

3 RECONSTRUCTION UPDATE



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Soldiers from the Afghan National Army's 215th Corps train in clearing buildings in Helmand Province, Afghanistan. (NATO photo by Kay M. Nissen)

RECONSTRUCTION UPDATE

This quarter, General John W. Nicholson Jr., commander of U.S. and NATO troops in Afghanistan, characterized the security situation in Afghanistan as a “stalemate” and expressed concern over the high number of casualties taken by the Afghan National Defense and Security Forces (ANDSF). To break the stalemate, General Nicholson and General Joseph L. Votel, commander of U.S. Central Command, requested additional troops, who could come from the United States as well as NATO allies. U.S. and NATO leaders agree that additional troops and expanded authorities would enable their forces to provide the necessary advisory support below the ANDSF’s corps level, helping to address Afghan forces’ capability gaps, assist in essential leadership development, and allow for greater oversight of the U.S. taxpayer dollars committed to the ANDSF.

While the ANDSF have prevented the Taliban from capturing and holding any provincial capitals, security incidents and armed clashes have increased, civilian casualties reached new heights, and the insurgents retained control of certain rural areas. Fighting this quarter between the ANDSF and enemy combatants was particularly heavy in the key areas of Helmand, Nangarhar, Kandahar, Kunar, and Ghazni.

This quarter, Russia appeared to step up its involvement in Afghanistan. On December 2, General Nicholson labeled Russia, Pakistan, and Iran as malign actors that enable insurgent or terrorist groups in Afghanistan. Nicholson said that Russia lends public legitimacy to the Taliban, undermining Afghan government and NATO efforts to stabilize Afghanistan. On March 31, Secretary of Defense James Mattis weighed in on the issue of Russian support for the Taliban, saying “I’m not willing to say at this point if that has manifested into weapons and that sort of thing. But certainly, what they’re up to there in light of their other activities gives us concern.” In an interview with Bloomberg, Russia’s special envoy for Afghanistan, Zamir Kabulov, was quoted as saying that the Taliban “have given up global jihad and have become a national force,” concluding that the Taliban is “justified” in opposing a foreign military presence.

Throughout the quarter, the National Unity Government grappled with political challenges ranging from defiance from Vice President Abdul Rashid Dostum, a former warlord whose bodyguards are charged with sodomizing

RECONSTRUCTION UPDATE



General John W. Nicholson Jr., Resolute Support and USFOR-A commander, briefs reporters at the Pentagon. (DOD photo by Staff Sgt. Jette Carr, USAF)

a political opponent, to resolving conflicts with the parliament over a path to promised parliamentary elections and Afghanistan’s 2019 presidential contest. The UN Secretary-General in March called on Afghan political elites to work together, saying “a cohesive working relationship between the President [Ashraf Ghani] and the Chief Executive [Abdullah Abdullah] will remain vital.”

On January 16, 2017, the Afghan parliament passed a \$6.4 billion budget for Fiscal Year 1396, which runs from December 22, 2016, through December 21, 2017. Domestic revenues are to pay for 38% of the budget, with donor assistance covering the rest.

The international Financial Action Task Force (FATF) said Afghanistan has substantially addressed the technical requirements of its anti-money-laundering/combating the financing of terrorism (AML/CFT) compliance plan. A FATF team is expected to visit Afghanistan next quarter to monitor the extent to which required reforms and actions to address deficiencies are being implemented. Favorable findings could lead to Afghanistan’s removal from FATF’s list of countries with strategic AML/CFT deficiencies. Yet, this quarter, the State Department again listed Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds.

In late March 2017, President Ghani nominated Nargis Nehan as the new Minister of Mines and Petroleum, and directed parliament to schedule a vote of confidence. Nehan became acting minister on April 1.

RECONSTRUCTION UPDATE

Despite a U.S. investment of \$8.5 billion to counter Afghanistan's illicit narcotics economy, the country remains the world's largest opium producer and exporter—producing an estimated 80% of the world's heroin. The narcotics industry—coupled with rampant corruption and fraud—is a major source of illicit revenue. In December 2016, General Nicholson said the opium trade provides about 60% of the Taliban's funding.

Cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$117.3 billion, as of March 31, 2017. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$98.8 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$7.2 billion of this amount remained available for potential disbursement.

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STATUS OF FUNDS

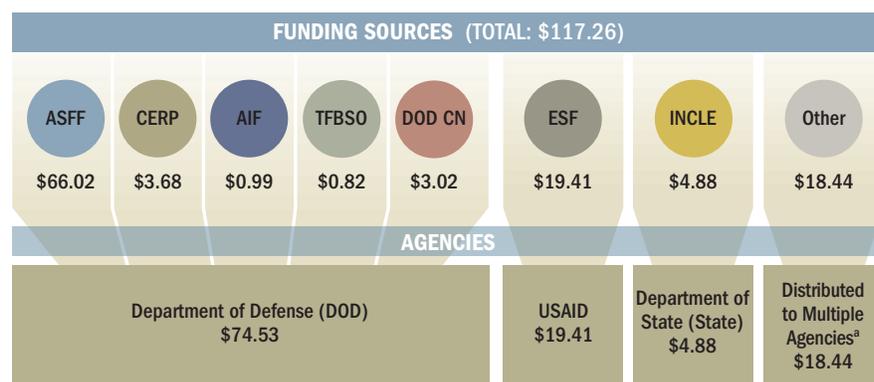
To fulfill SIGAR’s legislative mandate, this section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of March 31, 2017, the United States had appropriated approximately \$117.26 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

- \$71.17 billion for security (\$4.33 billion for counternarcotics initiatives)
- \$32.28 billion for governance and development (\$4.18 billion for counternarcotics initiatives)
- \$3.01 billion for humanitarian aid
- \$10.79 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)



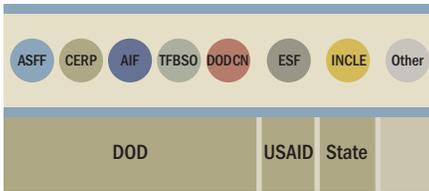
- ASFF:** Afghanistan Security Forces Fund
- CERP:** Commander’s Emergency Response Program
- AIF:** Afghanistan Infrastructure Fund
- TFBSO:** Task Force for Business and Stability Operations
- DOD CN:** DOD Drug Interdiction and Counter-Drug Activities
- ESF:** Economic Support Fund
- INCLE:** International 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 call, 4/17/2017, 4/13/2017, 4/11/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 4/10/2017, 1/6/2017, 1/18/2017, 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, 3/24/2017; OMB, response to SIGAR data call, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 4/11/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 4/14/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2017," 4/15/2017; 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.

