistan Center at Kabul University (ACKU) with 23 participants (including six women). An ACEP-supported civil society organization, the National Budget Advocacy Group, participated in hearings on the new Afghan government budget. In March, ACEP helped convince the MOF to allow civil society organizations to attend the budget hearings. Fourteen civil-society organizations will attend the hearings this year. In August, ACEP hosted trainings that focused on community mobilization, civic education, and facilitation skills. This training was attended by 79 participants (nearly half of them female) from 28 organizations implementing ACEP activities in 22 provinces.⁶⁴⁹

SIGAR AUDIT

This quarter, SIGAR published its audit of the Measuring Impacts of Stabilization Initiatives (MISTI) project. For more details, see Section 2.

SUBNATIONAL GOVERNANCE

At the October Brussels Conference, Afghanistan committed to launch the Citizens' Charter Afghanistan Project (CCAP) in at least 2,000 villages by December 2017 (with an additional 2,000 villages by December 2018).⁶⁵⁰ CCAP aims to break the cycle of fragility and violence by deepening the legitimacy of the Afghan state and reduce poverty by providing universal access to a core set of basic services. According to the World Bank, CCAP represents the first interministerial, multisectoral national priority program where multiple ministries will collaborate on a single program. During its first phase, CCAP will begin in one-third of districts across all provinces. Full national coverage is planned over 10 years. The Afghan government has prioritized districts that have historically received fewer community grants.⁶⁵¹

CCAP consists of rural and urban components with their own minimum service standards. In rural areas, all communities will receive access to clean drinking water with a minimum of one water-access point per 25 households. Additionally, each community will have the option of one of the following: basic electricity from renewable sources, basic road access, or small-scale irrigation infrastructure. In addition, minimum service standards will be established for health and education facilities, including hours of instruction, staffing levels, and hours of service for health facilities. Community Development Councils (CDC) will be responsible for monitoring health and education service delivery; over time, provision of basic village-level infrastructure will be managed by CDCs, including schools and health facilities. This will be done through community scorecards which will then be shared with district and provincial ministry representatives, as well as the district and provincial governor.⁶⁵²

In urban areas, CCAP minimum standards will include street upgrading and drainage, solid-waste management, provision of potable water, household numbering, lighting and electrification, recreational areas, and livelihood projects for women. Private health facilities and pharmacies will also need to meet certain standards. The urban component of CCAP will initially focus on Herat, Mazar-e Sharif, Kandahar, and Jalalabad. CCAP aims to expand to Kabul in 2018, and begin roll-out in other major provincial centers over the next five years.⁶⁵³

CCAP will be implemented via grants to CDCs. Rural CDCs will receive an average of \$27,000 in investment grants from Afghan government ministries (these grants are less than the average amount provided to CDCs previously through the National Solidarity Program, or NSP). Urban CDCs will receive block grants modeled on NSP grants. It is also possible that CDCs will receive \$6,000 recurrent grants—for small maintenance activities—every other year; however, this has not yet been finalized.⁶⁵⁴

In return for the assistance package, communities are expected to provide security for Afghan government and civil society organization

personnel, make cash or in-kind contributions (10% to 35% of project value), maintain financial records, develop inclusive development plans, provide annual audits and accountability statements, and maintain CCAP-provided community infrastructure.⁶⁵⁵

The third phase of the National Solidarity Program (NSP III) is scheduled to end in March 2017. NSP III was restructured following the Afghan government's October 2015 announcement of the Jobs for Peace initiative. Within one month of the announcement, NSP III created the Maintenance Cash Grants (MCG) scheme that was rolled out in 12 provinces. According to the World Bank, as of May 2016, \$31 million in grants have been disbursed and an estimated 470,000 persons directly benefited from MCG.⁶⁵⁶ In December 2015, USAID provided \$35 million to NSP III for the Jobs for Peace initiative.⁶⁵⁷

Provincial and Municipal Programs

USAID has two subnational programs focused on provincial centers and municipalities: the Initiative to Strengthen Local Administrations (ISLA) and Strong Hubs for Afghan Hope and Resilience (SHAHAR) programs. Table 3.16 summarizes total program costs and disbursements to date.

TABLE 3.16

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$73,499,999	\$24,745,436
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	10,822,018

Source: USAID, response to SIGAR data call, 10/13/2016.

Initiative to Strengthen Local Administrations

The \$62 million ISLA program is meant to enable the Afghan government to improve provincial governance in the areas of fiscal and development planning, representation of citizens, and enhanced delivery of public services. ISLA aims to strengthen subnational systems of planning, operations, communication, representation, and citizen engagement, leading to services that more closely respond to all citizens' needs in health, education, security, justice, and urban services.⁶⁵⁸

In July, the Ministry of Economy approved the ISLA-supported draft Provincial Annual Planning Guideline. According to ISLA, provinces will now receive clear guidance in preparing their provincial development plans in a participatory, inclusive, and gender-sensitive manner. The approved document is being translated into Dari and Pashto, after which the Ministry of Economy intends to call a one-day final review meeting with relevant ministries and stakeholders to officially adopt the draft. Also in July, ISLA,

in partnership with the Ministry of Finance, provided a second phase of provincial budget training to 81 officials from nine northern provinces.⁶⁵⁹

Strong Hubs for Afghan Hope and Resilience

The objective of the \$73 million SHAHAR program is to create well-governed, fiscally sustainable Afghan municipalities capable of meeting the needs of a growing urban population. The urban portion of Afghanistan's population has risen from 22% in 2004 to an estimated 25% in 2016/2017. Targeted support to municipal governments, as well as to the General Directorate of Municipal Affairs and municipal advisory boards, aims to improve municipal financial management, urban service delivery, and citizen consultation.⁶⁶⁰

For the quarter ending in June, SHAHAR-supported municipalities registered a total of 3,245 new businesses and issued 12,161 new business licenses (an increase over the 5,624 in the previous quarter). These efforts resulted in approximately \$364,504 in new municipal revenue for the quarter. SHAHAR-supported municipalities also collected \$1,353,130 in property taxes, a 67% increase compared to the previous quarter.⁶⁶¹

Seven of the 20 SHAHAR-supported municipalities appear to be on track to spend at least 50% of their yearly development budgets. According to SHAHAR, it is not likely that the target for the fiscal year will be met without a strong push from the deputy ministry of municipalities and focused spending by all municipalities over the next two quarters. The pace of spending will need to be quadruple to meet the 50% target for all SHAHAR-supported municipalities. SHAHAR has worked with a number of municipalities to implement 16 small-scale infrastructure projects. Municipalities are expected to contribute 25% of the project costs whereas SHAHAR funds the remaining 75%. SHAHAR hopes these projects will increase municipal development spending; next quarter, municipalities are expected to start contributing from their own development budgets for these projects.⁶⁶²

RECONCILIATION AND REINTEGRATION

This quarter, the Afghan government finalized a peace agreement with the Hezb-e Islami Gulbuddin (HIG) insurgent group. According to State, the HIG peace accord is an important precedent for other insurgent groups interested in joining the peace process.⁶⁶³

In the peace deal, the Afghan government committed to several actions, including: requesting the removal of HIG leaders from United Nations and other sanctions lists, guaranteeing judicial immunity of HIG members for past political and military actions, allowing eligible HIG members and commanders to join the Afghan security forces, helping return 20,000 refugee families, providing Hekmatyar sufficient financial resources and security to maintain two or three places of residence, and granting Hekmatyar an

honorary designation in appreciation of his struggle “for peace and freedom of Afghanistan.” In return, HIG agreed to formally declare a permanent end to war, observe the constitution, ensure a permanent ceasefire, dismantle its military structures, and stop any support for terrorist groups and illegal armed organizations.⁶⁶⁴

Afghanistan Peace and Reintegration Program

On March 31, the Afghanistan Peace and Reintegration Program (APRP) closed following a decision by APRP donors, the Afghan government, and UNDP.⁶⁶⁵ The APRP was an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.⁶⁶⁶ The APRP was the only institutional mechanism within the Afghan government with the capacity to pursue both high-level reconciliation negotiations and provincial-level reintegration of insurgent fighters.⁶⁶⁷ The United States provided \$55 million in support of the APRP between 2010 and 2016.⁶⁶⁸

According to the Afghan government, APRP’s successes include reaching out to armed opposition groups, removing some travel constraints hindering negotiations, meeting over 30 times with Taliban leaders, reintegrating over 11,000 personnel, implementing 2,000 community recovery projects, and collecting over 9,000 heavy and light weapons. Despite these efforts, however, APRP’s overall success was dependent upon the security and political situation. While APRP was being implemented, armed violence and insecurity in the country (as well as in APRP reintegration and community project areas) largely increased and there was no significant diminishment of the military capacity of armed opposition through the APRP re-integration process. There also was not enough documentation to prove that reintegrees sustainably reintegrated back into community life and transformed into productive members of society. Additionally, APRP’s monitoring and evaluation systems were not adequate for measuring and reporting results or for prompting APRP leadership to review progress and adjust strategies and approaches mid-course.⁶⁶⁹

In early 2017, the Afghan government plans to launch a successor to the APRP in the form of a five-year Afghanistan National Peace and Reconciliation (ANPR) strategy, pending approval from President Ghani. According to State, the ANPR is expected to shift from the disarmament, demobilization, and reintegration (DDR) focus of the APRP to negotiating political settlements with armed opposition groups, forging national and international consensus on a peace process, and promoting and institutionalizing a culture of peace.⁶⁷⁰

Donors agreed to provide funding for an interim UNDP project through at least September 30, 2016. This interim project provides assistance to the Afghan High Peace Council and Joint Secretariat during the transition period between the closure of APRP and the planned commencement of ANPR.⁶⁷¹

RULE OF LAW AND ANTICORRUPTION

Project Summary

The United States has assisted the formal and informal justice sectors through several mechanisms. These include the State Department's Justice Sector Support Program (JSSP) and Justice Training Transition Program (JTTP). These and other rule-of-law and anticorruption programs are shown in Table 3.17.

TABLE 3.17

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	2/28/2017	\$270,142,052	\$254,510,697
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	68,163,468	1,272,888
Electoral Reform and Civic Advocacy (AERCA)*	7/13/2009	6/30/2017	51,302,682	41,195,996
Corrections System Support Program (CSSP IV)	3/1/2016	2/28/2017	15,000,000	5,836,760
Justice Training Transition Program (JTTP) Follow On**	4/1/2016	11/30/2017	47,759,796	47,759,796
Delegated Cooperation Agreement (DCAR) with the Department for International Development (DFID) for Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC)	5/19/2015	8/31/2020	3,000,000	500,000

Note: * On November 1, 2015, USAID extended the AERCA award beyond the planned December 31, 2015, end date, added \$12.6 million in estimated costs, and incorporated additional anticorruption activities into the program description. The information in the table refers to the entire award, not simply the new anticorruption portion covered by the modification.

** The follow-on project is a no-cost extension with funds having already been disbursed.

Source: State, INL, response to SIGAR data call, 9/23/2016; USAID, response to SIGAR data call, 10/13/2016.

In April, USAID launched the \$68 million Assistance for the Development of Afghan Legal Access and Transparency (ADALAT) program. ADALAT aims to (1) increase the effectiveness and reach of the formal justice sector, (2) strengthen the linkages between the formal and traditional justice sectors, and (3) increase citizen demand for quality legal services. ADALAT (“justice” in Dari and Pashto) will work closely with Afghan justice institutions to increase the professionalism of justice-sector actors, to improve judicial administrative and management systems, and to strengthen the Ministry of Justice (MOJ) Department of the **Huquq** (“rights”) and its interaction with traditional justice on civil-related matters. It also will develop the technical, organizational, and management capacity of USAID civil-society partners operating in the formal and traditional justice sectors and will support their missions to eliminate practices that violate human rights in traditional dispute resolution within the informal justice sector and to increase citizen awareness of and demand for fair and accessible justice services.⁶⁷² This quarter, ADALAT was still mobilizing and there were no significant developments to report.⁶⁷³

USAID has a cooperation arrangement with the United Kingdom's Department for International Development to fund the Independent Joint

Huquq offices provide an opportunity for citizens to settle civil cases within the formal system before being brought into the court system

Source: Afghanistan Justice Sector Support Program, “Ministry of Justice,” 2016.

Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID support funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.⁶⁷⁴

USAID aims to improve public services by reducing corruption opportunities in the Afghan government's administrative and business processes. In November 2015, USAID modified the existing Advancing Effective Reforms for Civic Accountability (AERCA) project—previously the Afghanistan Electoral Reform and Civic Advocacy (AERCA) project—to address immediately identifiable corrupt practices.⁶⁷⁵

Last quarter, AERCA identified 10 **services** that are important to Afghans but are perceived as not working as well as expected: (1, 2) disability and martyr payments by the Ministry of Martyred, Disabled, Labor, & Social Affairs; (3, 4, 5) driver's license issuance, vehicle registration, and national identification by the Ministry of Interior; (6, 7) issuance of diplomas and transcripts by the Ministry of Higher Education; (8) small business license registration by the Kabul Municipality; (9) property registration by the Supreme Court; and (10) high-school diploma issuance by the Ministry of Education.⁶⁷⁶ Of these 10 services, AERCA plans to provide direct support to reform the driver's license, national identification cards (*tazkera*), and small-business licensing services.⁶⁷⁷

In August, AERCA reported that despite having the approval to begin the survey on the driver's license service from the Director General of the Traffic Department, ministry employees obstructed AERCA's work. The Traffic Department's director general had to intervene for the survey to continue. According to AERCA, this may indicate that existing corrupt networks were being threatened and reflect the difficulty that anticorruption reform efforts will face in some ministries. AERCA suggested that it may be wise for AERCA to not dedicate additional time and resources to the driver's-license service if the Traffic Department continues to offer significant resistance, since AERCA is only scheduled to operate through June 2017.⁶⁷⁸

AERCA's experience with the Ministry of Interior's Population Registration Directorate office was more positive. According to AERCA, the new director general wanted to immediately improve the national identification-card service process and reduce opportunities for corruption. AERCA helped introduce new procedures that reduced the number of officials an applicant must interact with from eight (or more) to one. Each customer was given a receipt, along with a time for picking up the identification card the next day.⁶⁷⁹

The State Department's JSSP objectives include continuing to develop a case-management system (CMS) to track cases throughout Afghanistan's justice system and to build the capacity and administrative skills of ministry officials.⁶⁸⁰ Using CMS, JSSP has identified 24 AGO anticorruption-unit cases and 796 anticorruption-tribunal court cases that have exceeded statutory time limits.⁶⁸¹

At the October Brussels Conference, the Afghan government committed to simplify 15 to 25 public **services, integrate these services into a one-stop shop by 2017, and expand this model to three additional locations in Kabul by 2018.**

Source: Brussels Conference on Afghanistan, "Self-Reliance through Mutual Accountability Framework: SMART Deliverables 2017/2018," 10/5/2016, p. 2.

This quarter, JSSP participated in the Criminal Law Reform Working Group (CLRWG) to review and adopt the criminal provisions of the Law on Elimination of Violence Against Women. JSSP included gender and civil-society groups to help ensure Afghan women can participate in drafting these important provisions. JSSP proposed two separate articles to require that when moral crimes (*zina*) or sodomy are committed without the consent of one of the parties, the non-consenting person is considered a victim, shall not be prosecuted, and the perpetrator shall be prosecuted for rape. According to JSSP, these provisions are important since police and prosecutors routinely arrest and prosecute females for alleged moral crimes, even though they are in fact victims of rape or forced sodomy. CLRWG agreed and placed the two proposed articles in the chapter on rape.

JSSP also argued that publishing the identity of the victim must also be prohibited, otherwise, victims will not come forward. JSSP argued against a proposal to allow justice officials to publish the victim's identity or photos when acting in their official duties, and also recommended the language be broadened to ensure that all persons are prohibited from publishing photos and identity. CLRWG agreed to a broadly worded prohibition on publishing the identity or photos of a female who was raped or forced into prostitution, but added the phrase "unless otherwise stated in the law."⁶⁸²

This quarter, the \$48 million Justice Training Transition Program partnered with the Attorney General's Office (AGO) as it worked to amend the current Law on Structure and Jurisdiction of the Attorney General. JTTP advised on key gaps within the existing law, potential regulations that the AGO may consider to operationalize professional training, minimum qualifications and recruitment of prosecutors, professionalization and performance management, and best practices for legislative proposal development and amendment tracking. The proposed changes were then distributed to 34 provincial chief prosecutors and nonparticipant directors for comments.⁶⁸³

The Supreme Court and the Formal Justice Sector

In October, the Supreme Court announced that 119 judicial officials—including nine judges and a prosecutor—had been detained and referred to the AGO for investigation for bribery. Additionally, 659 judges had been replaced.⁶⁸⁴

According to the SMAF, short-term deliverables related to the justice sector include the launch of a justice-sector reform plan and a draft of a revised penal code, both to be completed by December 2016. In the latest SMAF update, the Afghan government reported that the first draft of the justice-sector reform plan was approved by a committee chaired by the second vice president in February 2016 and presented to President Ghani in July. A task force composed of all justice-sector institutions, under the direct supervision of the second vice president, is incorporating the comments

from President Ghani and Chief Executive Abdullah. Regarding the revised penal code, the Ministry of Justice has completed reviewing 577 out of 800 articles, with work ongoing.⁶⁸⁵

Afghan Correctional System

According to State, the inmate population of Afghanistan's prisons, managed by the General Directorate of Prisons and Detention Centers (GDPDC), increased by an average of 6.08% annually over the past five years. As of July 31, the GDPDC incarcerated 26,597 males and 839 females, while the Ministry of Justice's Juvenile Rehabilitation Directorate (JRD) incarcerated 634 male juveniles and 102 female juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as INL does not have access to their data.⁶⁸⁶

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adult males, despite presidential amnesty decrees and the transfer of National Security Threat inmates to the MOD that have reduced the prison population significantly. As of July 31, the total male provincial-prison population was at 198% of capacity, as defined by the International Committee of the Red Cross's (ICRC) minimum standard of 3.4 square meters per inmate. The total female provincial-prison population was at 81% of the ICRC-recommended capacity. The JRD's juvenile-rehabilitation centers' population was at 53% of ICRC-recommended capacity.⁶⁸⁷

This quarter, Panjshir prison became the first prison in Afghanistan to fully transition to the case-management system (CMS). According to State, this represents a milestone for prisoners' rights and GDPDC's capacity to manage its inmates. Since 2014, the Correction System Support Program (CSSP) has been working with JSSP on incorporating the Corrections Case Management (CCM) facility-based prison roster system into the Case Management System (CMS). As these two systems are integrated, GDPDC staff and case managers can more effectively and efficiently review prisoner files and share more accurate and reliable information with others in the justice system, such as police commanders, prosecutors, judges, and law enforcement agencies. CSSP/JSSP team members trained Panjshir prison staff on the new system and plan to conduct follow-up mentoring.⁶⁸⁸

Anticorruption

At the October Brussels Conference, the Afghan government agreed to draft and endorse an anticorruption strategy for the whole of government by the first half of 2017. Implementation of this strategy is to occur by the second half of 2017. Additionally, five revenue-generating ministries are to publicly report on implementation progress of their anticorruption action plans in 2017.⁶⁸⁹

On October 4, Transparency International (TI) issued a report on the Afghan government's implementation of 22 commitments crucial to

SIGAR LESSONS LEARNED

SIGAR this quarter published a Lessons Learned Program report, *Corruption in Conflict*, on the U.S. response to corruption in Afghanistan. See Section 2 for more information.

On March 19, President Ghani created the **Higher Council on Governance, Justice, and the Fight Against Corruption**. The council will oversee the drafting and implementation of a national anticorruption strategy. President Ghani will chair the council, whose members will include Chief Executive Abdullah, the two vice presidents, the chief justice, the minister of justice, and the attorney general.

Sources: UN, report of the Secretary-General, *The situation in Afghanistan and its implications for international peace and security*, 6/10/2016, p. 11; OSD-Policy, response to SIGAR vetting, 7/16/2016.

addressing corruption. According to TI, only two of the 22 commitments have been fully implemented. TI did highlight the establishment on the National Procurement Agency and the Anti-Corruption Justice Center as signs of progress.⁶⁹⁰

Anti-Corruption Justice Center

On May 5, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).⁶⁹¹ The ACJC brings together Major Crimes Task Force (MCTF) investigators, Afghan Attorney General's Office (AGO) prosecutors, and judges to combat serious corruption.⁶⁹² In July, the **Higher Council on Governance, Justice, and the Fight Against Corruption** established the ACJC's jurisdiction as covering major corruption cases committed in any province involving senior officials or substantial monetary losses of a minimum of 5 million afghanis (approximately \$73,000).⁶⁹³

According to Resolute Support, the international community is demanding that ACJC investigators, prosecutors, and judges be vetted and polygraphed. While the MCTF has complied with this requirement, the AGO and Supreme Court have resisted or refused this requirement. However, the AGO has recently relented and agreed to systematic and regular polygraph examination of its prosecutors. Resolute Support fears that without proper vetting of ACJC personnel, there is a strong likelihood that the ACJC could be captured by corrupt elements due to institutional corruption within the AGO and court system.⁶⁹⁴

The ACJC has been assigned seven primary court and seven appellate court judges, 25 prosecutors, 12 MCTF investigators, and sufficient administrative staff to support all of its functions. All of the principal personnel have been approved by President Ghani. As of late September, the prosecutors assigned to the ACJC were working at the same location as the MCTF investigators.⁶⁹⁵

On October 2, President Ghani chaired a meeting of the Higher Council on Governance, Justice, and the Fight Against Corruption for a symbolic inauguration of the ACJC. During his remarks, President Ghani reported that his office had transferred 16 cases to the ACJC for prosecution and stated that prosecutors and judges should contact him directly if anyone attempted to interfere with their cases.⁶⁹⁶

Afghan Attorney General's Office

On April 9, the lower house of parliament approved the nomination of Mohammad Farid Hamidi for attorney general.⁶⁹⁷ According to Resolute Support, the new attorney general has yet to deliver any serious corruption prosecutions to court and has not yet demonstrated the resolve to be a leader against corruption. Other anticorruption bodies, in particular the Major Crimes Task Force, continued to feel stymied by the AGO.⁶⁹⁸

Between March 2015 and March 2016, the AGO reported that it prosecuted 163 Afghan officials for embezzlement, 145 individuals for bribery (including 94 from the military police and five from the National Directorate of Security), and 1,030 officials for misuse of authority.⁶⁹⁹

In September, the AGO announced that ACJC had prepared five large corruption cases, including embezzlement by a number of general officers in the Ministry of Defense.⁷⁰⁰

Independent Joint Anti-Corruption Monitoring and Evaluation Committee

A presidential decree established the MEC in March 2010. Its mandate is to develop anticorruption recommendations and benchmarks, to monitor efforts to fight corruption, and to report on these efforts. It includes three Afghan members and three international members, and is led by an Afghan executive director. The MEC has approximately 20 staff. USAID notes that the MEC may increase its staff since President Ghani has increasingly sought analytical products from it.⁷⁰¹

This quarter, the MEC released a report on corruption vulnerabilities in the importation and supply of fuel and liquid gas and a critique of the draft set of short-term deliverables for the updated Self-Reliance through Mutual Accountability Framework (SMAF). In its critique, the MEC argued that, despite strong sentiments expressed by both the Afghan government and international community regarding the central importance of reducing corruption, the draft contains only one measure that refers directly to tackling corruption. According to the MEC, this one corruption-related deliverable—which requires five revenue-generating ministries to publicly report on the implementation of their anticorruption action plans in 2017—is overly modest and repeats previous commitments that were due by the end of 2015.⁷⁰²

The MEC's vulnerability assessment of fuel and liquid gas imports estimated that more than \$70 million in potential revenue has been lost due to large-scale smuggling. The MEC found that some equipment at the borders—including scanners, weigh scales, and quality control laboratories—were sabotaged by government employees to facilitate smuggling, bribery, and customs evasion. The MEC proposed 36 recommendations, including substantial legal reform and uniform application of the laws, establishment of effective leadership, monitoring the system of importation, better equipment at border customs houses, structural and human-resource reforms, and better management of the exemption for fuel and liquid gas for international forces.⁷⁰³

High Office of Oversight and Anticorruption

The High Office of Oversight and Anti-Corruption (HOO) was established in July 2008 by presidential decree to oversee and coordinate implementation of the Afghan government's anticorruption strategy. The HOO collects corruption complaints through a hotline and complaint boxes installed in

several ministries and other public-service delivery institutions, and conducts the initial investigation of corruption allegations that it receives before referring allegations to the Attorney General's Office (AGO) for further investigation and possible prosecution. According to USAID, these investigations seldom lead to prosecution. Mutual recrimination between AGO and HOO is common.⁷⁰⁴ The HOO is also charged with collection and verification of asset declarations submitted by Afghan government officials.⁷⁰⁵

This quarter, SIGAR released a follow-up to a 2009 report on the HOO. The new report found that the HOO still suffered from a lack of independence and authority to fulfill its mandate, a lack of enforcement power, and, in some instances, a failure to register and verify asset declarations. Moreover, the asset declarations that were verified by the HOO contained errors and omissions that would have hindered robust verification efforts. Because the HOO was unable to provide SIGAR with supporting documentation showing how it verified asset declarations and the outcomes of verification efforts, those errors in and omissions from verified declaration forms raised questions regarding the efficacy of the process.⁷⁰⁶

Further, SIGAR found there were still no penalties for failing to comply with HOO requests, and that the office lacked authority and enforcement power. The HOO director general told SIGAR that his office lacked the personnel needed to effectively obtain asset registrations and verify the assets of Afghan officials. SIGAR reviewed the filing history of 27 top officials under the Ghani administration who were required to submit asset declaration forms to the HOO for verification. As of March 2016, the HOO reported that it verified one asset-declaration form (President Ghani's) and had 22 others under review. Four officials had yet to submit their legally required asset declarations.⁷⁰⁷

Security Services

According to Resolute Support, the Ministries of Defense and Interior have initiated significant anticorruption efforts, at least in theory. MOD and MOI have both formally developed Counter and Anti-Corruption (CAC) implementation plans. According to Resolute Support, however, implementation of these plans is rather slow. While MOD is making some progress, MOI has not started implementing its plan, as it has not yet been approved.⁷⁰⁸

CSTC-A plans to leverage conditionality language contained in the fiscal year (FY) 1395 (December 22, 2015–December 21, 2016) commitment letters to ensure MOD and MOI compliance with these CAC plans. MOD and MOI are required to provide CSTC-A with updates on CAC implementation milestones. CSTC-A use this data to assess, on a quarterly basis, progress and effectiveness of the CAC plan implementation.⁷⁰⁹

Ministry of Defense

Three active forums are addressing corruption issues within MOD: the Counter Corruption Working Group, the Senior High Level Committee on Anti-Corruption, and the Senior Leader Counter Corruption Panel.

Of the various MOD anticorruption efforts, Resolute Support reported no measurable or significant progress since last quarter. Resolute Support reports that MOD anticorruption meetings are generally formulaic and devoid of substantive discussions and decisions on the way ahead concerning systemic and specific corruption cases. This quarter, the Minister of Defense directed the MOD Inspector General to fulfil its mandate. Resolute Support hopes that this guidance, combined with the efforts of the recently established Anti-Corruption Justice Center (ACJC), will improve MOD anticorruption performance.⁷¹⁰

Ministry of Interior

The executive-level anticorruption Transparency, Accountability, and Law Enforcement Committee (TALE), chaired by the MOI Inspector General (MOI IG), has met three times since its establishment in 2015. According to Resolute Support, this committee is an effective forum for cross-coordination and development of anticorruption policy recommendations. However, since the new MOI IG was appointed in April, there have been no TALE meetings. The MOI recently established province- and multi-province zonal-level TALE committees.⁷¹¹ This quarter, MOI IG appointed 21 personnel to these zonal positions.⁷¹²

Overall, however, Resolute Support observed no significant progress in MOI's anticorruption efforts this quarter. While MOI approved a Counter Administrative Corruption Policy in April, implementation has not yet started, as the policy has not been approved by the Higher Council for Governance, Justice, and the Fight Against Corruption.⁷¹³

Major Crimes Task Force

Since a January change in MCTF leadership, the MCTF has opened 187 cases (including 81 corruption investigations), arrested 148 suspects, and seized several hundred thousand dollars in assets and counterfeit currency, 120 tons of illegally mined semiprecious lapis lazuli, and 836 tons of other minerals. This is a significant increase in MCTF efforts compared to the previous seven-month period that saw the MCTF open 25 cases and arrest 36 lower-level personnel.