FUNDING



U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

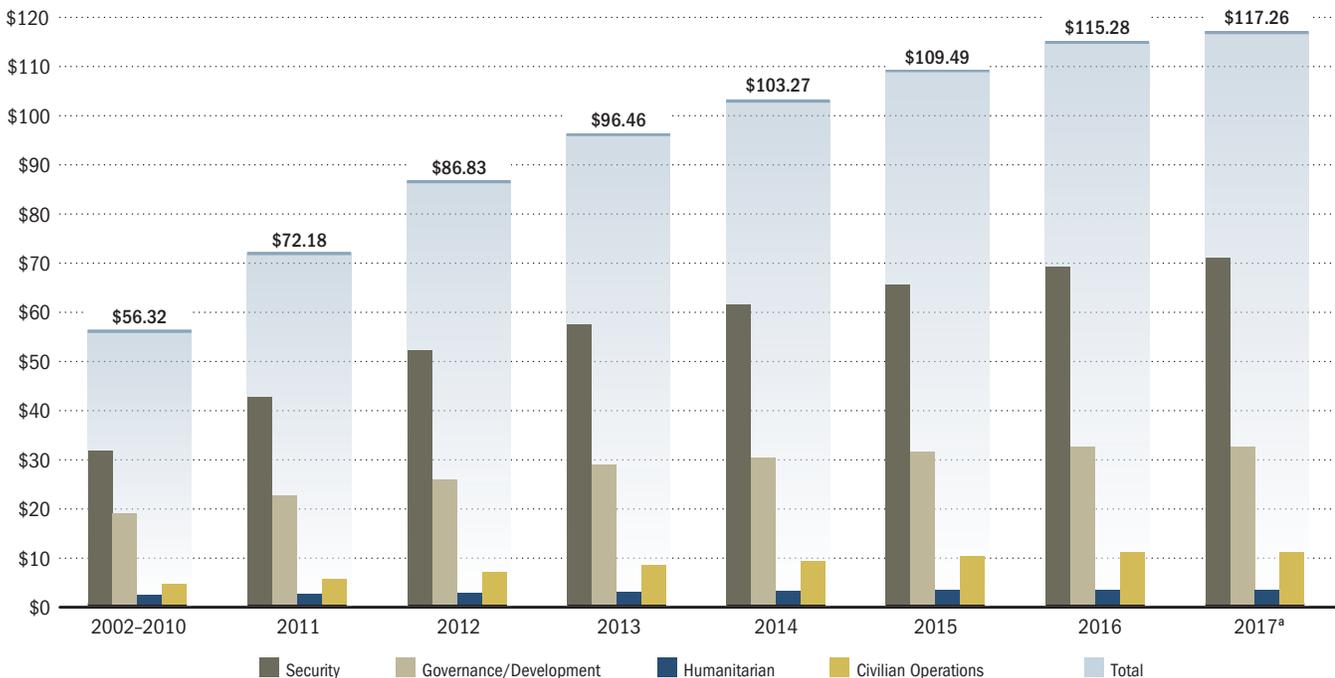
As of March 31, 2017, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$117.26 billion, as shown in Figure 3.2. This total falls into four major categories: security, governance and development, humanitarian, and oversight and operations. Approximately \$8.51 billion of these funds support counternarcotics initiatives which crosscut the security (\$4.33 billion) and governance and development (\$4.18 billion) categories. For more information see Appendix B.

At the end of the fiscal quarter, the U.S. government was operating under a continuing resolution for FY 2017. As a result, Figure 3.3 shows the FY 2017 funding made available for obligation under continuing resolutions, as of March 31, 2017.

On March 16, President Donald Trump requested additional FY 2017 appropriations for DOD and the Department of Homeland Security. None of the additional funding was allocated to reconstruction. The amount

The amount provided to the seven major U.S. funds represents nearly 84.3% (over \$98.82 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, more than 92.9% (nearly \$91.81 billion) has been obligated, and nearly 88.1% (almost \$87.06 billion) has been disbursed. An estimated \$4.60 billion of the amount appropriated these funds has expired.

FIGURE 3.2
CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF MARCH 31, 2017 (\$ 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. ^a FY 2017 figures reflect amounts made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data call, 4/17/2017, 4/13/2017, 4/11/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 4/10/2017, 1/6/2017, 1/18/2017, 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, 3/24/2017; OMB, response to SIGAR data call, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 4/11/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 4/14/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2017," 4/15/2017; 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.

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requested for the ASFF remained at the \$4.26 billion established in President Barack Obama's November 2016 amended FY 2017 OCO budget request.³¹

The United States aims to channel at least 50% of its development assistance on-budget to the Government of Afghanistan,³² either directly to Afghan government entities or via contributions to multilateral trust funds.³³ Since 2002, the United States has provided more than \$10.43 billion in on-budget assistance. This includes about \$5.69 billion to Afghan government ministries and institutions, and nearly \$4.74 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.

TABLE 3.1

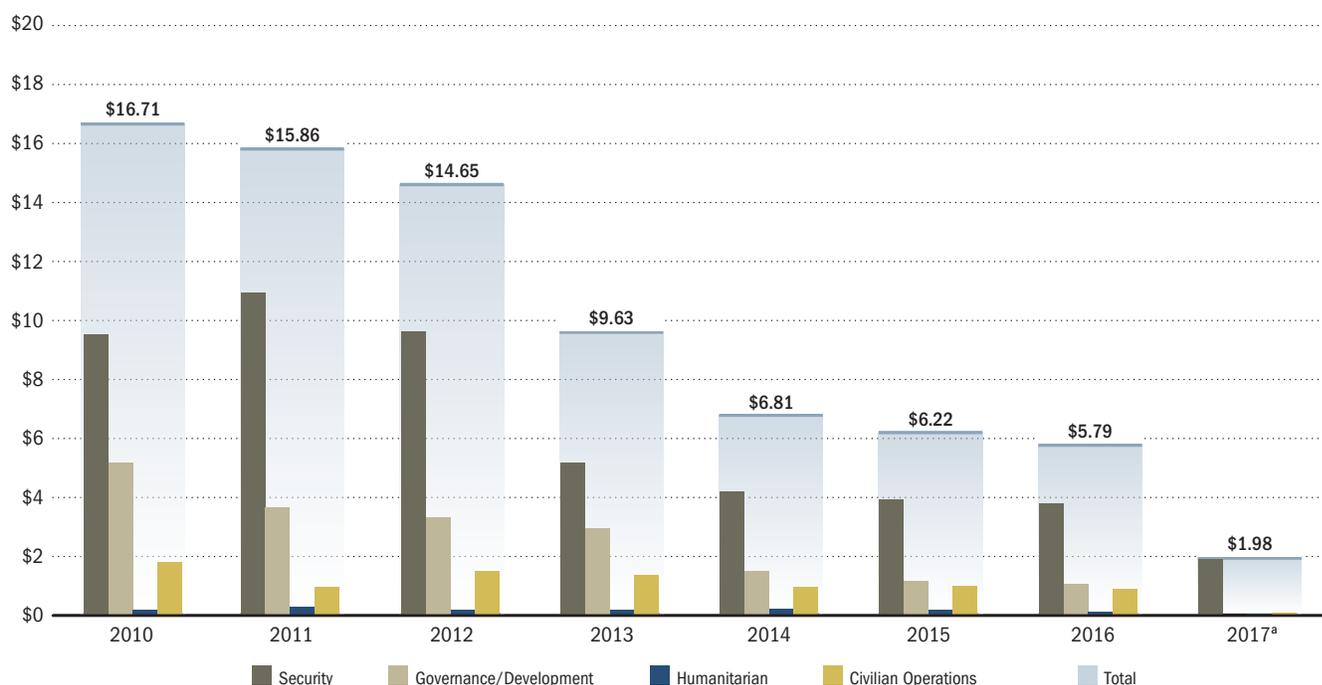
U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-to-Government	
DOD	\$4,946
State	92
USAID	655
Multilateral Trust Funds	
LOTFA	\$1,641
ARTF	2,947
AITF	153

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 March 31, 2017, USAID had obligated approximately \$1.3 billion for government-to-government assistance.

Source: USAID, response to SIGAR data call, 4/9/2017; DOD, response to SIGAR data call, 6/25/2015; World Bank, "ARTF: Administrator's Report on Financial Status as of February 19, 2017 (end of 2nd month of FY 1396)," p. 4; UNDP, response to SIGAR data call, 4/17/2017.

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.⁸ FY 2017 figures reflect amounts made available for obligation under continuing resolutions.

Source: DOD, response to SIGAR data call, 4/17/2017, 4/13/2017, 4/11/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 4/10/2017, 1/6/2017, 1/18/2017, 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, 3/24/2017; OMB, response to SIGAR data call, 4/16/2015, 7/14/2014, 7/19/2013 and 1/4/2013; USAID, response to SIGAR data call, 4/11/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 4/14/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2017," 4/15/2017; 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.

FUNDING

AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated nearly \$117.26 billion for Afghanistan relief and reconstruction. Of this amount, \$98.82 billion (84.3%) 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 2002–2017 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$66.02	\$62.56	\$61.41	\$2.57
Commander's Emergency Response Program (CERP)	3.68	2.29	2.28	0.01
Afghanistan Infrastructure Fund (AIF)	0.99	0.78	0.64	0.14
Task Force for Business & Stability Operations (TFBSO)	0.82	0.75	0.64	0.11
DOD Drug Interdiction and Counter-Drug Activities (DOD CN)	3.02	3.02	3.02	0.00
Economic Support Fund (ESF)	19.41	17.85	15.10	3.57
International Narcotics Control & Law Enforcement (INCLE)	4.88	4.55	3.98	0.76
Total Major Funds	\$98.82	\$91.81	\$87.06	\$7.17
Other Reconstruction Funds	7.65			
Civilian Operations	10.79			
Total	\$117.26			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.6 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, 4/18/2017.