The MCTF is currently partnering with SIGAR on eight investigations. One recently concluded case resulted in the arrest of the provincial police chief of Kapisa Province—the first arrest of such an official—for his role in a fuel-theft scheme. The MCTF made this arrest despite political interference by senior MOI and AGO officials. The chief of military prosecutions at the AGO, however, immediately released the prisoner. Two other joint SIGAR/MCTF investigations involve U.S. citizens and many millions of donor nation dollars.⁷¹⁴

Despite recent progress, Resolute Support reports that the MCTF's effectiveness against high-level corruption continues to be limited by external factors, such as AGO corruption and political pressure. Resolute Support

reports that the MOI's commander of the Afghan Uniform Police threatened to kill MCTF personnel if they initiated an investigation without the commander's approval. Additionally, Resolute Support reports that the Minister of Interior himself ordered the MCTF to release a suspect due to shared geographic heritage. The MCTF successfully resisted this order.⁷¹⁵

Recently, President Ghani directed the MCTF to investigate the current governor of Nangarhar Province and personnel within the Ministry of Telecommunication and Information Technology for corruption. According to Resolute Support, there are active investigations involving many of the Afghan ministries.⁷¹⁶ On October 2, the governor of Nangarhar Province resigned, citing insufficient central government attention to the province and unspecified interference with his work.⁷¹⁷

HUMAN RIGHTS

Refugees and Internal Displacement

There have been significant changes in refugee movements during the quarter. According to State, there was a rapid increase in Afghan refugees returning to Afghanistan. From January through June, only 7,804 Afghans holding Pakistani Proof of Residency (POR) cards returned to Afghanistan. Since July, over 115,000 registered Afghan refugees have repatriated. The United Nations High Commissioner for Refugees (UNHCR) believes that as many as 221,000 could return in 2016. State sees four primary factors for this increase in returns: (1) Pakistani authorities introduced tighter border controls, especially at the Torkham border crossing, that separated families and negatively affected cross-border commerce for Afghans; (2) Pakistan has issued multiple short-term extensions of the POR cards that have generated concern among the Afghan refugee population about their long-term prospects in Pakistan, especially amid instances of harassment and anti-Afghan rhetoric; (3) the political and social climate in Pakistan has put pressure on Afghans, with many having lost their livelihoods as a result; and (4) UNHCR doubled the repatriation grant on June 25, 2016.⁷¹⁸

Undocumented Afghans (migrants) are also returning in large numbers in recent months. These returnees leave Pakistan for the same reasons POR card holders leave, but they are also subject to deportation because of their undocumented status. The International Organization for Migration (IOM) reports that 147,562 undocumented Afghan migrants have returned from Pakistan this year and as many as 400,000 could return to Afghanistan in 2016. Pakistan announced a moratorium on deportations until November 15, 2016, to allow undocumented Afghans to leave voluntarily or obtain the appropriate visa.⁷¹⁹

There has also been an increase in internal displacement. According to the UN's Office for the Coordination of Humanitarian Affairs (OCHA), 221,000 people in Afghanistan fled their homes from January through August

2016. OCHA reported in August 2016 (the most recent reporting) that the total number of internally displaced persons (IDP) in Afghanistan stands at 1.2 million. UNHCR reported that through June 2016, the top three destinations for IDPs in 2016 were Kunduz, Kabul, and Nangarhar Provinces. Most IDPs leave insecure rural areas and small towns seeking relative safety and government services in larger towns and cities in the same province.⁷²⁰

Eurostat—the statistical office of the EU—reported 85,075 Afghans sought asylum for the first time in the EU in the first six months of 2016. The number of asylum applications from April to June was 83% higher compared to the same period in 2015.⁷²¹

A few days before the Brussels Conference, the EU and Afghan government signed an agreement allowing EU member states to deport an unlimited number of rejected Afghan asylum seekers. The Afghan government, in turn, is obligated to receive its repatriated citizens, even if the repatriation is involuntary. The EU and Afghan governments also agreed to consider building a dedicated terminal at the Kabul airport to accommodate nonscheduled repatriation flights.

According to the *Guardian*, EU countries were reportedly considering withdrawing foreign assistance if Afghanistan does not agree to repatriation. EU officials, however, denied that there was any connection between the repatriation agreement and foreign assistance for Afghanistan. However, the *New York Times* quoted a member of the Afghan delegation as saying delegates were told by Afghan and international officials that the repatriation deal was a quid pro quo for EU civilian assistance.⁷²²

Gender

The largest gender-focused initiative in USAID's history is the Promote partnership that aims to assist over 75,000 Afghan women in achieving leadership roles over five years in all parts of society, including business, academia, politics, and public policy.⁷²³ See the Section 1 essay in this report for the views of a selected group of high-level Afghan women on Promote and other gender-related matters in Afghanistan.

USAID has committed \$280 million to Promote and hopes to raise an additional \$200 million from other international donors.⁷²⁴ Table 3.18 on the following page shows the current Promote programs. However, no other donors have committed to contribute funds to Promote. Instead, Promote seeks partnership opportunities with other programs, including those of other donors. For example, Japan will be providing graduate scholarships to build the capacity of female civil servants. In turn, USAID will provide leadership skills training to Japanese-funded beneficiaries through Promote.

A second example is the collaboration between Promote Women's Right Groups and Coalitions (*Musharikat*) and the World Health Organization (WHO). *Musharikat's* Ending Violence Against Women Coalition is working with WHO to advocate, provide Promote beneficiaries with referral

GOVERNANCE

TABLE 3.18

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Afghan Women's Leadership in the Economy	7/1/2015	6/30/2020	\$71,571,543	\$8,357,321
Women's Leadership Development	9/23/2014	9/22/2019	41,959,377	13,530,698
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	5,544,373
Promote: Women's Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	3,391,611
Promote: Economic Empowerment of Women in Afghanistan	5/8/2015	5/7/2018	1,500,000	300,000
Promote: Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522

Source: USAID, response to SIGAR data call, 10/13/2016.

to healthcare training and capacity building, and share resources and lessons learned.⁷²⁵

As of September, Promote programs have benefited 7,804 individuals, 118 civil-society organizations, and 178 businesses.⁷²⁶ According to USAID, it is too early to identify trends related to the completion and subsequent placement of Promote-sponsored trainees. The Promote activities are just exiting the pilot stage or have recently completed the first round of programming. However, USAID observed a drop in training attendance for Women's Leadership Development (WLD) trainings in Kabul when travel stipends to attend classes were not paid. This trend was reversed when stipends were introduced. According to USAID, this may suggest some cost sensitivity associated with learning, although it is not conclusive. A Promote grantee in Jalalabad has attempted to provide the transport for students themselves rather than giving stipends. The results of this approach will be assessed for trends and lessons.⁷²⁷



The USAID Afghanistan Mission Director and Afghanistan's Minister of Interior exchange memorandums of understanding to support President Ghani's job stimulus initiative through three USAID/Promote programs. (USAID photo)

This quarter, Promote's Women's Right Groups and Coalitions initiated the "Know Your Rights" campaign for a women's rights education targeting the more than 200 women activists and civil-society organizations. The campaign focuses on key women's rights laws and international conventions through a series of educational messages delivered through the Musharikat Mobile Platform (MMP).⁷²⁸ Through the mobile messaging, members will receive an introductory email that contains the Constitution of Afghanistan, followed by a series of texts with the key sections which directly relate to women's rights.⁷²⁹

Promote's Women's Leadership Development (WLD) program initiated a third round of leadership classes, enrolling 1,564 students in July. Participants in this course established women-only sports complexes, libraries, and cycling clubs, and worked with disadvantaged women to open grocery stores and poultry farms. Another group of WLD students established a women-only library at the University of Herat. During the quarter, WLD started 62 classes in five target cities. Approximately 113 WLD graduates in Herat, Kabul, Kandahar, and Mazar-e Sharif were recruited by

employers. These graduates primarily filled positions as gender specialists, program managers, and teachers at universities and schools.⁷³⁰

This quarter, Promote's Women in Government (WIG) program continued the training of 115 interns in a civil-service curriculum. In August, USAID signed a memorandum of understanding with the Ministry of Labor, Social Affairs, Martyred, and Disabled to train, place, and employ interns. The ministry agreed to take on the management of the internship program after the project concludes.⁷³¹

In June, USAID formally launched the Promote Scholarship Program that aims to provide scholarships to 720 Afghan girls over the next five years, enabling them to complete their bachelor's degree at private universities in Afghanistan. The program will also provide 180 scholarships at regional universities. The recipients of the Promote scholarship, in turn, are expected to contribute to creating an environment that fosters women's empowerment.⁷³² This quarter, the implementing partner identified and began interviewing 316 prospective beneficiaries.⁷³³

The SMAF includes several short-term deliverables related to women's rights, including the requirement for an implementation and financing plan for the National Action Plan for Women, Peace, and Security approved at the end of 2015, with implementation starting by mid-2016; an anti-harassment regulation for improving working environments for public-sector women, to be issued by mid-2016; and dedicated violence-against-women prosecution units established in 26 provinces by December 2016.⁷³⁴ The Afghan government reported that it achieved the deliverable related to the implementation of the National Action Plan for Women, Peace, and Security. The budget for the first phase of the action plan, scheduled to run from 2016 to 2020, has been approved at \$51.5 million. The Afghan government, however, committed only \$11 million, leaving a \$39.5 million funding gap.⁷³⁵

At the October Brussels Conference, the Afghan government agreed to demonstrate progress in its National Action Plan for Women through annual reports in 2017 and 2018. Within this deliverable, Afghanistan committed to increase the percentage of female civil servants from the current level (using a 2015 baseline) by two percentage points in 2017 and an additional two percentage points in 2018. The Afghan government also agreed to establish special courts on violence against women in 15 provinces by December 2017 and the remaining provinces by December 2018. Dedicated violence against women prosecution units are also to be established and functional, including adequate staffing, in all 34 provinces by December 2017. The Afghan government committed to incrementally increasing the percentage of women serving as judges and prosecutors in these special courts and prosecution units. Finally, Afghanistan committed to launch a women's economic empowerment plan by the first half of 2017 and produce an implementation report by 2018.⁷³⁶

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ECONOMIC AND SOCIAL DEVELOPMENT

As of September 30, 2016, the U.S. government has provided approximately \$32.8 billion to support governance and economic and social development in Afghanistan. Most of these funds—more than \$19.4 billion—were appropriated to the U.S. Agency for International Development’s (USAID) Economic Support Fund (ESF). Of this amount, \$17.9 billion has been obligated, and \$14.6 billion has been disbursed.⁷³⁷

U.S.-funded civilian-assistance programs in Afghanistan focus on the country’s long-term development, self-reliance, and sustainability. They aim to bolster gains in health, education, and gender equality. They also seek to increase government revenue through private-sector-led investment and growth, and stronger regional market connectivity.⁷³⁸

ESF investments are made in key sectors like agriculture, extractives, and information technology. ESF programs promote improved governance, rule of law, anticorruption initiatives, and alternatives to illicit narcotics production. The ESF is also being used to help the Afghan government finish and maintain major infrastructure investments to build electric-power grids in the north and south, which are critical components of the United States’ economic-growth strategy for Afghanistan.⁷³⁹

KEY EVENTS

Several events this quarter are likely to affect Afghanistan’s prospects for economic and social development:

- At the October 5, 2016, Brussels Conference on Afghanistan, donors confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan’s development priorities.⁷⁴⁰
- Afghanistan became the World Trade Organization’s 164th member (and ninth least-developed country) on July 29, 2016.⁷⁴¹
- Domestic revenues collected in the first nine months of FY 1395 (December 21, 2015–December 20, 2016) rose 42.5% above the same period in FY 1394, but still covered only about 51.9% of total government expenditures, which increased 6.5%.⁷⁴² An Afghanistan Analysts Network report said the increase partially reflects stronger government revenue-collection efforts and new taxes at higher rates, but does not generally represent an improved economy.⁷⁴³

- USAID authorized disbursing \$100 million to the Afghanistan Reconstruction Trust Fund for Afghanistan's fully achieving four, and partially achieving two, economic, revenue, and policy-related development results. This was the third tranche of funds from the \$800 million New Development Partnership established in March 2015.⁷⁴⁴

ECONOMIC PROFILE

The World Bank expects slow economic recovery over the next four years with Afghan growth prospects dependent on new sources of revenues, exports, and more donor aid (or more aid delivered on budget). Past gains are eroding: poverty, unemployment, underemployment, violence, out-migration, internal displacement, and the education gender gap have all increased, while services and private investment have decreased. The Bank said high levels of crime and corruption undermine Afghanistan's delivery of public services, deter private investment, and are the by-product of weak institutions.⁷⁴⁵

Lower foreign-military spending has reduced demand for goods and services, causing the loss of tens of thousands of jobs. Meanwhile, the strength of the insurgency has caused the government to spend more on the military and less on job-creating investments.⁷⁴⁶ As a result, GDP growth is lower than Afghanistan's rapid population growth, reported to be the third highest in the world. These things limit employment opportunities and put pressure on the budget. Afghanistan's labor force needs to absorb a World Bank-estimated 400,000 new workers every year. Nearly 23% of Afghanistan's labor force was unemployed in 2013–2014, almost triple the level of the 2011–2012 surge years.⁷⁴⁷

The IMF reported that Afghanistan is facing difficult challenges in its current environment and is heavily dependent on aid, which the World Bank reported would continue beyond 2030.⁷⁴⁸ The IMF said Afghanistan's "perilous" security environment, political uncertainties, and endemic corruption negatively affect development spending, private investment, institutional reforms, economic efficiency, and equality.⁷⁴⁹ Inadequate infrastructure and human capital, and a large illicit narcotics sector were also notable elements preventing robust and inclusive economic development.⁷⁵⁰

While the International Monetary Fund (IMF) characterized Afghanistan's economic activity as weak, it projected Afghanistan's real (net of inflation) gross domestic product (GDP), excluding opium, to grow 2.0% in 2016, higher than the estimated 0.8% in 2015. This is an improvement, but remains far below the growth necessary to increase employment and improve living standards.⁷⁵¹ In contrast, Afghanistan's FY 1395 (2016) budget estimated GDP growth at 4.4% and its target growth rate is 4.0% for the next three years.⁷⁵²

The IMF is no longer forecasting revenue increases from a value-added tax or the extractives sector due to the government's current capacity constraints and poor investment climate. Instead, it predicts revenue increases from strengthened tax enforcement and compliance reforms and electricity-transit fees starting in 2018.⁷⁵³

Consumer prices dropped by an IMF-estimated average of 1.5% in 2015, compared to a 4.7% rise in 2014.⁷⁵⁴ This was attributed to declining global commodity prices and waning domestic demand. Exchange-rate depreciation would normally cause higher consumer prices for an import-dependent nation like Afghanistan, but this was offset by declining global prices.⁷⁵⁵

Agriculture has the potential to drive strong economic growth and improve livelihoods, according to the World Bank, and the Afghan government acknowledged that the country's GDP "rises and falls" with it.⁷⁵⁶ Agricultural output and income fluctuate with the weather, so economic growth based on this sector is necessarily volatile.⁷⁵⁷

Industry and services, which benefited from the Coalition's large presence, security spending, and aid flows prior to 2015, have grown at the slowest pace since 2013.⁷⁵⁸ Weak human capital has limited this kind of labor-productivity-driven growth. Therefore, the World Bank predicts that natural resources will continue to play a key role in the economy with new production geographically concentrated around resource locations rather than in cities.⁷⁵⁹

Afghanistan's Fiscal Outlook

Afghanistan's fiscal vulnerability remains high, according to the World Bank, and will require a large increase in revenues, which is plausible only with mining development and sustained levels of aid. While domestic revenues have increased, the World Bank said, so have Afghanistan's security costs.⁷⁶⁰ According to DOD, the Afghan National Defense and Security Forces costs in FY 2016 were \$5.01 billion, of which the United States paid \$3.65 billion. Afghanistan budgeted AFN 158.1 billion (roughly \$2.3 billion) for the Ministry of Interior and Ministry of Defense. Of that, Afghanistan planned to contribute AFN 23 billion (\$336 million), which would amount to 17% of Afghanistan's total estimated domestic revenues for the year.⁷⁶¹ Additionally, the World Bank said the government's non-security spending will need to increase rapidly just to sustain current service levels due to population growth, operations-and-maintenance requirements on existing assets, and civil service salaries.⁷⁶²

Afghanistan's currency has also depreciated significantly, which the World Bank attributes to a decline in aid, the preference of Afghan consumers for the dollar, and possibly capital outflows associated with emigration. The main causes of the out-migration are lack of employment opportunities, increasing poverty, and the deteriorating security environment.⁷⁶³

FY 1395 Revenues and Expenditures—First Nine Months

According to Afghan treasury department data, domestic revenues and expenditures both increased on paper in the first nine months of FY 1395 compared to the same period in FY 1394. Total domestic revenues—a figure that excludes donor grants—stood at AFN 115.6 billion (\$1.76 billion in current dollars), about 42.5% above the same period last year. Afghan government expenditures, AFN 222.6 billion (\$3.38 billion), grew by about 6.5%, with big increases in student and other social benefits, employee benefits, subsidies, and municipal and capital grants.⁷⁶⁴

Although domestic revenues increased by 42.5% year-on-year, an Afghan Analysts Network (AAN) report said it does not reflect an improved economy. Taxation and customs revenues increased a more modest, yet still respectable 14%. This is partially due to stronger revenue-collection efforts and the impact of new taxes at higher rates implemented in the latter part of 2015. Sales-tax revenues increased over 50%, while income-tax revenue increased more than 20%, as shown in Table 3.19. Revenue from

TABLE 3.19

DOMESTIC REVENUES, AS OF OCTOBER 8, 2016 (AFN)				
	Category	1394 (Through Month 9)	1395 (Through Month 9)	% Change
Taxation & Customs Revenues	Fixed Taxes	7,135,247,520	7,039,608,944	-1.34%
	Income Taxes	13,848,800,636	16,628,427,225	20.07%
	Property Taxes	569,699,903	275,849,762	-51.58%
	Sales Taxes	12,585,809,473	18,941,698,178	50.50%
	Excise Taxes	0	0	—
	Other Taxes	2,767,429,199	3,178,668,358	14.86%
	Tax Penalties and Fines	0	0	—
	Customs duties	21,108,143,464	20,009,190,806	-5.21%
Social Contributions	Retirement Contributions	2,978,520,934	2,999,460,326	0.70%
Other Revenue	Income from Capital Property	1,526,391,920	1,151,736,366	-24.55%
	Sales of Goods and Services	2,338,772,991	4,238,753,234	81.24%
	Administrative Fees	8,511,377,813	16,588,064,818	94.89%
	Royalties	121,990,779	131,400,167	7.71%
	Non Tax Fines and Penalties	634,323,887	805,094,325	26.92%
	Extractive Industry	398,626,293	662,267,247	66.14%
	Miscellaneous Revenue	6,572,532,375	9,436,065,111	43.57%
	Sale of Land and Buildings	20,426,922	1,093,653,893	5253.98%
	Major One of Revenue/Dorment [sic]	0	12,397,823,365	—

Note: At the end of FY 1394 Month 9, the exchange rate was AFN 63.85 to one U.S. dollar. At the end of FY 1395 Month 9, the exchange rate was AFN 66.54 to one U.S. dollar. The other-revenue statement line "Major One of Revenue/Dorment" was unexplained, but appears to refer to a one-off revenue gain from sale of a government asset.

Source: MOF, Sunbola Financial Statements FY1395, 10/8/2016; MOF, Sunbola Financial Statements FY1394, 10/6/2015; Da Afghanistan Bank, Exchange Rates, 9/21/2016 and 9/22/2015.

administrative fees nearly doubled. Administrative fees are levied on passports and visas, vehicle registrations, professional and commercial licenses, and airspace-overflight charges, etc.⁷⁶⁵

For reasons that remain unclear, revenues from natural resources—comprising royalties and extractives-industry line items—increased 300% from the figures the Afghan treasury reported last quarter, and 52.4% compared to the same period last year, which is unexpected given the ongoing constraints in that sector. The Afghan government also received an AFN 12.4 billion revenue boost from what appears to be a one-time receipt from an unspecified sale of government property, which had an impact on the overall revenue-collection increase. Additionally, revenue from the sale of land and buildings was substantially higher than the prior period.⁷⁶⁶

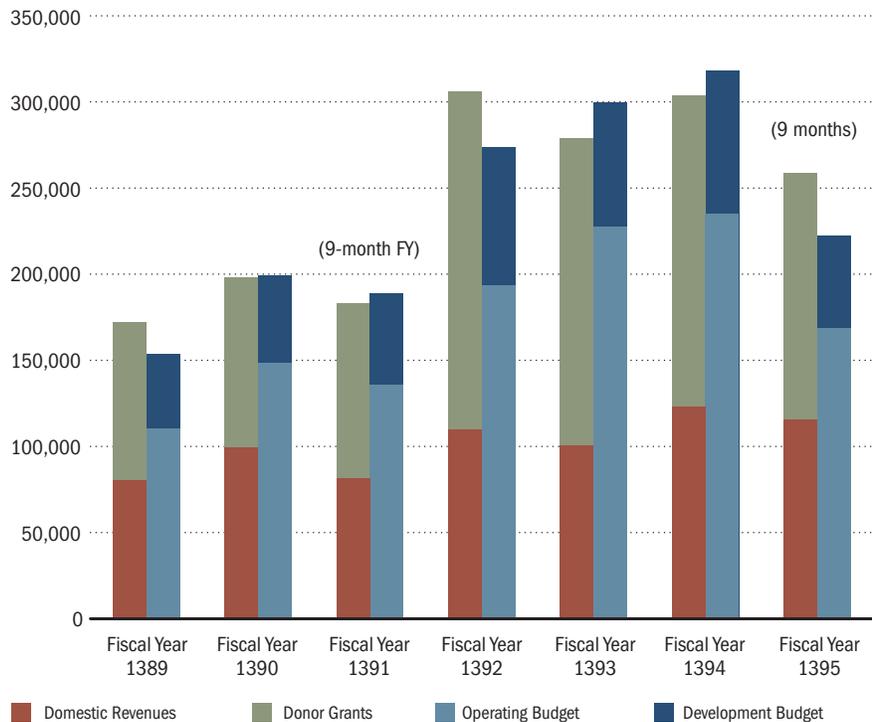
Afghanistan's currency depreciation against the U.S. dollar may affect the government's purchasing power and reduce the impact of the improved revenue collection. More than a quarter of all revenue collected in the first six months of the year was attributed to depreciation, according to the AAN report. It stated that depreciation caused the afghani value of customs duties on imports and other taxes levied on foreign-exchange flows to increase artificially. As a result, more than AFN 10 billion of total reported revenue collected in the first half of 2016 consisted of a central bank transfer of paper profits from exchange-rate changes to the budget. It was not a result of any substantial improvement in the economy, greater revenue collection, or new or higher tax rates, and should not be considered revenue because it will not be used to pay for expenditures.⁷⁶⁷

The report also said one-time revenue injections from public enterprises such as the land sale are likely unsustainable. So far in FY 1395, revenue collections include items such as AFN 2.14 billion from Kabul Bank recoveries, AFN 1 billion each from the Ministry of Urban Development and Ministry of Agriculture, Irrigation, and Livestock, proceeds from the sale of state-owned land and buildings, and passport fees. In fact, AAN argued that increased revenue from passport fees may be a sign of economic weakness and prospective human flight.⁷⁶⁸

The fiscal gap—the difference between domestic revenues and expenditures—is large.⁷⁶⁹ Donor assistance reduces or closes it, as depicted in Figure 3.29 on the next page. Afghanistan's fiscal gap of 48.1% rose sharply from the 39.9% reported last quarter, but narrowed compared to 58.6% for the same period in FY 1394. Still, domestic revenues paid for only 51.9% of Afghanistan's total non-security budget expenditures so far in FY 1395, representing a net deficit of AFN 107.0 billion (\$1.6 billion). With donor contributions, the budget surplus was AFN 36.1 billion (\$549.3 million).⁷⁷⁰ A fiscal gap can widen or shrink, depending on variables including budget-execution rates, donor grants received, qualification for donor incentive funds, revenue collection, and changing expenditures.⁷⁷¹

FIGURE 3.29

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 1389 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. AFN yearly average exchange rates versus one U.S. dollar: FY 1389: 46.63, FY 1390: 47.76, FY 1391: 51.68, FY 1392: 56.53, FY1393: 57.48, FY 1394: 63.91, FY 1395: 68.26.

Source: MOF, *Sunbola Financial Statements FY 1395*, 10/8/2016; MOF, *Qaws Financial Statements FY 1394*, 2/27/2016; MOF, "Annual Fiscal Report 1393," 3/12/2015; MOF "1394 National Budget," 1/28/2015; MOF, "1393 National Budget," 2/1/2014; Da Afghanistan Bank, "Currency Hijri Monthly Average USD," accessed 10/11/2016.

The World Bank recently projected Afghanistan's revenue potential to increase from 10.2% of GDP in 2015 to 14.5% by 2030 under its baseline assumption.⁷⁷² In April 2016, the Bank projected expenditures to rise to 36% of GDP by 2020.⁷⁷³ Even with a 23% improvement in actual revenue collections in FY 1394 compared to the previous year, and a 42.5% revenue increase in the first nine months of FY 1395 (year-on-year), the Bank said that it would be unrealistic to expect Afghanistan to cover the current level of expenditures, even if its revenue potential was realized in all sectors. Therefore, the government must also reduce expenditures, especially in the security sector.⁷⁷⁴ This will be a difficult feat, given the continuing insurgency.

Customs Revenue and Administration

Customs duties and fees made up 17.3% of the government's total domestic revenues in the first nine months of 2016. However, it dropped 5.2% compared to the same period last year.⁷⁷⁵ It is unclear whether this is attributed to lower imports or reduced collections.⁷⁷⁶ This quarter, ASYCUDA World—a Web-based customs-valuation module—was expanded from the major customs houses in Nangarhar, Kabul, and Kandahar to Herat, Aqina, and Hairatan. Afghanistan was required to implement this module in six major customs locations by December 2016 as part of the Self-Reliance through Mutual Accountability Framework (SMAF).⁷⁷⁷

This follows a nationwide expansion last quarter of a program that allows customs duties to be paid electronically from any commercial bank, rather than only at central bank offices within customs houses.⁷⁷⁸ The State Department said electronic payments expedite the release of goods at the border, reduce the need to carry cash, and reduce opportunities for graft.⁷⁷⁹

The World Bank acknowledged Afghan government progress in its customs administration, but said improvements in operational performance—management, declaration processing, risk management, and inspections—would help the customs department realize more of its customs-revenue-collection potential.⁷⁸⁰

Brussels Conference on Afghanistan

On October 5, 2016, the European Union and the government of Afghanistan co-hosted the Brussels Conference on Afghanistan, which brought together representatives from 75 countries and 26 international organizations and agencies. Donors confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities.⁷⁸¹ Secretary of State John Kerry pledged to work with the United States Congress to provide civilian assistance “at or very near” the current levels, on average, through 2020.⁷⁸²

The Afghan government introduced the Afghanistan National Peace and Development Framework (ANPDF), the Afghan government's new five-year strategy for achieving self-reliance, and set out new commitments for the period 2017–2020 under a refreshed set of SMAF deliverables. Afghanistan also announced five new National Priority Programs (NPPs) that will guide budget allocations.⁷⁸³

International Monetary Fund Support Agreement Reached

On July 20, 2016, the IMF executive board approved a three-year, \$45 million **Extended Credit Facility** (ECF) loan agreement with Afghanistan. Approximately \$6.2 million was available for immediate disbursement; the rest is subject to semi-annual reviews over the life of the program. The ECF, which follows the satisfactory conclusion of an informal Staff-Monitored

The Extended Credit Facility (ECF): a three-year program that provides financial assistance to Afghanistan, as well as other countries, and is the primary IMF tool for providing medium-term assistance to low-income countries. ECF financial support is generally provided through loans at zero percent interest rates.

Source: IMF, “IMF Extended Credit Facility,” Factsheet, 3/16/2016.

Program, will focus on institution building, fiscal and financial reforms, and combating corruption to lay the foundations for increased private-sector development. It aims to consolidate recent macroeconomic and structural gains and catalyze additional donor support. The IMF's deputy managing director and acting board chair wrote, "In view of the challenging circumstances, full ownership of the program and buy-in from stakeholders will help mitigate implementation risks and raise the likelihood of program success."⁷⁸⁴

Afghanistan's poor record with its two previous ECF arrangements, the most recent of which expired in November 2014, caused program reviews to be suspended. The IMF said both previous ECFs fell short of their goals.⁷⁸⁵ The newly approved ECF could give the National Unity Government additional options for managing its financial affairs during the current period of economic and fiscal stress.

New Development Partnership Update

This quarter, USAID authorized the disbursement of \$100 million to the Afghanistan Reconstruction Trust Fund for Afghanistan's fully achieving four, and partially achieving two, economic, revenue, and policy-related development results. This was the third tranche of funds from the \$800 million, New Development Partnership established in March 2015, which contain independent conditions that were negotiated bilaterally between the U.S. and Afghan governments.⁷⁸⁶ The Afghan government receives \$20 million through U.S. funds for fully achieving each of 40 development results.⁷⁸⁷ The four results met this quarter were:⁷⁸⁸

- approval of a multi-year IMF ECF arrangement
- an increase in non-tax revenue as a percent of total domestic revenue, from 16% in 2014 to 20% in 2015
- signing and implementing of a tax-administration law
- implementation of a computerized customs-management system in six major customs locations

Two partially completed results, for which \$10 million each was disbursed, included a completed legal amendment to the 2015 budget to increase revenues through new mobile-phone and business-receipt taxes, and an approved provincial budget policy.⁷⁸⁹

Trade

Afghanistan's trade balance was an IMF-estimated negative \$7.2 billion (equivalent to 36.6% of GDP) in 2015 and is projected to be negative \$7.3 billion (equivalent to 39.6% of GDP) in 2016. Afghanistan's legal exports consist of goods (31.6%) and services (68.4%).⁷⁹⁰ However, about 15–20% of the total value of Afghanistan's trade is said to be unrecorded, generally involving smuggled goods, according to the World Bank.⁷⁹¹

Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-estimated current-account surplus equivalent to 4.7% of GDP (\$925 million) in 2015. This is projected to fall to 4.5% of GDP (\$825 million) in 2016. Without donor assistance, the IMF estimated Afghanistan to have a current-account deficit equivalent to 33.5% of its GDP in 2015 (\$6.6 billion) and is projected to grow the equivalent of 36.6% of GDP in 2016 (\$6.7 billion).⁷⁹²

During 2013–2015, Afghanistan exported \$2.1 billion to \$4.0 billion worth of goods and services annually, compared to imports ranging between \$8.9 billion and \$11.3 billion a year. The IMF projected Afghanistan's 2016 exports at \$2.1 billion, not including illicit narcotics (valued at \$2.7 billion in 2014). Afghanistan's 2016 imports were projected to be around \$9.0 billion, with more than \$6.7 billion paid for by official donor grants.⁷⁹³

IMF staff said that Afghanistan needs to increase and diversify its exports, which will stimulate innovation and good management.⁷⁹⁴ The Afghan government pledged to reduce regulatory and operational barriers to facilitate this.⁷⁹⁵ Exports are heavily dependent on agricultural outputs, which the World Bank said can increase if Afghanistan develops supply chains for higher value-added products. However, this will require investments to develop and improve irrigation and extension services, and to build downstream agro-processing capacities.⁷⁹⁶ Weather and rainfall would, of course, continue to exert a significant influence on agricultural output and income potential.