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 March 31, 2017, approximately \$7.17 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 \$3.31 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 March 31, 2017. Nearly \$1.77 billion remained for possible disbursement. Table 3.2 shows amounts appropriated the major reconstruction funds for FY 2016.

FUNDING

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014. Of that amount, more than \$826.79 million remained for possible disbursement, as of March 31, 2017, 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	\$3,947.50	\$3,872.60	\$74.89
CERP	30.00	6.62	6.44	0.18
AIF	144.00	130.46	30.57	99.88
TFBSO	122.24	106.77	85.84	20.93
DOD CN	238.96	238.96	238.96	0.00
ESF	907.00	835.71	338.12	497.59
INCLE	225.00	224.74	91.42	133.32
Total Major Funds	\$5,629.54	\$5,490.75	\$4,663.95	\$826.79

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$139 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, 4/18/2017.

Congress appropriated more than \$5.03 billion to four of the seven major reconstruction funds for FY 2015. Of that amount, nearly \$1.08 billion remained for possible disbursement, as of March 31, 2017, 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	\$3,935.44	\$3,754.27	\$181.17
CERP	10.00	3.37	1.60	1.77
ESF	831.90	775.40	20.71	754.69
INCLE	250.00	249.95	109.89	140.07
Total Major Funds	\$5,031.23	\$4,964.16	\$3,886.46	\$1,077.70

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$67 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, 4/18/2017.

FIGURE 3.5

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

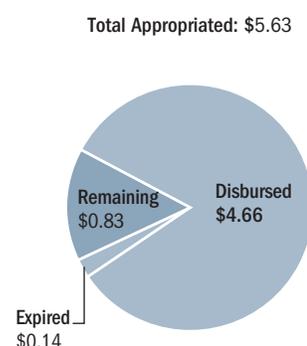
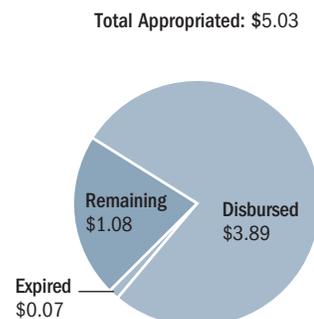
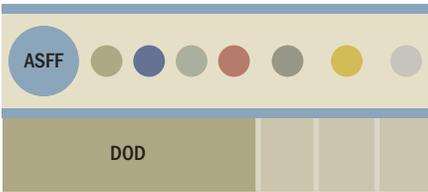


FIGURE 3.6

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



FUNDING



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.³⁴ The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan.³⁵

DOD reported that nearly \$1.87 billion had been made available for obligation under the FY 2017 continuing resolution, as of March 31, 2017, increasing total cumulative funding to more than \$66.02 billion since 2005.³⁶ On March 16, President Trump requested additional FY 2017 appropriations for DOD and the Department of Homeland Security. The President asked for an additional \$1.1 billion for Operation Freedom's Sentinel, none of the additional funding was for reconstruction. The amount requested for the ASFF remained at the \$4.26 billion in President Obama's November 2016 amended FY 2017 OCO budget request.³⁷

As of March 31, 2017, more than \$62.56 billion of total ASFF funding had been obligated, of which more than \$61.41 billion had been disbursed.³⁸ Figure 3.7 displays ASFF funding by fiscal year, and Figure 3.8 shows cumulative amounts made available, obligated, and disbursed.

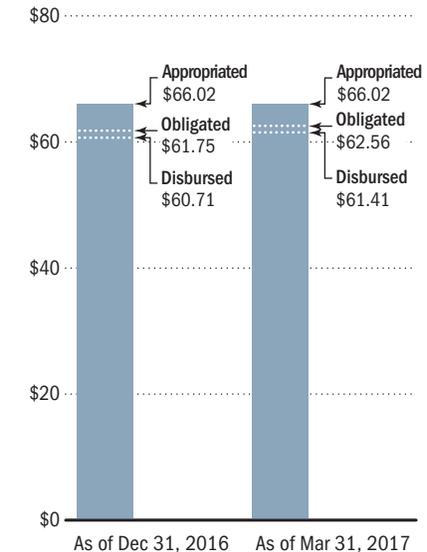
FIGURE 3.7

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.

^a FY 2017 appropriation amount has not been determined. Figure reflects amount made available for obligation under continuing resolutions.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2017," 4/15/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; 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.

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 **sub-activity groups**: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.³⁹ The Afghanistan Resources Oversight Council 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.⁴⁰

As of March 31, 2017, DOD had disbursed more than \$61.41 billion for ANDSF initiatives: nearly \$41.17 billion for the ANA, and more than \$19.93 billion for the ANP. The remaining \$388.70 million was directed to related activities such as detainee operations. This total is about \$78.07 million higher than the cumulative total disbursed due to an accounting adjustment.⁴¹

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—nearly \$18.10 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$8.60 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.⁴²

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–MAR 31, 2017 (\$ BILLIONS)

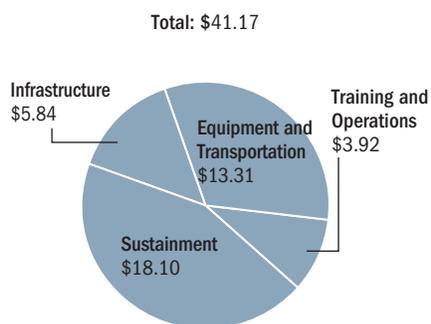
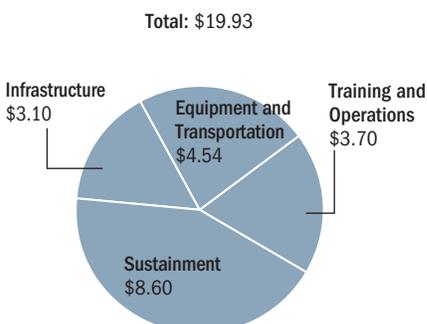


FIGURE 3.10

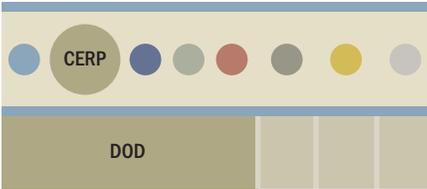
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005–MAR 31, 2017 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts March 2017," 4/15/2017.

FUNDING



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 estimated to cost less than \$500,000 each.⁴³ CERP-funded projects may not exceed \$2 million each.⁴⁴

DOD reported that \$957,316 had been obligated and \$664,335 had been disbursed from CERP under the FY 2017 continuing resolution, as of March 31, 2017.⁴⁵ Figure 3.11 displays FY amounts made available for CERP.

Total cumulative funding for CERP amounted to more than \$3.68 billion. Of this amount, nearly \$2.29 billion had been obligated, of which nearly \$2.28 billion had been disbursed. DOD reported that cumulative obligations increased by \$147,403 over the quarter, and cumulative disbursements increased by \$724,832.⁴⁶ Figure 3.12 provides a cumulative comparison of amounts made available, obligated, and disbursed for CERP.

FIGURE 3.11

CERP APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

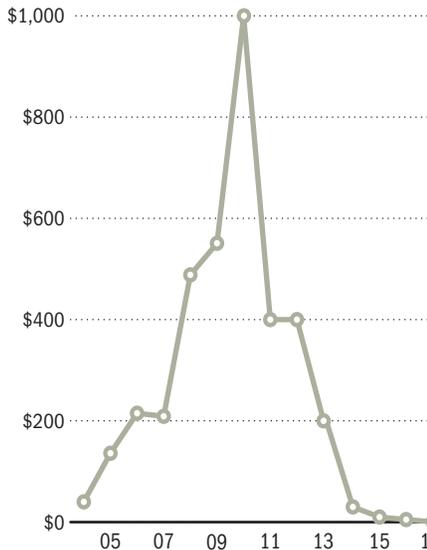
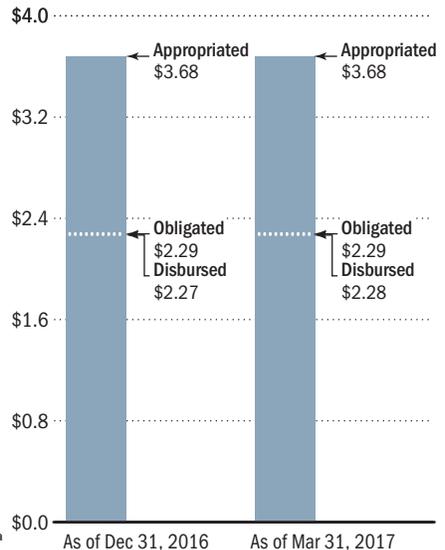


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



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

^a FY 2017 appropriation amount has not been determined. Figure reflects amount obligated under continuing resolutions.