World Trade Organization Terms of Accession Implementation

Afghanistan became the World Trade Organization's (WTO) 164th—and ninth least-developed—member country on July 29, 2016.⁷⁹⁷ Afghanistan's upper house of parliament approved seven trade-related laws on July 27 that were necessary for accession—Foreign Trade in Goods, Animal Health and Veterinary Public Health, Topography of Integrated Circuits, Protection of Trade and Industry Secrets, Plant Variety Protection, Food Safety, and amendments to the Copyrights Law.⁷⁹⁸

On July 27, Afghanistan's Cabinet also approved the new Trade Facility Agreement (TFA), which provides for the expedited movement, release, and clearance of goods; cooperation of trade facilitation and customs-compliance issues; and technical and capacity-building assistance. As a designated least-developed country, Afghanistan will have flexibility in determining when to implement the individual provisions and identifying provisions it will only be able to implement after receiving technical and capacity-building assistance. Afghanistan submitted to the WTO an “instrument of acceptance” and is the 90th WTO member to support the TFA so far. But the Afghan parliament must ratify the agreement before formal acceptance. The TFA will enter into force when two-thirds of WTO countries formally accept it.⁷⁹⁹

The IMF said that improvements in storage facilities are making Afghanistan's exports of goods more resilient to disruptions in transport. Additionally, exporters were somewhat more confident due to Afghanistan's World Trade Organization membership and by the Afghan, Indian, and Iranian agreement to develop Iran's Chabahar port, which has direct ocean access.

Source: IMF, “Islamic Republic of Afghanistan, Request for a Three-Year Arrangement Under the Extended Credit Facility,” 7/1/2016, p. 6.

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 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.⁸⁰⁰

This quarter, ATAR helped the government amend its laws to comply with WTO rules and commitments, some of which were fast-tracked in the days leading up to WTO membership. ATAR then supported the Ministries of Commerce and Industry (MOCI), Justice (MOJ), and Agriculture, Irrigation, and Livestock (MAIL) in developing procedures to implement these trade laws. ATAR also took the lead in developing a technical plan, ordered by President Ashraf Ghani, to merge the Afghanistan Investment Support Agency (AISA) into MOCI. Companies will now be issued a single business license valid for three years and at a lower cost than the multiple licenses required by AISA.⁸⁰¹

In addition, ATAR provided analytical support to aid Afghanistan's decision-making process for setting import and export duty rates that comply with its WTO commitments. ATAR's implementing partner reported that the Afghan customs department and Ministry of Finance expressed concerns that the new tariff schedule would lead to a decline in revenue collections.⁸⁰² Last quarter, ATAR ran baseline economic models that showed when Afghan tariffs would be lowered to comply with WTO-negotiated rates, trade would increase, consumer prices would decline, and government revenue would decrease slightly. It also concluded that potential revenue losses could be offset by other unnamed taxes; that prices of inputs and services could decrease in the long term, making Afghan producers more competitive; and that Afghan exports could double by 2021 from AFN 30 billion (approximately \$437 million in current dollars) to AFN 60 billion (\$874 million). However, this is all contingent on the Afghan government's policy decisions.⁸⁰³

BANKING AND FINANCE

The IMF said Afghanistan's financial sector remains vulnerable with "lingering governance concerns, deteriorating asset quality, and weak profitability." Public confidence has not been fully restored in the wake of the 2010 Kabul Bank crisis. Use of bank financing remains low with an average loan-to-deposit ratio of 19.2%. For Afghanistan's three state-owned banks, that ratio was only 4.6% at the end of 2015.⁸⁰⁴ In comparison, Pakistan's commercial loan-to-deposit ratio was 58.7% and India's was 78.7% (January 2016); the United States' was 107.3% (February 2016).⁸⁰⁵

The IMF reported that state-owned banks remain strategically and operationally deficient, contributing to significant fiscal risk. While the fiscal

positions of these banks are improving, IMF staff noted that Afghanistan must urgently implement a public-policy framework for them, including enhanced governance and regulatory enforcement.⁸⁰⁶ The World Bank reported that the quality of commercial and state-owned bank assets has deteriorated and profitability has declined. Commercial-bank loans to the private sector grew 6.2% in 2015 and were valued at \$685 million (equivalent to 3.6% of GDP). The World Bank attributes this weak commercial lending to Afghanistan's overall economic slowdown, low investor confidence, stricter implementations of regulations governing foreign-exchange-denominated loans, and banks' risk aversion following the Kabul Bank crisis.⁸⁰⁷

This quarter, the Afghan government declared a dual strategy for financial-sector reform by addressing weaknesses and providing for more robust banking regulation and oversight. This is to include risk-based audits and reviews, establishing a unit to monitor risks from state-owned banks, ensuring government oversight regulations are appropriate and not duplicative, providing incentives for banks to lend to private enterprises, and a financial inclusion strategy to improve customer access to banking services.⁸⁰⁸

U.S. Treasury Assistance

The U.S. Treasury's Office of Technical Assistance (OTA) continued implementing its March 2015 agreement with Afghanistan's Ministry of Finance (MOF) to develop technical-assistance and capacity-building programs.

OTA assistance is focusing on:

- **Budget:** developing baseline budgets and out-year estimates, and review fiscal performance–management-improvement plans
- **Economic crimes:** developing the capacity of Afghanistan's financial-intelligence unit and evaluating the central bank's capability to supervise money-service providers for compliance with measures against money laundering and terror financing
- **Banking:** electronic reporting and risk management, and state-bank restructuring (this assistance can be provided from the U.S. Embassy-Kabul and remotely)
- **Tax (Revenue):** collaborating with the new customs and tax academy in curriculum design, course delivery, and supplying course materials⁸⁰⁹

OTA has carried out six assessment missions to Afghanistan, but has been unable to conduct any for the past two quarters due to security concerns. Treasury said security conditions continue to be a major constraint on establishing a more sustained presence in Afghanistan.⁸¹⁰

Kabul Bank Theft Accountability

The current basis of donor support, the Self-Reliance through Mutual Accountability Framework (SMAF), includes a general "zero-tolerance" corruption policy and calls for transparent and accountable governance,

but it does not require the Afghan government to take all possible steps to recover more of the approximately \$987 million stolen from Kabul Bank.⁸¹¹ However, the Department of State (State) said the United States continually stresses in meetings with Afghan officials that it will hold the government accountable to its promises to address endemic corruption, including taking action against those responsible for Kabul Bank's near collapse.⁸¹²

Nevertheless, cases referred to the Attorney General's Office (AGO) have not progressed this quarter, according to the Kabul Bank Receivership (KBR) organization. The KBR said that neither the attorney general nor the AGO investigated, seized assets, or prosecuted cases against debtors because they maintain the court judgments to be "conditional" and only "non-conditional" judgments can be pursued. Additionally, the Kabul Bank Clearance Committee, established by presidential decree in 2015 to hasten the inquiry into the Kabul Bank theft, is said to be largely powerless and lacking a debt-recovery strategy. Most assets purchased with stolen Kabul Bank funds are located outside of Afghanistan, making it difficult for the government to have them seized and liquidated.⁸¹³ This quarter, the KBR presented the United Arab Emirates authorities an official request from the Ministry of Justice and AGO that identified certain properties worth \$50 million be seized and turned over to the Afghan government.⁸¹⁴

The U.S. Departments of State and Justice (DOJ) continued to engage with the Kabul Bank Receivership and the Attorney General's Office.⁸¹⁵ However, DOJ did not conduct any training this quarter due to security-related travel restrictions, ongoing staff reorganization within attorney-general offices, and DOJ's own staffing limitations. With only one DOJ attorney in-country, it is considering training partnerships with other U.S. agencies, donor countries, and organizations.⁸¹⁶

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 incurred. 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. The Afghan government said that its repayment schedule has not been adhered to since 2014 and that it will be unable to fulfill its obligation to repay the outstanding end of 2015 balance of \$415 million.

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 12/30/2015; IMF, "Islamic Republic of Afghanistan, Request for a Three-Year Arrangement Under the Extended Credit Facility," 7/1/2016, pp. 45–46, 58.

Cash and Asset Recoveries

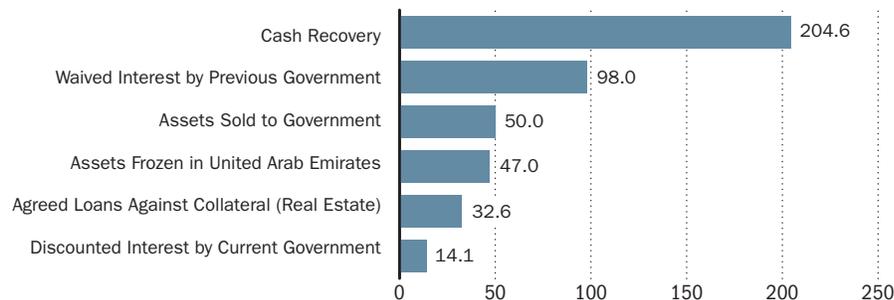
The Kabul Bank Receivership (KBR) informed the State Department that as of September 18, 2016, total recoveries—a category introduced in the last quarter of 2015—stand at \$446.3 million. It comprises cash recoveries, forgiven debts, and assets recovered or seized (but not necessarily liquidated), collateral, as well as amounts still owed by major debtors who signed loan-repayment agreements.⁸¹⁷

Until October 2014, soon after President Ghani's presidential decree to hold accountable and recover stolen public money from those responsible for the Kabul Bank theft, a total of \$225.4 million had been recovered or obtained as assets. Since then, only an additional \$61.7 million has been recovered—\$29.1 million in cash and \$32.6 million in loan-repayment agreements, as shown in Figure 3.30.⁸¹⁸

Amounts owed by 278 debtors have been paid off; another 33 debtors have signed repayment agreements totaling \$32.7 million. Arrangements have yet to be reached with 117 others.⁸¹⁹ The KBR reported \$540.7 million

FIGURE 3.30

KABUL BANK DEBT RECOVERIES, AS OF SEPTEMBER 18, 2016 (\$ MILLIONS)



Source: Kabul Bank Receivership, Debts Recovery Table, 9/18/2016.

remains outstanding from the original theft. Including interest, the total is approximately \$598 million.⁸²⁰

The Afghan government has been unable to compel full repayment from convicted ex-Kabul Bank chairman Sherkhan Farnood and CEO Khalilullah Ferozi, both of whom are believed to remain in jail full-time, as of September 2016.⁸²¹ According to the KBR, Farnood still owes \$336.8 million (no change since April); Ferozi owes \$175.9 million.⁸²² The DOJ reported that it has limited access to Afghan record-keeping so it cannot reconcile, verify, or contradict what it receives from its Afghan counterparts.⁸²³

Earlier this year the KBR found an increasing number of debtors defaulting on their required payments, and it continues to encounter difficulties making major debtors pay interest on their amounts owed. They said collections this quarter have declined significantly.⁸²⁴ The IMF reported that the collections process is “losing steam” with diminishing chances of success for claims against assets located in foreign jurisdictions.⁸²⁵

U.S. ECONOMIC AND DEVELOPMENT SUPPORT

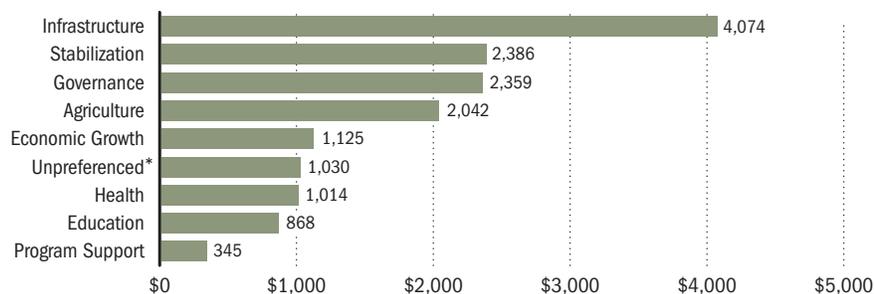
Most assistance from the Economic Support Fund goes toward USAID’s development programs. In September 2015, USAID published an updated Performance Management Plan to guide and measure its development objectives, and to articulate its development strategy through 2018. The plan will be reviewed at least annually and updated as necessary.⁸²⁶ Figure 3.31 on the following page shows USAID assistance by sector.

Development Of Natural Resources

Developing Afghanistan’s natural-resources sector and reforming the fiscal administration for its extractives industries are essential to strengthening

FIGURE 3.31

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF SEPTEMBER 30, 2016
(\$ MILLIONS)



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

*Unpreferred 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, 10/13/2016; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status, as of September 21, 2016, accessed 10/18/2016.

domestic revenue collection. The security environment, insufficient infrastructure, declining global commodities prices, and inadequate capacity at the Ministry of Mines and Petroleum (MOMP) have all hampered the development of this sector.⁸²⁷

USAID cited other issues contributing to investor uncertainty: regulations to support implementation of the new mining law passed in November 2014 are still being developed; amendments to the law and several mineral tenders remain unsigned by President Ghani; the vote this quarter by the Economic Council of the (president's) Cabinet to cancel four major copper and gold contracts; and, a combination of corporate income taxes, export and import duties, production royalties, and other charges that constitute an uncompetitive levy of about 80% on mineral production.⁸²⁸ Although geological surveys show that Afghanistan has significant mineral resources, mining has so far contributed only slightly to the country's GDP.⁸²⁹ The Afghan government estimates \$300 million is lost annually by illegal mining, which not only denies Kabul much-needed revenue, but also fuels the insurgency and drives criminality.⁸³⁰

Actual government receipts from minerals activity in FY 1394 (2015) were only about 38% of the budget projection.⁸³¹ In the first nine months of FY 1395, actual receipts were AFN 793.7 million (approximately \$12.1 million). This is a 300% increase from the AFN 198.1 million reported last quarter, and a 52.4% increase compared to the same period last year.⁸³² The Afghan government set a \$400 million revenue target for the MOMP in 2016.⁸³³

Mining Investment and Development for Afghan Sustainability

USAID’s Mining Investment and Development for Afghan Sustainability (MIDAS) program aims to strengthen the MOMP and relevant private-sector-entity capacities to exploit Afghanistan’s natural resources in accordance with international standards.⁸³⁴ MIDAS and USAID’s other extractives-assistance programs are listed in Table 3.20.

TABLE 3.20

USAID EXTRACTIVES-ASSISTANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Mining Investment and Development for Afghan Sustainability (MIDAS)	3/31/2013	3/31/2017	\$38,718,320	\$30,783,644
Sheberghan Gas Generation Activity (SGGA)	12/21/2011	7/31/2016	30,440,958	28,049,296
Sheberghan Gas Development Project (SGDP)	5/15/2012	8/31/2016	90,000,000	23,295,875

Note: SGGA and SGDP ended this quarter.

Source: USAID, response to SIGAR data call, 10/13/2016.