Source: DOD, response to SIGAR data call, 4/13/2017 and 1/12/2017; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 114-113, 113-235, 113-76, 113-6, 112-74, and 112-10.

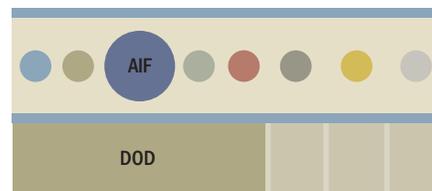
AFGHANISTAN INFRASTRUCTURE FUND

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.⁴⁷ The AIF received appropriations from FY 2011 through FY 2014. Although the AIF no longer receives appropriations, many projects remain in progress, and DOD may obligate up to \$50 million from the ASFF to complete existing AIF projects.⁴⁸

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.⁴⁹ Figure 3.13 shows AIF appropriations by fiscal year. Figure 3.14 shows AIF appropriations by fiscal year.

As of March 31, 2017, nearly \$779.70 million of total AIF funding had been obligated, and more than \$641.39 million had been disbursed, as shown in Figure 3.14.⁵⁰



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)

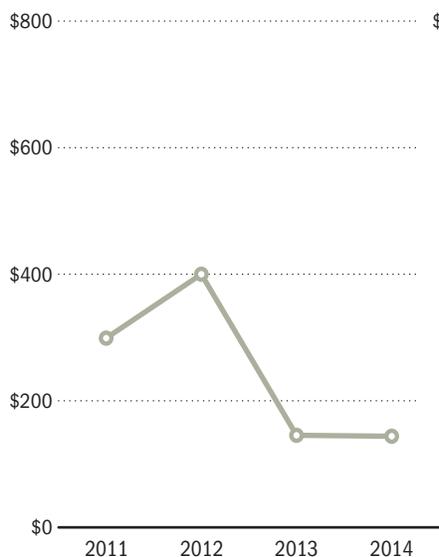
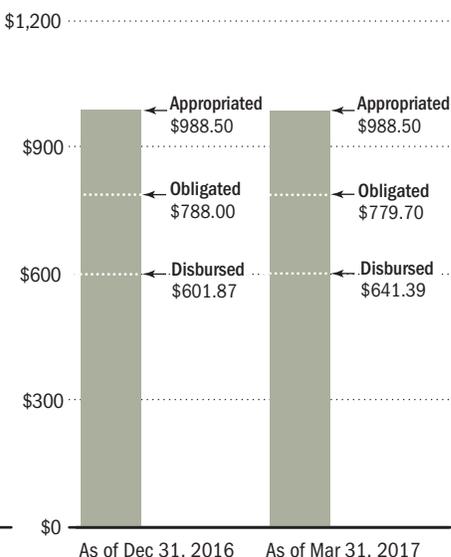


FIGURE 3.14

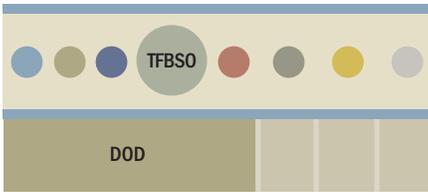
AIF FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower obligated figure than reported last quarter. 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 March 2017," 4/15/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts December 2016," 1/17/2017; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

FUNDING



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.⁵¹

Through March 31, 2017, 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 nearly \$640.63 million had been disbursed.⁵² 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)

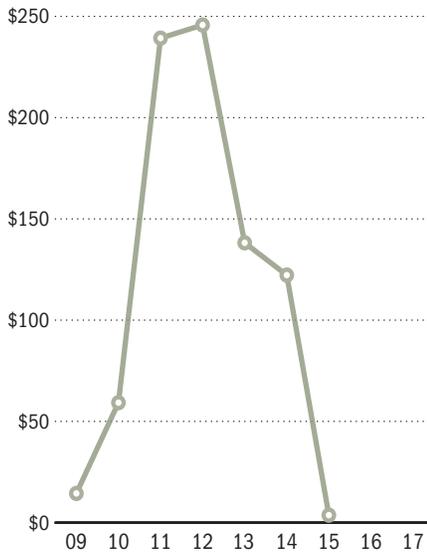
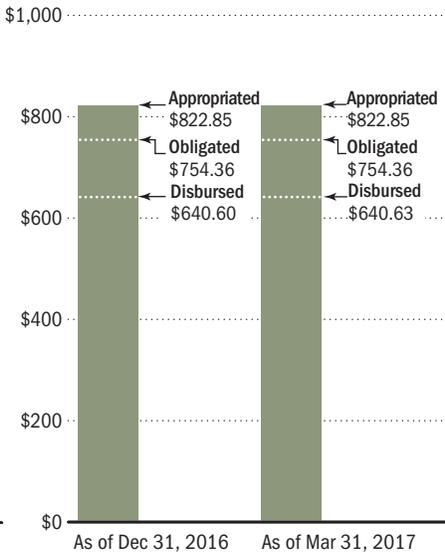


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



Note: Numbers have been rounded. Updated data resulted in a lower disbursed 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.

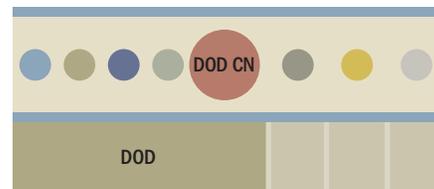
Source: DOD, response to SIGAR data call, 4/17/2017, 1/13/2017, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

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.⁵³

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.⁵⁴

DOD reported that nearly \$19.26 billion had been transferred from the DOD CN CTA to the military services and defense agencies for obligation under FY 2017 continuing resolutions, bringing cumulative funding for DOD CN to nearly \$3.02 billion since FY 2004, all of which had been transferred to the military services and defense agencies for DOD CN projects, as of March 31, 2017.⁵⁵ 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.

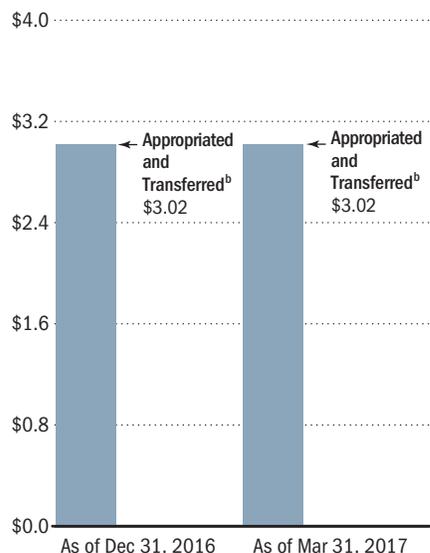
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



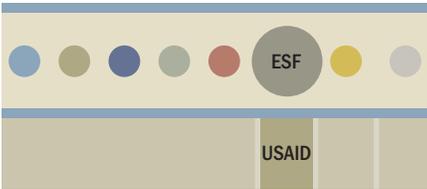
Note: Numbers have been rounded. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

^a FY 2017 appropriation amount has not been determined. Figure reflects amount transferred to the military services and defense agencies for obligation under continuing resolution.

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

Source: DOD, response to SIGAR data call, 4/11/2017 and 1/13/2017; OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

FUNDING



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.⁵⁶

The ESF was appropriated \$812.27 million for FY 2016, and USAID reported no obligations under FY 2017 continuing resolutions, resulting in no change to ESF's cumulative funding of \$19.41 billion, which includes amounts transferred from AIF to ESF for USAID's power transmission lines projects. Of this amount, more than \$17.85 billion had been obligated, of which nearly \$15.10 billion had been disbursed.⁵⁷ Figure 3.19 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of March 31, 2017, decreased by nearly \$15.54 million and cumulative disbursements increased by nearly \$286.71 million from the amounts reported last quarter.⁵⁸ Figure 3.20 provides a cumulative comparison of the amounts appropriated, obligated, and disbursed for ESF programs.