USAID said the MOMP currently cannot administer the approximately 339 existing extractives contracts. This caused MIDAS to be rescoped to provide technical assistance and transaction-advisory services to the MOMP in its effort to either cancel or renegotiate some or all of these contracts.⁸³⁵

This quarter, MIDAS advisors submitted to the MOMP legal director draft regulations that will govern bidding, licensing, and future mineral-tender processes. After internal MOMP deliberations, they will be submitted to the Ministry of Justice (MOJ) and council of ministers for review and approval. MIDAS also continued to help modify the mining law this quarter, but said no amendments advanced because of changes to MOMP leadership—the fifth time so far in the life of the program. An amendments package submitted under then-Minister of Mines and Petroleum Daud Saba was returned to the MOMP to allow Acting Minister Ghazal Habibyar the opportunity to review it and modify as desired. Three review sessions were held in August 2016, which resulted in changes to several mining definitions. This process will continue until the revised package is approved. MIDAS expects further delays once a new permanent minister is appointed.⁸³⁶

Hydrocarbons

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.⁸³⁷ Oil and gas represent roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.⁸³⁸

Afghanistan’s efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan.⁸³⁹ USAID’s implementing partner for helping the MOMP develop the gas fields

in Sheberghan reported that “sufficient levels of proven reserves will likely not be available to allow moving forward with large-scale power production for at least five to seven years.”⁸⁴⁰

This quarter, Acting Minister Habibyar requested MIDAS legal and transactional support to negotiate the terms of a financial settlement for a multi-billion exploration and production-sharing contract for the Amu Darya Basin. China National Petroleum Corporation International, Watan Oil and Gas Afghanistan Ltd., a Chinese majority-owned consortium that had contracted to perform the work in December 2011, failed to meet minimum annual production goals between 2013 and 2016. As a result, the Afghan government lost approximately \$65 million in revenue. MIDAS advisors met the acting minister to discuss strategy.⁸⁴¹

Existing Sheberghan Programs Ended

The Sheberghan gas fields hold the potential for cheap natural-gas-generated power that could be competitive with imported power from Uzbekistan, according to the World Bank.⁸⁴² USAID supported 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 (\$30 million) and fund a gas-gathering system and gas-processing plant (\$60 million); and (2) the \$30.4 million, off-budget Sheberghan Gas Generation Activity (SGGA) for capacity building and technical assistance to the MOMP.⁸⁴³ Both mechanisms ended this quarter. USAID intends a follow-on program—Extractives Technical Assistance Activity—to help the MOMP develop and exploit Afghanistan’s petroleum and gas resources. A solicitation was still being developed as of September 29, 2016.⁸⁴⁴

SGDP drilling activities in the Juma and Bashikurd gas wells were completed in January 2016; core-sample testing showed better-than-predicted commercial prospects for the oil fields, if not for the wells themselves. However, repeated contractor delays by Türkiye Petrolleri AO (TPAO), the state-owned Turkish National Petroleum Corporation, caused the performance period to be pushed back by more than three times the agreed-upon duration. SGGA assisted the MOMP in dealing with TPAO noncompliance issues throughout the life of the program.⁸⁴⁵

During TPAO drilling delays, McDaniel & Associates was contracted to evaluate data and reserve estimates for seven Sheberghan-area gas fields. It found gas resources to be significantly less than one-third of what was reported in 2005. SGGA faced a “pattern of non-cooperation from almost all staff levels at MOMP” in providing data for McDaniel’s gas-field studies, even though the analyses were for the ministry. It ultimately prevailed and saved many documents that it said were in danger of being permanently lost.⁸⁴⁶ USAID’s implementing partner said the McDaniel

studies may be one of the most significant contributions made by SGDP/SGGA because the Afghan government could have signed long-term gas-supply contracts based on outdated and incorrect data, and could have exposed the government to “significant financial risk” if unable to meet its gas-delivery obligations.⁸⁴⁷

The cost of constructing a gas processing plant as called for in SGDP was found to substantially exceed the \$60 million USAID allocated for it. Instead the project scope changed to develop a model for a public-private partnership to share the costs of and revenues from designing, building, and operating a gas-gathering and -processing facility, and a gas power-generation plant. An options memorandum was presented to the MOMP and MOF for comment, but despite SGGA having discussed the project with the ministries months in advance, neither commented nor expressed an option preference.⁸⁴⁸

On October 3, 2016, the Ministry of Energy and Water signed a memorandum of understanding valued at \$250 million with Bayat Power to establish a privately-financed, Sheberghan-supplied gas power plant in Jowzjan Province, which will initially be capable of producing 52 MW of electricity. The plant is to eventually expand to produce more 200 MW of electricity and operate for at least 20 years. Bayat is to present its implementation proposal within the next three months.⁸⁴⁹

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 75% of Afghans who depend on agricultural activities for their livelihoods.⁸⁵⁰

The Afghan government said that aside from weather volatility, agricultural growth has been hampered by underinvestment in developing water resources, poor-quality inputs such as seeds and fertilizer, degrading natural resources, and weak domestic- and export-product marketing. It wants to move from an agrarian-subsistent and importing nation to an agro-industrial exporting one. This quarter, the government said it will focus on promoting agro-industry, increasing quality control, expanding cold-storage facilities, and introducing better packaging to reduce waste and spoilage—areas that show the largest potential to improve economic growth.⁸⁵¹

USAID’s agricultural projects are designed to enhance food security, create jobs and export markets, increase incomes and productivity, and strengthen the government’s ability to promote broad-based growth. USAID aims to bolster the Ministry of Agriculture, Irrigation, and Livestock’s (MAIL) “farmer-focused” approach through the production and marketing of high-value horticultural crops and livestock products, the rehabilitation of irrigation and drainage systems, and the greater use of new technologies.⁸⁵²

Since 2002, USAID has disbursed more than \$2 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.⁸⁵³ USAID reported \$101.5 million worth of various Afghan agricultural commodities were sold so far in FY 2016 (October 2015 to June 2016), and \$426.3 million cumulatively from 2008 to June 2016.⁸⁵⁴ Pages 138–145 of this quarterly report discuss USAID’s agriculture alternative-development programs. A list of active USAID agriculture programs is found in Table 3.21.

TABLE 3.21

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Capacity Building and Change Management Program II (CBCMP II)	7/10/2014	7/9/2017	\$19,999,989	\$15,718,958
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	20,229,771	13,794,094
Strengthening Afghan Agricultural Facilities (SAAF)	3/25/2011	12/31/2016	7,824,209	6,769,718
Mothers and Under-Five Nutrition and Child Health (MUNCH)	12/16/2014	12/31/2016	5,000,000	5,000,000
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	4,670,245
Texas A&M University’s Agrilife Conflict Development	11/8/2012	11/7/2017	133,976	133,976
SERVIR	9/14/2015	9/30/2020	3,100,000	0

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see pp. 138–145 of this report.

Source: USAID, response to SIGAR data call, 10/13/2016.

USAID Agricultural Agreement Signed

On July 25, 2016, USAID and MAIL signed a memorandum of understanding to leverage science, technology, innovation, and partnership (STIP) to boost economic growth through agriculture. USAID is actively implementing STIP principles in all sectors of its development portfolio.⁸⁵⁵

USAID intends to provide technical support to MAIL, the private sector, civil society, and other partners. It also plans to facilitate partnerships with the private sector and other donors, and help publicize STIP achievements. MAIL is to integrate STIP into its strategies and policies and provide institutional support to implement STIP activities. It, too, will try to facilitate partnerships with the private sector and other donors. It will also take the lead in inter-ministerial coordination in creating or implementing STIP activities.⁸⁵⁶

Agricultural Credit Enhancement II

The Agricultural Credit Enhancement (ACE) II project is the technical-assistance/advisory-support component of the conditions-based Agricultural Development Fund (ADF) administered by the Ministry of Agriculture, Irrigation, and Livestock. ADF extends agriculture-related credit access to



Opening day at the Kabul International AgFair and Farmers' Celebration on March 20, 2016. (USAID photo)

small- and medium-sized farms and agribusinesses in all regional economic zones, particularly to those that add value to agricultural products, such as distributors, producers, processors, and exporters.⁸⁵⁷ USAID reported that with ACE II help, ADF has cumulatively provided more than \$79.8 million in credit to over 33,494 beneficiaries.⁸⁵⁸ However, ACE II implementers reported that the continuing deterioration of both security and the economy is reducing demand for agricultural credit and negatively impacting loan repayments.⁸⁵⁹

In May 2016, ACE II reviewed ADF's credit-application process and decision-making methodology to identify ways to streamline and improve the process. It proposed an electronic credit-analysis model that would standardize applications, reduce duplicative actions, and incorporate technical and marketing information into credit decisions. Its methodology would be centered on a company's ability to repay debt, thereby reducing loan losses, instead of providing loans based on credit needs as in the past.⁸⁶⁰ In July 2016, ACE II developed and posted their statement of work for the design and development of this electronic database solution, and targeted August 2016 for initial implementation. The request for proposals was subsequently modified with a decision pending as of October 11, 2016.⁸⁶¹

ACE II also continued to engage financial institutions to provide credit financing to the agricultural sector, in part through an Innovation Grant Fund, which awards the development and testing of new and innovative ways to facilitate agriculture-related financial services. This quarter, ACE II awarded its first grant under the Innovation Grant Fund to OXUS Afghanistan, a microfinance organization, to support lending

to borrowers in remote districts. The AFN 10.5 million grant (approximately \$160,000 in current dollars) will be used to develop 10 OXUS cashless branches inside ROSHAN provincial offices using the telecommunications provider's mobile-money platform for loan disbursements and repayments.⁸⁶²

ESSENTIAL SERVICES AND DEVELOPMENT

Since 2002, the United States has provided reconstruction funds to increase the electricity supply, 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 these essential services.

Power Supply

Afghanistan has one of the lowest rates of electrification in the world, with only an estimated 25–33% of Afghans connected to the power grid.⁸⁶³ Most parts of urban areas like Kabul, Herat, Kandahar, and Mazar-e Sharif have 24-hour power, although power outages are not uncommon, but only 10% of the rural population have access to grid-connected power.⁸⁶⁴

Afghanistan's limited domestic electric capacity consists of hydropower and thermal sources, plus diesel generators.⁸⁶⁵ It therefore imports 77% of its total electricity. Uzbekistan provides 35.2% of the imported electricity, Tajikistan 30.5%, Iran 20.9%, and Turkmenistan 13.4%. The World Bank noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.⁸⁶⁶ Afghanistan will need regional cooperation to meet its energy demands.⁸⁶⁷

U.S. Power Sector Assistance

USAID believes that economic expansion and increased employment depend on maintaining and improving Afghanistan's electrical infrastructure. Since 2002, USAID disbursed more than \$1.5 billion in Economic Support Funds to build power plants, substations, and transmission lines, and provide technical assistance in the sector.⁸⁶⁸ It is also 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.⁸⁶⁹ For its part, the Department of Defense (DOD) has disbursed approximately \$180 million for power projects through the Commander's Emergency Response Program, as of July 2015, and roughly \$373.8 million through the Afghanistan Infrastructure Fund (AIF), jointly managed by DOD and State.⁸⁷⁰

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

USAID, in partnership with the Ministry of Energy and Water, sponsored a conference in Dubai, September 18–19 to promote foreign investments and joint-venture opportunities in Afghanistan's energy sector.

Source: USAID, "Afghanistan Welcomes Foreign Investors to Partner in Advancing its Energy Sector," 9/19/2016.

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 3.22

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 9/30/2016 (\$)
Contributions to the Afghanistan Infrastructure Trust Fund (AITF)	3/7/2013	3/6/2018	\$113,670,184	\$113,000,000
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2018	725,000,000	110,541,160
Engineering Support Program	7/23/2016	7/22/2019	125,000,000	3,416,461
Afghan Engineering Support Program	11/9/2009	11/8/2016	97,000,000	89,474,083
Kajaki Dam Unit 2	4/22/2013	9/28/2016	75,000,000	47,399,480
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555

Note: A new Engineering Support Program began this quarter. At least some of its funds will be used to purchase fuel. The Sheberghan Gas Generation Activity (SGGA), Sheberghan Gas Development Project (SGDP), both of which ended this quarter, and Mining Investment and Development for Afghan Sustainability (MIDAS) programs are listed in the extractives-sector programs subsection on p. 189 of this report.

Source: USAID, response to SIGAR data call, 10/13/2016; Tetra Tech, "Request for Quotations, RFQ#ESP-2016-002 Supply and Delivery of Diesel and Super Petrol," 7/27/2016.

(1) the Power Transmission Expansion and Connectivity (PTEC) project to construct a transmission line connecting Kabul with Kandahar and build the capacity of DABS to sustain energy-infrastructure investments, and (2) the now-concluded Sheberghan Gas Development Project to attract private investment to develop gas resources in Sheberghan and build power plants.⁸⁷¹ USAID's active power-infrastructure projects are listed in Table 3.22.

Kajaki Dam–Unit 2 Turbine Installation

After a years-long effort, a third turbine, known as Unit 2, was installed in the powerhouse at Kajaki Dam and commissioned on October 1, 2016. The installation represented a major advance in DABS's efforts to increase long-term, sustainable hydropower from Kajaki Dam to Kandahar and Helmand Provinces, although it may be some time before the turbine's full capacity comes online.⁸⁷²

The turbine parts, transported to the power station by a British-U.S. military mission that had to fight its way to the dam site in 2008, remained unassembled in containers and under tarps until USAID transferred responsibility for installing, testing, and commissioning the third turbine to DABS, along with a \$75 million commitment, in April 2013.⁸⁷³ The money was deobligated from a larger, \$266 million contract USAID signed with Black & Veatch in October 2010. The contract's requirements included installing the third turbine at the Kajaki Dam, but the company did not complete the task.⁸⁷⁴

Unit 2 has a power-generating capacity of 18.8 MW. Combined with the other two turbines, the powerhouse has a maximum generating capacity of 51.5 MW.⁸⁷⁵ However, the Kajaki Dam reservoir is entering its seasonal low point which, coupled with "chronic" mismanagement, will not allow all three turbine units to stay online for more than a few weeks.⁸⁷⁶ Unit 3 is also

SIGAR AUDIT

A SIGAR audit is examining U.S. government efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam.

scheduled to go offline for repairs in 2017.⁸⁷⁷ No timeline was provided for when this might be completed.

USAID was funding technical support, site security, life-support services, and helicopter support to DABS.⁸⁷⁸ DABS is to assume full responsibility for the Kajaki power plant, including operations and maintenance (O&M), in April 2017.⁸⁷⁹ USAID's contractor, Tetra Tech, will continue to observe and advise plant O&M for six additional months until DABS operators can either work independently or hire contractors to assist.⁸⁸⁰

On October 1, 2016, the Ministry of Energy and Water and the Turkish 77 Construction Company signed a preliminary, nonbinding agreement to develop the second phase of Kajaki Dam. The agreement aims to further expand the reservoir to 2.1 billion cubic meters and adding 100 MW of electric-generating capacity through additional turbines for a total (technical) capacity of 151.5 MW.⁸⁸¹

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.⁸⁸² PTEC's DABS commercialization and capacity-building components aim to help the utility become financially sustainable by increasing revenues using utility-management software in Kabul, Mazar-e Sharif, Herat, and Jalalabad, while reducing technical and commercial losses through training and support.⁸⁸³ Technical losses include line heating and current leakage; commercial losses include nonpayment and energy theft.

Construction on the transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, continued this quarter. Land acquisition and resettlement issues along the transmission-line path impacted timelines, but construction is scheduled to be completed in December 2016 at a cost of \$104 million. Approximately \$92 million has been disbursed as of October 11, 2016.⁸⁸⁴ The Arghandi connector substation that will feed this line will not be ready until after December 2017. Alternatives to power the Arghandi-Ghazni project are under consideration.⁸⁸⁵

USAID is providing \$350 million in direct assistance to DABS in support of the second segment of the NEPS-SEPS connector, Ghazni to Kandahar—\$179.5 million was transferred to USAID through the Afghanistan Infrastructure Fund. DABS issued two requests for proposals to construct one transmission line and five substations with winning bidders selected this quarter. USAID issued an implementation letter to DABS consenting to a contract award for the substations.