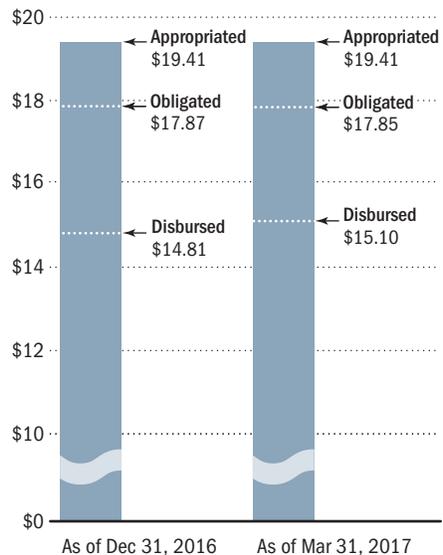
FIGURE 3.19

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. Updated data resulted in a lower obligated figure than reported last quarter.

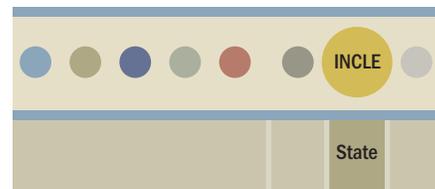
Source: USAID, response to SIGAR data call, 4/11/2017 and 1/10/2017; State, response to SIGAR data call, 5/4/2016, 10/20/2015, 4/15/2015, and 4/15/2014.

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, counter-narcotics, and rule of law and justice.⁵⁹

State reported that INCLE was appropriated \$185 million for FY 2016 and reported no obligations under FY 2017 continuing resolutions, resulting in no change to INCLE's cumulative funding of \$4.88 billion. Of this amount, more than \$4.55 billion had been obligated, of which, nearly \$3.98 billion had been disbursed.⁶⁰ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of March 31, 2017, remained the same as the previous quarter, while cumulative disbursements increased more than \$110.47 million over amount reported last quarter.⁶¹ 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)

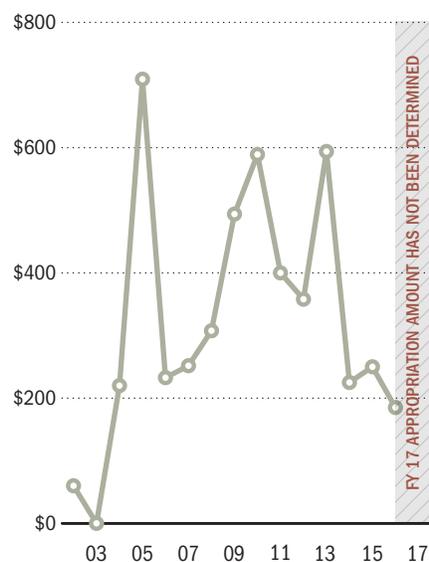
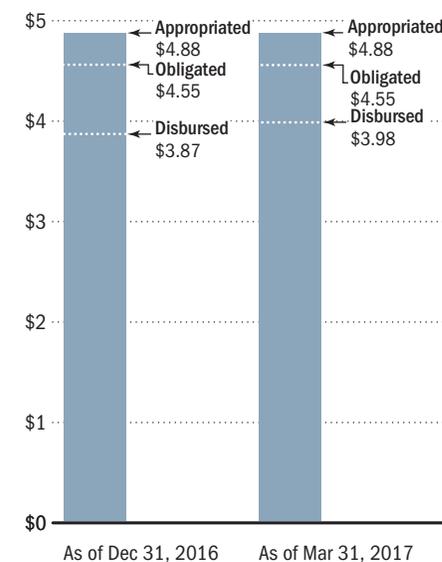


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers.
Source: State, response to SIGAR data call, 4/13/2017, 1/6/2017, and 4/7/2016.

FUNDING

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).⁶²

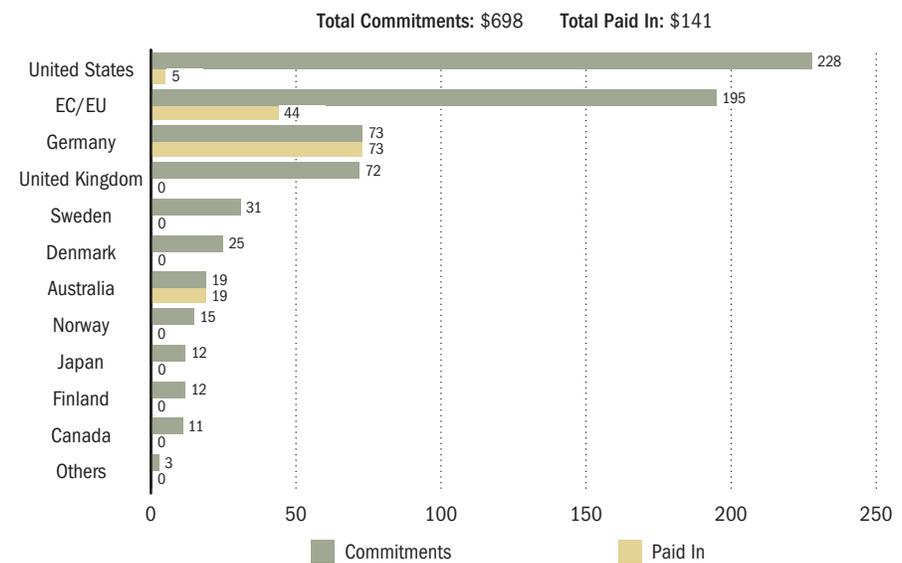
Contributions to the Afghanistan Reconstruction Trust Fund

The largest share of international contributions to the Afghan operational and development budgets comes through the ARTF. From 2002 to February 19, 2017, the World Bank reported 34 donors had pledged over \$10.20 billion; more than \$9.64 billion had been paid in.⁶³ The World Bank says, donors pledged \$697.52 million to the ARTF for Afghan fiscal year 1396, (December 22, 2016, to December 21, 2017).⁶⁴ Figure 3.23 shows the 11 largest donors for FY 1396.

As of February 19, 2017, the United States had pledged more than \$3.17 billion and paid in more than \$2.95 billion since 2002.⁶⁵ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 48% of its total funding, as shown in Figure 3.24.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1395 BY DONOR, AS OF FEBRUARY 19, 2017 (\$ MILLIONS)



Note: Numbers have been rounded. FY 1396 = 12/22/2016–12/21/2017.

Source: World Bank, "ARTF: Administrator's Report on Financial Status as of February 19, 2017 (end of 2nd month of FY 1396)," p. 1.

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁶⁶ As of February 19, 2017, according to the World Bank, nearly \$4.26 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.⁶⁷ 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 “prefer” (earmark) more than half of their annual contributions for desired projects.⁶⁸

The Investment Window supports the costs of development programs. As of February 19, 2017, according to the World Bank, nearly \$4.55 billion had been committed for projects funded through the Investment Window, of which almost \$3.71 billion had been disbursed. The World Bank reported 26 active projects with a combined commitment value of nearly \$3.21 billion, of which almost \$2.37 billion had been disbursed.⁶⁹

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).⁷⁰ Since 2002, donors have pledged more than \$5.29 billion to the LOTFA, of which nearly \$4.96 billion had been paid in, as of April 13, 2017. The United States had committed over \$1.66 billion since the fund’s inception and paid in more than \$1.64 billion.⁷¹ Figure 3.25 shows the four largest donors to the LOTFA since 2002.

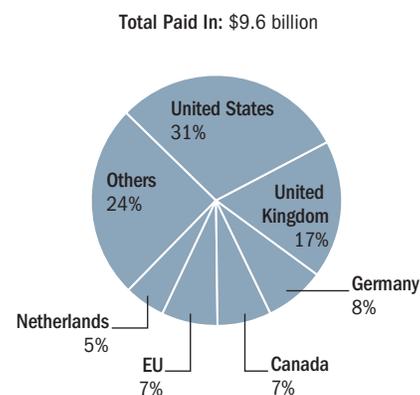
The LOTFA is in its eighth phase. The phase had an initial estimated budget of \$883.56 million and was designed as a transition to a full handover of payroll functions to the Afghan government and to develop national capacity for its management. The Afghan government and LOTFA donors agreed to extend the phase for a year beyond its original planned end date of December 31, 2016, after assessments commissioned by UNDP revealed that the MOI had not yet met various critical donor conditions for the transition of payroll management.⁷²

Phase VIII initial \$883.56 million budget was divided between the \$850.56 million Support to Payroll Management (SPM) project and the \$33 million MOI and Police Development (MPD) project, which focuses on institutional development of the MOI and police professionalization of the ANP. Most project funding—nearly \$842.44 million—was to be transferred from the UNDP Country Office to the Ministry of Finance (MOF) for ANP and CPD staff remuneration.⁷³

From July 1, 2015, through December 31, 2016, UNDP had expended more than \$667 million on the SPM project for Phase VIII. Of this amount, nearly \$661 million was transferred to the MOF to pay for ANP and CPD staff. In addition, nearly \$17.39 million was expended on the MPD project.⁷⁴

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–FEBRUARY 19, 2017

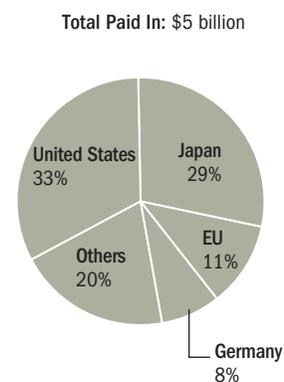


Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, *ARTF: Administrator’s Report on Financial Status as of February 19, 2017* (end of 2nd month of FY 1396), p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF APRIL 13, 2017



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

Source: UNDP, response to SIGAR data call, 4/17/2017.

SECURITY CONTENTS

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SECURITY

KEY ISSUES AND EVENTS

Testifying before the Senate Armed Services Committee on February 9, 2017, General John W. Nicholson Jr., commander of U.S. and NATO troops in Afghanistan, characterized the security situation in Afghanistan as a “stalemate,” saying that he is particularly concerned about the high level of Afghan National Defense and Security Forces (ANDSF) casualties. General Nicholson underscored the importance of Afghanistan for American national security by explaining that because the Afghanistan-Pakistan region has the highest concentration of terrorist groups anywhere in the world, the U.S. counterterrorism mission there plays a key role in protecting our homeland.⁷⁵

While the ANDSF prevented the Taliban from capturing any provincial capitals, security incidents and armed clashes increased, civilian casualties reached new heights, the ANDSF continued to suffer high casualties, and insurgents retained control in certain rural areas.⁷⁶ Meanwhile, U.S. Forces-Afghanistan (USFOR-A) reports that corruption remains the most significant obstacle to ANDSF progress.⁷⁷

Asked how the stalemate could be broken, both General Nicholson and General Joseph L. Votel, commander of U.S. Central Command, advocated for additional troops, which could come from the United States as well as NATO allies.⁷⁸ General Nicholson suggested that the United States reconsider troop levels using an “objectives- and conditions-based approach” rather than the force-strength ceiling currently in place.⁷⁹ U.S. and NATO leaders agree that additional troops and expanded authorities would enable their forces to provide the necessary advisory support below the ANDSF’s corps level. These authorities would be similar to the advising and assisting authorities the U.S. currently employs to support Iraqi forces.⁸⁰ According to General Nicholson, advising below the corps level would help address the ANDSF’s capability gaps, assist in essential leadership development, and allow for greater oversight of U.S. taxpayer dollars.⁸¹

Stressing that the ANDSF needs greater offensive capability in order to break this stalemate, General Nicholson discussed the “critical” importance of congressional funding approval for Department of Defense’s (DOD) plan to replace the Afghan Air Force’s (AAF) aging, Russian-made Mi-17



General John W. Nicholson Jr. testified to the Senate Armed Services Committee in early February about the security situation in Afghanistan. (Screenshot of DVIDS video)

helicopter fleet with American-made UH-60 Black Hawks procured from U.S. Army stocks. The advantage of this would be to continue to build indigenous air capabilities that the Afghan insurgents cannot match.⁸²

The projected bolstering of the AAF, as well as doubling the number of Afghan Special Security Forces (ASSF) is part of a four-year “ANDSF Roadmap” that Afghan President Ashraf Ghani is currently developing together with General Nicholson and other NATO commanders. The overarching goal of the four-year roadmap is to expand Afghan government control over more territory, increase the proportion of the population residing in that territory, and compel the Taliban to agree to a peace process leading to reconciliation and an end of hostilities.⁸³

USFOR-A said many ANDSF units participated in company-level training, conducted leadership development, and established operational readiness cycles—in which forces refit, retrain, or take leave—during the winter campaign in anticipation of heavy fighting over the next few months.⁸⁴ The Afghan National Army (ANA) and Afghan National Police (ANP) also saw modest increases in strength and slight decreases in attrition this quarter.⁸⁵

However, fighting has remained heavy in the key areas of Helmand, Nangarhar, Kandahar, Kunar, and Ghazni.⁸⁶ Notably, after months of skirmishes with the Taliban in Sangin District of Helmand Province in late March, the ANA's 215th Corps moved its base of operations out of Sangin's district center. Sangin has been a strategically important battleground for the 215th Corps, and the United States and its Coalition partners have spent much blood and treasure to help keep Sangin under Afghan government control. The United States is deploying 300 Marines to Helmand this spring to continue supporting the 215th Corps. General Nicholson believes that the Marines' “deep experience” in Helmand will provide “a more structured advisory effort than [U.S. Forces have] had up to this point.”⁸⁷ For more information on the challenges facing the 215th Corps, please see the Quarterly Highlight on page 92.

Relations between Afghanistan and Pakistan continued to be strained this quarter, with senior officials from both countries blaming the other for insurgent attacks. Pakistan closed its border with Afghanistan to all traffic between February 17 and March 20, conducted cross-border shelling, and targeted suspected militants on Afghan territory. The Afghan government has sought to deescalate these tensions while also pointing to the toll Pakistan's strikes are taking on Afghan citizens' security and livelihoods.⁸⁸

On April 13, 2017, the United States deployed a GBU-43/B Massive Ordnance Air Blast (MOAB) bomb, the largest non-nuclear bomb in its arsenal, on a network of tunnels utilized by Islamic State-Khorasan Province (IS-K) in Nangarhar Province. Nicknamed the “mother of all bombs” for its size, the GBU-43/B weighs approximately 21,600 pounds and is capable of destroying an area the size of nine city blocks. The April 13 mission was the GBU-43/B's first combat use. General Nicholson said, “this was the right

weapon against the right target.” Afghan officials initially reported 36 IS-K casualties, but later updated that figure to 94 IS-K fighters killed, including four commanders.⁸⁹

UN: Record High Security Incidents and Civilian Casualties

The United Nations (UN) Secretary-General reported in March that Afghanistan’s security situation has worsened over the last quarter, with intensifying armed clashes between the Afghan security forces and the Taliban, and with notable high-profile attacks by insurgent and extremist groups. Security incidents throughout 2016 and continuing into the first quarter of 2017 reached their highest level since UN reporting began in 2007. Armed clashes between the security forces and the Taliban comprised 63% of all security incidents in Afghanistan during that period and marked a 22% increase from the same period in 2015–2016.⁹⁰

During the last year, half of all recorded security incidents continued to occur in the southern, southeastern, and eastern regions, according to the UN.⁹¹ Aside from the Taliban’s offensive in Sangin, the other major offensives this quarter include the Taliban’s attempt to take two districts in Laghman Province in early March, which the ANDSF foiled, killing a key Taliban leader; and the fall of Tala Wa Barfak District in Baghlan Province around March 1, which the ANDSF recaptured from the Taliban just days later on March 3.⁹²

A key achievement of ANDSF and Coalition forces this quarter was the late February killing of Mullah Salam, the Taliban commander and shadow governor for Kunduz Province, who General Nicholson said had “terrorized the people of Kunduz for too long.”⁹³ Kunduz had been the center of intense skirmishes with the Taliban in the last year and a half, during which period Kunduz City fell twice to the Taliban before ANDSF and Coalition forces could regain their hold there.⁹⁴ U.S. defense officials also announced the killing of another high-profile al-Qaeda leader, Qari Yasin, on March 19 in Paktika Province during a U.S. counterterrorism airstrike. Yasin had plotted multiple al-Qaeda terror attacks, including the September 20, 2008, bombing of the Marriott Hotel in Islamabad that killed dozens of civilians.⁹⁵

The UN recorded 5,160 **security incidents** between November 18, 2016, and February 14, 2017, as reflected in Figure 3.26 on the next page, representing a 10% increase from the same period the previous year, and a 3% increase from the same period in 2014–2015. The number of security incidents rose by 30 in January 2017 to 1,877, the highest number ever recorded for that month by the UN.⁹⁶

The United Nations Assistance Mission in Afghanistan (UNAMA) also reported that 11,418 conflict-related civilian casualties occurred between January 1 and December 31, 2016, a 3% increase compared to 2015, and the highest total civilian casualties recorded since UNAMA began documenting them in 2009. Of the 11,418 casualties, 3,498 were killed and 7,920 were

“The ANDSF consistently retook district centers and population areas within days of a loss, whereas in 2015 it sometimes took them weeks to recover.”