According to Afghanistan's procurement process, the winning bidder was announced and the bid protest period began. Two protests were submitted

and are under review by DABS. USAID also consented to DABS negotiating with the winning bidder for the transmission lines. Awards were still pending a decision by the National Procurement Authority as of October 11, 2016. USAID said security will be a major challenge to implementing this project.⁸⁸⁶

Power Availability in Kandahar

U.S. fuel subsidies totaling \$141.7 million for power generation at two industrial parks in Kandahar City ceased at the end of September 2015.⁸⁸⁷ USAID reported that since then, power output has fallen from the diesel generators in Shorandam and Bagh-e Pol industrial parks. Five generators at Bagh-e Pol—in need of major overhauls and critical spare parts—have stopped altogether, while three generators were transferred to Shorandam to replace ones in need of scheduled maintenance. The Shorandam generators are producing between 40,000 and 48,000 kilowatt-hours (kWh) daily, running 16 hours a day, six days a week. They had been producing an average of 120,000 kWh daily on a 24-hour basis with subsidies.⁸⁸⁸

Shorandam power generation is insufficient to meet demand from the industrial park's commercial customers. For other commercial and residential customers in Kandahar, demand also greatly outstrips supply. Some additional power can be supplied from Kajaki Dam in Helmand Province and diesel generators in Breshna Kot in Kabul, but USAID said the cost per kilowatt-hour is unaffordable for most. USAID added that DABS has no business incentive to generate the necessary power if it cannot recover the costs of doing so. This results in significant load shedding—the deliberate interruption of power supply to certain areas.⁸⁸⁹

To help bridge the gap between Kandahar's electric-generation capacities and demand until the NEPS-SEPS transmission line is completed, PTEC funded a reverse auction held on July 11, 2016, whereby independent power producers competed to construct and sell power to DABS from a solar-power plant that may be able to operate at an installed capacity of 10 MW. A bidder was chosen and has successfully concluded negotiations with DABS and USAID on the provisions of the incentive contract and power-purchase agreement. The contract signing was pending as of October 10, 2016.⁸⁹⁰

Afghanistan Infrastructure Fund Power Programs

Afghanistan Infrastructure Fund (AIF) projects were initiated to support critical counterinsurgency and economic-development objectives in Afghanistan. Although DOD's mission has since evolved to advising and assisting Afghan security forces and ministries, as well as counterterrorism operations, it is still focused on implementing AIF power projects to complete its portion of the NEPS and SEPS.⁸⁹¹

Ongoing fighting in Kandahar and Helmand Provinces, as well as bureaucratic delays in getting right-of-way approvals for NEPS and SEPS

SIGAR AUDIT

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

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.23

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF SEPTEMBER 18, 2016 (\$ 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 to Lashkar Gah	Repair, install transmission lines; rebuild, construct power substations	130.0	66.4	51.0	Terminated due to out-of-scope security cost increases
	NEPS - SEPS Connector, Arghandi to Ghazni	Design, construct transmission lines and substations (first segment of NEPS-SEPS connection) USAID: PTEC	104.0	104.0	92.0	Substations civil works ongoing; transmission tower requirements testing concluded (completion: 12/2016)
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line, towers, and power substation	93.7	50.3	23.6	Transmission line and substation under construction; community land issues affecting some tower locations (completion: 12/2016.) ^a
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	28.7	11.6	Under construction; tower excavation, tower erection, civil work ongoing; security challenges (completion: 9/2017) ^b
	NEPS - Pul-e Alam to Gardez - Phase 2	Design, construct transmission line and power substation	77.5	69.2	58.0	Transmission line completed; substation design approved; substation under construction (completion: 2017) ^c
	NEPS - Charikar to Gul Bahar and Nejrab - Phase 3	Design, construct transmission lines and power substation	42.5	38.8	31.9	Transmission line and substation under construction; community issues affecting some tower locations (completion: 12/2016) ^d
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	24.1	22.3	Transmission line and substation under construction; community issues affecting some tower locations (completion: 12/2016) ^d
	SEPS Completion - Phase 1	Civil, structural, architectural improvements to substations in Tangi, Sangin North and South	15.0	63.1	26.0	Civil work ongoing (continued delays); major security challenges (completion: 6/2017) ^e
		Design, construct, transmission lines from Sangin North to Lashkar Gah	60.0			Survey work began in Sangin North; Durai to Lashkar Gah transmission towers, under construction; community issues affecting some tower locations; security challenges (completion: 12/2016) ^f
	NEPS - SEPS Connector, Ghazni to Kandahar	Design, construct transmission line and substations. Final phase of NEPS-SEPS connector. USAID: PTEC	179.5	350.0 ^g	0.0	TL: Final stages of procurement process; expected award: 9/2016 (Completion: 12/2018) SS: USAID consent to award contract to winning bidder announced; two bid protests submitted and under DABS review; expected award 9/2016 (Completion: 12/2018)
AIF FY 2014	Kandahar Power Bridging Solution	Provides fuel and O&M for diesel generators in Kandahar City	4.0	3.9	3.9	Complete
	SEPS Completion - Phase 2	Design, construct transmission line, and install equipment and commission substations	55.0	55.0	0.0	Transferred to USAID for on-budget implementation through DABS; bid proposals and reference checks under evaluation; expected award: 9/2016.
	NEPS - Gardez to Khowst - Phase 4	Design, construct transmission line and substation. DOD's final contribution to NEPS.	130.0	118.9	7.7	Distribution line design descope; transmission line design, route approved; substation designs under review; right of way under review (completion: 12/2017) ^h

Note: All AIF power projects are to be sustained by Afghanistan's Ministry of Energy and Water, and Da Afghanistan Breshna Sherkat (DABS), Afghanistan's national electric utility. Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 8/31/2016. All other information is as of 9/18/2016.

^a 98 of 247 towers completed. Another 100 tower excavations and 35 foundations complete. Pul-e Alam substation 38% complete. Two of four transformers descope based on estimated electricity demand and being transferred to Gardez substation. Community land issues stalled 39 towers (15.8%). Completion date at high risk for delay.

^b 87 of 114 towers completed. Another 21 tower excavations and 15 foundations complete. Pushmol and Maiwand substations 34% complete. Scheduled completion date missed. At high risk for further delays.

^c Gardez substation 74% complete. Cannot test/commission this segment until NEPS, phase 1 segment is energized to Pul-e Alam. Completion date pushed into 2017.

^d 35 of 44 towers completed. Another 1 tower excavation and 1 foundation complete from Charikar to Gul Bahar; Conductor lines 30% strung. 100% of transmission towers erected from Gul Bahar to Nejrab; Conductor lines 55% strung. Gul Bahar substation 95% complete. Community land issues affecting 8 tower locations putting completion date at high risk for delay.

^e Tangi substation 42% complete. Sangin North substation 70% complete. Sangin South substation 60% complete. Completion date at high risk for further delays. Contract modification to replace Sangin North living quarters.

^f Sangin to Durai Junction segment: 2 of 205 towers completed. Another 66 tower excavations and 16 foundations complete. Durai Junction to Lashkar Gah segment: 33 of 212 towers completed. Another 123 tower excavations and 51 foundations complete. Community land issues affecting 22.6% of tower locations; Security issues. Completion date at high risk for delay.

^g Includes additional, non-AIF USAID funding.

^h Contract modification to design and construct transformer bay and install one transformer.

Source: OSD-Policy, response to SIGAR data calls 6/29/2016 and 9/29/2016; OSD-Policy, response to SIGAR vetting, 7/16/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 9/15/2016; USAID, OI, response to SIGAR data call, 9/23/2016; USAID, OI, response to SIGAR vetting, 10/11/2016.

transmission lines, continued to challenge AIF contractors and some project-completion schedules.⁸⁹² U.S. Forces-Afghanistan (USFOR-A) has completed four AIF power projects so far. All were phases of the now-concluded Kandahar Power Bridging Solution, which provided fuel and technical support for diesel power-generation plants in Kandahar City while turbine-installation work at Kajaki Dam was under way. USFOR-A has six other ongoing power projects, while USAID has three, as shown in Table 3.23.⁸⁹³

AIF projects use FY 2011–FY 2014 appropriated funds. No FY 2015 or FY 2016 AIF money was requested or appropriated, but up to \$50 million from the FY 2016 Afghanistan Security Forces Fund may be used under limited circumstances to help finish existing projects.⁸⁹⁴

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. 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.⁸⁹⁵ 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.⁸⁹⁶

Rail

This quarter, a freight train travelled 1,864 miles from Haimen, China, near Shanghai, through Uzbekistan and Kazakhstan, arriving for the first time at Afghanistan's Hairatan rail port on the border with Uzbekistan. This new route, the Sino-Afghan Special Transportation Railway, allows goods to bypass Pakistan, whose relations with Afghanistan are tense, and save half the time of the older route.⁸⁹⁷ However, Uzbekistan reportedly is blocking Afghan goods from returning to China by rail without first being inspected by Uzbek security forces. Instead of being loaded at Hairatan, Afghan goods must detour through the Amu Darya River to the border with Uzbekistan. Once cleared, the cargo would then be permitted to be transferred to rail back to China.⁸⁹⁸

Also this quarter, construction began on a rail line in Herat Province linking Iran and Afghanistan. The rail line on the Iranian side was 90% complete.⁸⁹⁹

Roads

Since 2002, USAID has provided approximately \$2.2 billion cumulatively for more than 1,240 miles of road construction and O&M.⁹⁰⁰ Afghanistan has more than 76,400 miles of road, 28,000 of which has been rehabilitated

or improved. However, the World Bank has reported 85% are in poor shape and a majority cannot be used year-round.⁹⁰¹ 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, \$100 million less than the Asian Development Bank says they need to spend.⁹⁰²

Technical Assistance for the Ministry of Public Works Project

USAID's three-year, \$25.5 million, Technical Assistance for the Ministry of Public Works (TA-MOPW) project, a component of the Road Sector Sustainability Project (RSSP), aims to improve the capacity and effectiveness of the Ministry of Public Works (MOPW) to manage Afghanistan's road network. TA-MOPW is working with Afghan authorities in establishing a road authority, road fund, and transportation institute. A final transition plan was submitted to USAID for approval on July 10, 2016; the first draft of laws to govern these new institutions were also submitted this quarter.⁹⁰³

As of July 31, TA-MOPW has fully reached its year-two milestones for identifying the roads it intends to fund, short- and long-term plans for road-maintenance funding, and designs for the road fund. It almost completed its targets to finish designs for the road authority and the transportation institute study.⁹⁰⁴ USAID's active road-construction and O&M programs are listed in Table 3.24.

SIGAR AUDIT

A SIGAR audit reviewed U.S. efforts to sustain roads and strengthen the Afghan government's ability to perform road maintenance. It found that most U.S.-funded roads needed repair and that corruption, inadequate funding, insecurity, and weak capacity limit the MOPW's ability to maintain Afghanistan's road infrastructure. For more information, see Section 2.

TABLE 3.24

USAID ACTIVE ROAD-CONSTRUCTION AND OPERATIONS-AND-MAINTENANCE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Technical Assistance to Ministry of Public Works	8/3/2014	8/2/2017	\$25,486,058	\$17,251,241
Emergency Road O&M	12/1/2015	11/30/2016	5,000,000	0

Source: USAID, response to SIGAR data call, 10/13/2016.

Afghanistan Infrastructure Fund Road Projects

DOD has obligated \$62.2 million and disbursed \$57.4 million for five road projects under the AIF, as of August 31, 2016. Four road projects, some consisting of multiple phases, have been completed. Only the final 7 km of the Ghulam Khan Transportation Corridor, Phase II remains, as shown in Table 3.25.⁹⁰⁵

ECONOMIC GROWTH

Afghanistan ranked 177th of 189 countries in the World Bank's *Doing Business 2016* report on regulatory quality and efficiency—a six-place rise from 2015.⁹⁰⁶ Beyond security challenges that make it difficult to ignite private-sector-led and inclusive growth, the IMF recommended the

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.25

AFGHANISTAN INFRASTRUCTURE FUND ROAD PROJECTS, AS OF SEPTEMBER 18, 2016 (\$ MILLIONS)							
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status		
AIF FY 11	Lashkar Gah to Nawar Road	Design, construct 22.5 km road	22.0	20.5	20.5	Complete	
AIF FY 12	RC-East Border Transportation Corridor	Saracha Bridge	Design, construct 0.16 km bridge over Chaparhar River, along Hwy 7 in Nangarhar Province	8.0	6.8	6.8	Complete
		Ghulam Khan Corridor	Design, construct 24.1 km road, 4 bridges, culverts, switchback repairs in Khowst Province	27.6	12.7	11.8	Complete
	Parwan to Bamiyan Road - Section 6	Section 6.1	Design, construct 7 km road of Salang bypass in Bamiyan Province	3.0	3.0	3.0	Complete
		Section 6.2	Design, construct 11 km road of Salang bypass in Bamiyan Province	7.0	7.0	7.0	Complete
AIF FY 14	Dahla Dam Phase 2 - Site Preparation (Route Bear Road)	Realign 4.7 km road along NW shore of Dahla Dam	11.2	7.2	7.2	Complete	
AIF FY 14	Ghulam Khan Corridor - Phase 2	Design, construct remaining 7 km road to Khowst city and 1 bridge to complete Ghulam Khan Transportation Corridor	10.0	5.0	1.1	8 of 28 culverts placed; bridge pile foundations, post-tension beam forming in progress; repair plan for existing bridge pier and road deck submitted (Completion: 9/2017)	

Note: Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 8/31/2016. All other information is as of 9/18/2016.

Source: OSD-Policy, response to SIGAR data call 9/29/2016; USACE, Garrison and Infrastructure Working Group, AIF LIR, 6/22/2016.

government eliminate regulatory and administrative barriers for businesses, improve infrastructure, and provide key business services while simultaneously strengthening structures for macroeconomic management, the financial sector, and economic governance, not all of which requires major funding to carry out.⁹⁰⁷ Toward that end, a business-simplification roadmap has been approved by Afghanistan's High Economic Council, which was an SMAF indicator.⁹⁰⁸

USAID has cumulatively disbursed approximately \$1.1 billion for economic-growth programs in Afghanistan.⁹⁰⁹ USAID active economic-growth programs have a total estimated cost of \$520 million and can be found in Table 3.26 on the next page.

Assistance in Building Afghanistan by Developing Enterprises

USAID's \$105 million, Assistance in Building Afghanistan by Developing Enterprises (ABADE) program 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.⁹¹⁰

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.26

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Financial Access for Investing in the Development of Afghanistan (FAIDA)	2/7/2011	2/5/2017	\$113,981,225	\$106,584,419
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	4/15/2017	104,997,656	89,076,197
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	11/6/2017	77,754,267	51,976,297
Afghanistan Workforce Development Program (AWDP)	4/5/2012	6/30/2018	44,919,458	32,192,844
Multi-Input Area Development-Global Development Alliance	3/23/2013	3/22/2018	30,481,436	13,161,819
Women in the Economy (WIE)	7/1/2015	6/30/2020	71,571,543	8,357,321
Afghanistan Public Financial Management (APFM)	7/27/2015	7/26/2018	22,130,033	5,501,049
Commercial Law Development Program	3/1/2014	9/30/2019	10,000,000	5,301,676
IFC PIO Grant - Support of Business Environment Reform	10/15/2010	10/30/2017	4,030,000	4,030,000
Strengthening the Revenue Collection Capacity of GIROA	11/30/2014	12/30/2018	4,000,000	1,308,132
Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women	11/2/2015	11/1/2018	4,800,000	1,250,000
E-Government Resource Center II	8/28/2013	12/1/2017	3,900,000	1,205,000
Afghanistan International Bank Guarantee Agreement	9/27/2012	9/27/2020	2,000,000	520,800
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	420,200
Turquoise Mountain Smithsonian Exhibition	3/9/2015	12/31/2016	535,055	376,931
Mobile-izing Saving Study	9/11/2012	9/30/2018	50,022	50,022
Development Credit Authority (DCA) with FINCA, OXUS, and First Microfinance Banks	9/25/2014	9/24/2020	1,953,875	0
Regional Water Management	10/1/2015	9/30/2020	9,499,795	0

Note: The Mobile-izing Saving Study explores financial inclusion products to encourage Afghans to build savings. USAID's Development Credit Authority (DCA) provides partial-credit guarantees to mobilize local financing. FINCA, OXUS, and First Microfinance Banks are to use these guarantees to secure loans from larger lenders, and in turn lend to micro and small businesses in Afghanistan. Afghanistan International Bank is to use the DCA guarantee to mitigate its lending risk and facilitate lending to small- and medium-size enterprises.