—General John W. Nicholson Jr.,
U.S. Army, Resolute Support and
USFOR-A commander

Source: General John W. Nicholson Jr., U.S. Army, Resolute Support and USFOR-A commander, *Statement for the Record before the Senate Committee on Armed Services on the Situation in Afghanistan*, 2/9/2017.

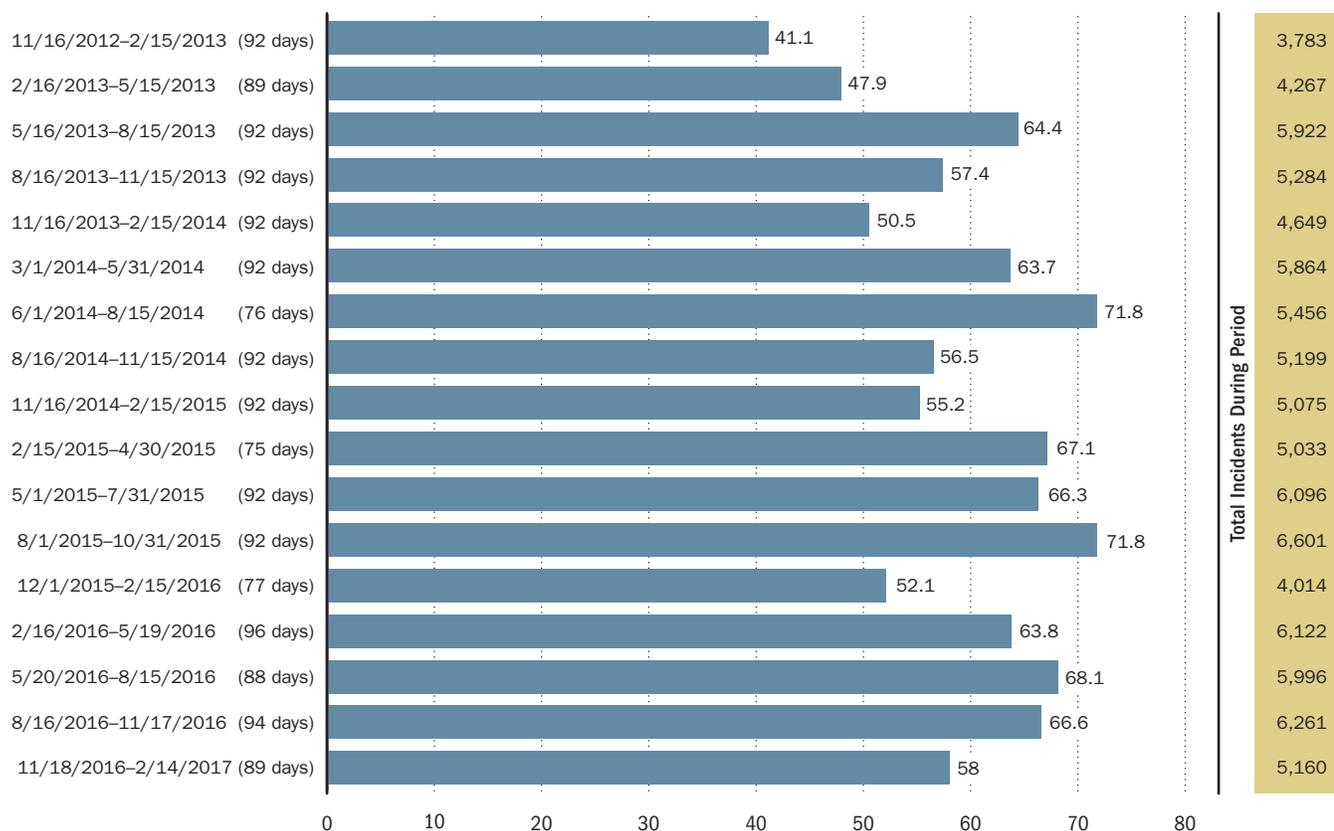
Security incidents: reported incidents that include armed clashes, improvised explosive devises, targeted killings, abductions, suicide attacks, criminal acts, and intimidation. Reported incidents are not necessarily actual incidents.

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

SECURITY

FIGURE 3.26

AVERAGE NUMBER OF REPORTED SECURITY INCIDENTS PER DAY



Note: Security incidents were not reported for the month of November 2015.

Source: UN, Report 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; 3/5/2013, p. 5; 12/13/2016, p. 4; and 3/3/2017, p. 4.

wounded.⁹⁷ UNAMA found that antigovernment elements, mainly Taliban, were responsible for 61% of the civilian casualties, perpetrating illegal and indiscriminate attacks that deliberately targeted civilians.⁹⁸ Coalition air-strikes on Taliban targets during fighting in Sangin in early February may have caused as many as 25 civilian casualties, according to UNAMA. RS has acknowledged this possibility and is investigating the incidents.⁹⁹

High-Profile Attacks

While U.S. military leaders say the Islamic State affiliate in Afghanistan, Islamic State-Khorasan Province (IS-K), has been significantly degraded,



A Sardar Daoud Khan Hospital surgeon and a Resolute Support physicians' advisor discuss the medical management of recently admitted patients following the attack on the hospital in early March. (U.S. Army photo by Catherine Lowrey)

several news media outlets reported on IS-K's continued ability to conduct deadly attacks this quarter.

IS-K claimed responsibility for a large-scale attack in Kabul on March 8 at Afghanistan's largest military hospital. Armed militants dressed as medical personnel stormed the Sardar Daud Khan Hospital, detonated explosives, and indiscriminately shot civilians inside. Afghan officials reported more than 50 people were killed.¹⁰⁰ Outraged parliamentarians subsequently voted on the impeachment of the Ministers of Defense and Interior and the Director of the National Security Directorate for failing to thwart the attack, but failed to garner enough support.¹⁰¹ Afghan officials are currently investigating IS-K's claim of responsibility and possible help for the terrorists from inside the hospital.¹⁰²

Several news organizations and Afghan analysts questioned the likelihood that IS-K carried out an attack of this magnitude and complexity given their degraded numbers, the hospital's heavy security, and IS-K's proclivity for conducting sectarian attacks against Shia targets. It was also noted that the Taliban had previously attacked that same hospital, and that due to a desire for increased political legitimacy, the Taliban have recently avoided claiming responsibility for attacks that result in high civilian casualties.¹⁰³

On February 8, suspected IS-K militants also fatally shot six International Red Cross workers in an aid convoy in Sheberghan, Jowzjan Province; two workers are still missing. No one initially claimed responsibility and the Taliban denied involvement, but the Jowzjan governor pointed to IS-K, saying that they are "very active" in the area.¹⁰⁴

In recent reports, UNAMA and the Watchlist on Children and Armed Conflict highlighted the targeting of medical facilities and personnel in

"This past year we became increasingly concerned about the growing threat posed by the ISIS affiliate, Islamic State-Khorasan (IS-K). Although their operational capacity has diminished as a result of U.S., Afghanistan, and Pakistan military operations, we remain focused on defeating the group in both countries."

—General Joseph L. Votel,
Commander of U.S. Central
Command

Source: General Joseph L. Votel, U.S. Army, U.S. CENTCOM Commander, Statement Before the Senate Committee Armed Services on the Posture of U.S. Central Command, 3/9/2017.