Source: USAID, response to SIGAR data call, 10/13/2016; Innovations for Poverty Action, "Mobile-izing Savings with Defaults in Afghanistan," 12/8/2015; USAID, Development Credit Authority, "Overview," 2/2/2015.

From April 1 through June 30, 2016, the most recent data available, 36 PPAs worth \$42.5 million were completed and closed out, meaning that the deliverables from all parties have been completed. Of that, ABADE contributed \$4.2 million worth of equipment; the SMEs covered the rest. Two new PPAs were signed, valued at \$3.9 million, of which ABADE contributed \$819,000. As of June 30, 2016, ABADE had 132 active PPAs, valued at \$213 million, of which its contribution is \$32.3 million, with the rest invested by the SMEs—more than a 5-to-1 ratio. Also during this time, ABADE provided technical assistance and training in business planning and public relations, health and safety, hygiene, and sanitation. It trained 28 people, 11 of them women.⁹¹¹

Afghanistan Workforce Development Program

USAID's \$62.6 million Afghanistan Workforce Development Program (AWDP) aims to increase economic opportunities for 25,000 Afghans (target ratio: 75% men, 25% women) through vocational education and training, business-management training programs, and job-placement services. AWDP also seeks to mitigate high unemployment and address the scarcity of technically skilled Afghan labor. The goal of the program, funded through on- and off-budget assistance, is to facilitate job creation, develop a skilled and semiskilled workforce, increase self-employment, and promote economic recovery in Afghanistan.⁹¹²

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.⁹¹³ Training areas ranged from project and financial management to construction, information technology, and marketing.

Through AWDP's off-budget component, 15,208 Afghans had been trained from April 5, 2016, through June 30, 2016 (against a target of 5,757), and 10,894 were either placed in jobs or promoted to mid-career/semi-professional jobs (against a target of 3,900). Of those, 38% of persons trained, placed, or promoted were women, exceeding the program's target of 25%. Cumulatively, 27,028 people have been trained through AWDP compared to its target of 18,571, and 17,776 have been placed and promoted compared to its 13,000 target.⁹¹⁴

In this same reporting period, AWDP's on-budget component, working with the Ministry of Education (MOE), trained 4,887 mid-career or semi-professional job seekers and private-sector employees (36% female) in



Afghan women applying computer skills in USAID training program. (USAID photo)

information and communications technology, construction, financial management, program management, public-private partnerships, and master training of trainers. Of those trained, 3,630 were placed in jobs or promoted from their positions (38% female). According to USAID's implementing partner, the on-budget component faced several major impediments to reaching its original goal of increase job placements and wages of more than 24,700 Afghans. First, the MOE centralized its procurement activities causing significant delay to project review and award, which caused USAID to descope funds committed to future program tranches. Second, USAID's lengthy approval of documentation, the drawn-out presidential elections, and the resulting delay in political transition delayed the program.⁹¹⁵

Safe Schools Declaration: Introduced at the Oslo Conference on Safe Schools on May 29, 2015, it expresses support for the protection and continuation of education in armed conflict. It also endorses voluntary guidelines that urge warring parties not to use schools and universities for any purpose in support of their military effort.

Source: Global Coalition to Protect Education from Attack, "Safe Schools Declaration," accessed 9/22/2016.

Education Management Information System: a centralized computerized network system used to gather school data to support decision making in the Ministry of Education.

Source: USAID, *Data Quality Assessment of the Ministry of Education's Education Management Information System*, 7/2016, p. 1.

EDUCATION

This quarter, a Human Rights Watch report documented the use of schools in Baghlan Province by Afghan national security forces while fighting against the Taliban from late 2015 through May 2016. School facilities, books, and furniture were often left damaged as a result of Taliban reprisals. The Taliban have also used schools as military bases, destroyed textbooks it deemed un-Islamic, and planted explosive devices in and around schools they occupied.⁹¹⁶ In May and July 2016, the Ministry of Education (MOE) sent directives to all security-related ministries highlighting Afghanistan's commitment to the **Safe Schools Declaration** and requesting security forces stop using schools for military purposes.⁹¹⁷

Education Management Information System Data

According to the MOE's annual joint-sector review for FY 1394 (2015), Afghanistan reportedly has 15,249 general-education (government) schools, including 714 closed schools, with 184,024 teachers, and almost 8.7 million students enrolled.⁹¹⁸ The number of enrolled students includes both present and absent students.⁹¹⁹ The MOE counts students who have been absent for up to three years as enrolled because it says they might return to school.⁹²⁰ The MOE acknowledged a large number of children are out of school, but is unaware of how many, who or where they are, or their backgrounds.⁹²¹ School administrators are not always instructed on how to fill out **Education Management Information System** (EMIS) forms, and EMIS officials lack the staff or resources for data verification and are impeded by lack of security around the country.⁹²²

Education Management Information System Data Quality Assessment

Education has long been a concern of both the Afghan government and the international community. To better help the MOE gather school data to guide their decision making—and indirectly understand how donor

funding is benefitting Afghanistan's education system—donors funded the EMIS, which tracks critical educational statistics such as the numbers of teachers working and students enrolled. Barriers to data collection have resulted in imprecise and inaccurate EMIS data, prompting further concern from donors. To understand the scope of the problem, USAID initiated an assessment of the data-quality in EMIS to identify and address gaps in the system.⁹²³ The assessment sought to answer:⁹²⁴

- Whether there are discrepancies between the field data and EMIS reporting, and if so, the degree of variance (i.e. are there significant numbers of ghost schools, teachers, and students?)
- How is the data being collected, processed, and reported?
- How accurate is the record-keeping and communication between schools, district education departments, provincial education directorates, and the MOE?
- What are EMIS's challenges and weaknesses that need to be addressed?
- What areas of data collection, processing, and dissemination need support and improvement?

Researchers compared national EMIS information against individual school records, similar to the MOE's 2015 assessment and verification of EMIS data.⁹²⁵ Assessing MOE/EMIS susceptibility to corruption, arguably a more potent concern, was outside the scope of this study.

Data Collection Challenges

The assessors were not able to physically observe how many of the students reported in EMIS actually exist and attend classes, nor could they observe how many teachers exist and engage in classroom instruction. This was mostly due to the timing of the field work. Survey data was collected from December 2015 through February 2016, when 82% of the schools visited were out of session on winter holiday schedules. Therefore, head counts could not be performed, and officials were often unavailable to be interviewed. By contrast, the data from EMIS that the survey would be compared against was from several months earlier at the end of the school year.⁹²⁶

The survey manager was murdered during the data-collection period. This had a profound impact on the study, affecting data management and quality, and resulting in smaller sample size. Other problems plaguing the survey included an inability to visit some schools because of security problems, including the kidnapping of a survey team. Also, assessors did not always follow protocols, leading to the rejection of data from four provinces.⁹²⁷

Findings

USAID's implementing partner admitted that while the data is not nationally representative, it is still useful for understanding EMIS and identifying data-quality challenges.⁹²⁸ Despite its shortcomings and inability to answer

key questions, the assessment found that EMIS had made “substantial” progress in the last five years. With support from the MOE and donors, EMIS has developed the capacity to manage a nationwide information system. However, there remains a gap between its actual capacity and what is needed to ensure the information is accurate and reliable. Key weaknesses were identified, including lack of oversight, inconsistent monitoring at schools, insufficient capacity and training on EMIS forms and procedures, inadequate financing and overreliance on donor-funded assistance, and lack of coordination resulting in duplicative data collection and inefficiencies.⁹²⁹

The survey’s inability to finally answer some key questions about Afghanistan’s education system seem to be due to poor management and planning. The data that it did collect only raises more concern. For example, the number of students recorded in EMIS was an average 37.1 students higher per school than that recorded through the survey. This was not the case for the number of teachers in EMIS, which was only 0.39 teachers higher than the survey.⁹³⁰

USAID designed a capacity-building project that specifically aims to reform teacher recruitment and placement, EMIS data integrity, and textbook distribution. An award and initial implementation is expected by December 31, 2016.⁹³¹

USAID Programs

USAID aims to improve equitable access to quality education in Afghanistan through community-based classes in remote regions. USAID also seeks to develop relevant, in-demand technical skills to better prepare Afghans for

TABLE 3.27

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Increasing Access to Basic Education and Gender Equality	9/17/2014	12/31/2019	\$77,402,457	\$77,402,457
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	91,927,769	33,371,745
Basic Education, Literacy, and Technical-Vocational Education (BELT), Textbooks	11/16/2011	12/31/2016	26,996,813	24,970,742
Support to American University of Afghanistan	8/1/2013	11/29/2019	45,902,538	25,630,052
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	10,405,632
Early Grade Reading Survey	7/27/2015	3/27/2017	12,487,469	6,566,780
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	7,262,016	2,753,951
Afghans Read Program (ARP)	4/4/2016	4/3/2021	69,547,810	1,556,389
PROMOTE Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522
BELT/All Children Reading and Improved Access	7/27/2015	3/27/2017	472,585	466,116
Let Girls Learn Initiative and Girls' Education Challenge Program (GEC)	N/A	N/A	25,000,000	0

Source: USAID, response to SIGAR data call, 10/13/2016.

employment. Its programs focus on early-grade reading, textbooks and other learning materials, and raising literacy rates through teacher and educator training.⁹³² USAID had disbursed approximately \$868 million for education programs in Afghanistan, as of September 30, 2016.⁹³³ USAID's active education programs have a total estimated cost of \$403 million and can be found in Table 3.27.

HEALTH

Afghanistan's health indicators have improved since 2002, though they remain below average among low-income countries. Afghanistan's public health is beset by many challenges: tuberculosis, polio, poor maternal health, and one of the world's highest levels of child malnutrition, according to the World Bank.⁹³⁴

USAID Funding and Health Programs

U.S.-funded health-sector programs aim to preserve and enhance gains made since 2002. USAID assistance to the Ministry of Public Health includes capacity-building, training, and quality-assurance activities to strengthen the ministry's management and control over healthcare delivery across Afghanistan.⁹³⁵

U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1 billion as of September 30, 2016.⁹³⁶ 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.⁹³⁷

USAID believes that the MOPH's ability to deliver quality healthcare 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.⁹³⁸ USAID's active health programs have a total estimated cost of \$326 million, and are listed in Table 3.28 on the following page.

Helping Mothers and Children Thrive

USAID's Helping Mothers and Children Thrive (HEMAYAT) program aims to increase access to and utilization of family-planning and maternal-health services through BPHS and also strengthen referral systems to hospitals through EPHS.⁹³⁹

This quarter, HEMAYAT, in coordination with the MOPH, established a health training and resource center in Mazar-e Sharif to build the capacity of health personnel and ensure the delivery of quality health services. It also developed chlorhexidine (antiseptic) public-awareness material for

BPHS: provides primary healthcare 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 healthcare 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.

Source: SIGAR 13-9-AR, *Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not be Sustainable and Existing Hospitals are Facing Shortages in Some Key Medical Positions*, 4/2013, p. 1.

TABLE 3.28

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2016 (\$)
Strengthening Pharmaceutical System	8/28/2011	7/10/2017	\$34,399,936	\$30,080,836
Disease Early Warning System Plus (DEWS Plus)	1/1/2015	12/30/2020	32,728,000	17,727,468
Helping Mother and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	15,991,421
Central Contraceptive Procurement	3/11/2009	9/8/2022	25,000,000	13,035,571
Regional Fortification in the Central Asian Republics and Afghanistan	9/29/2014	9/29/2016	9,722,000	9,722,000
Demographic and Health Surveys	9/9/2013	9/8/2018	6,699,863	5,453,731
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,408,826
Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea	7/21/2015	7/7/2020	15,002,610	4,400,000
Health Sector Resiliency (HRS)	9/28/2015	9/27/2020	37,936,471	3,206,214
Challenge Tuberculosis	1/1/2015	9/29/2019	15,000,000	2,831,372
Sustaining Health Outcomes through the Private Sector (SHOPS Plus)	6/1/2016	6/1/2018	6,000,000	2,518,981
Global Health Supply Chain Quality Assessment	1/2/2015	1/1/2020	1,500,000	1,500,000
Family Planning and Assessment	5/16/2015	12/31/2016	634,833	634,833
Coordinating Comprehensive Care for Children (4 Children)	9/15/2014	9/16/2019	20,000	20,000
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/5/2016	5/4/2021	75,503,848	0

Note: The Regional Fortification in the Central Asian Republics and Afghanistan project aims to increase iron, zinc, folic acid, and vitamin A nutrient intake by 20% through distribution of fortified wheat and edible oil.

Source: USAID, response to SIGAR data call, 10/13/2016; Global Alliance for Improved Nutrition, "Regional Fortification in the Central Asian Republics," accessed 1/15/2016.

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.

newborn umbilical-cord care, provided input on chlorhexidine use for a national scale-up plan, and helped to add chlorhexidine into community health workers' drug-supply kits.⁹⁴⁰

Also this quarter, HEMAYAT conducted family-planning methods and counseling training for 241 private healthcare providers across nine provinces; family planning and environmental- mitigation-system training for 159 private health providers in seven provinces; tested a gender- and health-training package for 26 gender- and gender-based-violence master trainers, gender experts, professional health associations, and healthcare providers; and continued to advocate for the inclusion of long-term reversible contraceptives into Afghanistan's essential-drug list.⁹⁴¹

Polio

Afghanistan and Pakistan are the only two countries where polio is still endemic.⁹⁴² Both countries, which share a 1,500-mile border, suffer from the Taliban's opposition to vaccination campaigns.⁹⁴³



A community health worker counsels an expectant mother in Balkh Province. (USAID photo)

Afghanistan reportedly had eight new polio cases in 2016, as of October 12, matching the same number of cases at this point last year. The most recent case was on August 11 in Paktika Province, close to the Pakistan border.⁹⁴⁴ The United Nations estimates that 320,000 children in Afghanistan—up from 200,000 reported last quarter—have not been vaccinated, mostly due to fighting and insurgents’ preventing access to children. Almost half the children are from Kunduz Province.⁹⁴⁵ USAID obligated nearly \$25 million for polio eradication in Afghanistan between FY 2003 and FY 2014, and plans an additional \$3 million in FY 2015 funds.⁹⁴⁶