Afghanistan. In 2016, UNAMA reported 119 conflict-related incidents targeting or impacting health-care workers.¹⁰⁵ A contributing factor could be that last year 23 medical facilities were occupied for military purposes.¹⁰⁶ UNAMA attributes responsibility of 80% of these incidents to antigovernment elements, including the Taliban and IS-K, with the remaining 20% to the ANDSF and other pro-government forces.¹⁰⁷

Other major high-profile attacks this quarter targeted Afghan government officials and ANDSF personnel. IS-K claimed responsibility for a suicide attack on the Supreme Court in Kabul on February 7 that killed at least 20 people and injured 40 more, many of whom were female employees.¹⁰⁸ On March 1, the Taliban attacked a police-district headquarters in Kabul that killed 23 and wounded 106 people. The Afghan Ministry of Interior (MOI) is investigating police claims that the Taliban used chemical weapons during the attack.¹⁰⁹

U.S. RECONSTRUCTION FUNDING FOR SECURITY

As of March 31, 2017, the U.S. Congress had appropriated more than \$71.2 billion to support the ANDSF. This accounts for 60.7% of all U.S. reconstruction funding for Afghanistan since FY 2002.¹¹⁰

In 2005, Congress established the Afghan 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 falls under the authority of the MOI although it 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. According to DOD, ASFF funds are transferred to Da Afghanistan Bank, the country's central bank; the Ministry of Finance then sends treasury checks to fund the MOD and MOI based on submitted funding requests.¹¹¹ Of the \$66 billion appropriated for the ASFF, \$62.6 billion had been obligated and \$61.4 billion disbursed as of March 31, 2017.¹¹²

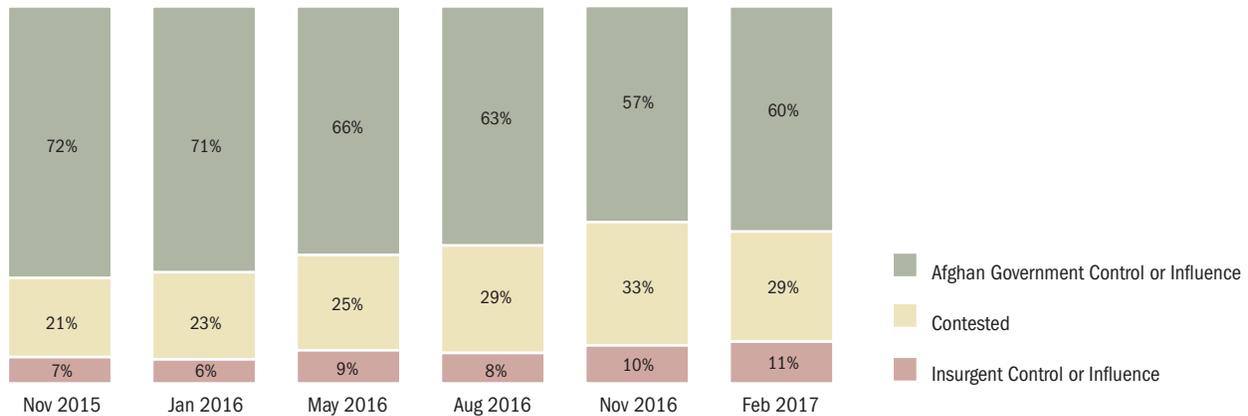
This section discusses assessments of the Afghan National Army (ANA), Afghan National Police (ANP), and the Ministries of Defense and Interior. It also gives an overview of how U.S. funds are used to build, equip, train, and sustain the Afghan security forces.

BOTH SIDES INCREASE CONTROL OF DISTRICTS

Preventing insurgents from increasing their control or influence of districts continues to be a challenge for the ANDSF. According to USFOR-A, the districts under Afghan government and insurgent control both increased this quarter.¹¹³ The number of contested districts fell. There was also an increase

FIGURE 3.27

HISTORICAL DISTRICT CONTROL OF AFGHANISTAN'S 407 DISTRICTS AS OF FEBRUARY 20, 2017



Source: USFOR-A, response to SIGAR data call, 02/20/2017.

in the percentage of the Afghan population living in areas under both government and insurgent control or influence.

USFOR-A reported that approximately 59.7% of the country's 407 districts are under Afghan government control or influence as of February 20, 2017, a 2.5 percentage-point increase from the 57.2% reported last quarter in mid-November, but a nearly 11 percentage-point decrease from the same period in 2016. See Figure 3.27 for a historical record of district control.

The number of districts under insurgent control or influence also increased by four this quarter to 45 districts (in 15 provinces) under insurgent control (11) or influence (34). According to USFOR-A, 11.1% of the country's total districts are now under insurgent control or influence.¹¹⁴ USFOR-A attributes the loss of government control or influence over territory to the ANDSF's strategic approach to security prioritization, identifying the most important areas that the ANDSF must hold to prevent defeat, and placing less emphasis on less vital areas.¹¹⁵

With the increase in both insurgent- and government-controlled districts, the number of contested districts (119) dropped by 3.5 percentage points since last quarter, to 29.2% of all districts. It is not clear whether these districts are at risk or if neither the insurgency nor the Afghan government maintains significant control over these areas, as USFOR-A has previously described.¹¹⁶ As reflected in Table 3.6 on the next page, of the 407 districts of Afghanistan's 34 provinces, 243 districts were under government control (97 districts) or influence (146).¹¹⁷

USFOR-A reports an 800,000-person increase in the population under Afghan government control or influence this quarter. Last quarter, USFOR-A

TABLE 3.6

DISTRICT CONTROL WITHIN AFGHANISTAN'S 34 PROVINCES AS OF FEBRUARY 20, 2017						
Control Status	Districts		Population		Area	
	Number	%	In millions	%	Sq Km	%
GIROA			21.4	65.6%	404,503	62.8%
Control	97	23.8%				
Influence	146	35.9%				
CONTESTED	119	29.2%	8.2	25.2%	135,218	21.0%
INSURGENT			3.0	9.2%	104,068	16.2%
Control	11	2.7%				
Influence	34	8.4%				
Total	407	100%	32.6	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, 02/20/2017; USFOR-A, response to SIGAR vetting, 4/11/2017.

remarked that the population under insurgent control or influence had decreased by half a million people from the previous reporting period, to 2.5 million people. However, this quarter, they assess that the population under insurgent control or influence has returned to 3 million people.¹¹⁸ As reflected in Table 3.6, of the 32.6 million people living in Afghanistan, USFOR-A determined that the majority, 21.4 million (65.6%), live in areas controlled or influenced by the government, while another 8.2 million people (25.2%) live in areas that are contested.¹¹⁹

According to USFOR-A, the NATO-led Resolute Support (RS) mission determines district status by assessing five indicators of stability: governance, security, infrastructure, economy, and communications.¹²⁰ USFOR-A identified the regions/provinces with the largest percentage of insurgent-controlled or -influenced districts as Uruzgan Province, with four of its six districts under insurgent control or influence (a one-district improvement since last quarter), and Helmand with nine of 14 districts under insurgent control or influence (a one-district decline since last quarter). The region with the most districts under insurgent control or influence is centered on northeastern Helmand Province and northwestern Kandahar Province, and includes the Helmand/Kandahar border area, Uruzgan Province, and northwestern Zabul. This region alone accounts for one third of the 45 districts currently under insurgent control or influence.¹²¹

U.S. FORCES IN AFGHANISTAN

DOD reported 8,300 U.S. forces serving in Afghanistan as part of Operation Freedom's Sentinel (OFS) this quarter.¹²² Most are assigned to support the NATO RS mission to train, advise, and assist Afghan security forces. That mission consisted of 6,941 U.S. military personnel and 6,518 from 39 NATO allies and non-NATO partners, totaling 13,459 as of March 2017.¹²³ The remaining U.S. military personnel in Afghanistan conduct counterterrorism operations under OFS.

Between the start of OFS on January 1, 2015, through March 30, 2017, 19 U.S. military personnel were killed in action, in addition to 13 non-hostile deaths, for a total of 33 U.S. military deaths. During this period, 161 U.S. military personnel assigned to OFS were wounded in action.¹²⁴ RS reported one additional fatality on April 8, when a U.S. Special Forces soldier died from wounds sustained in combat while conducting counter-IS-K operations with Afghan forces in Nangarhar Province.¹²⁵

Insider Attacks

From January 1, 2017, through February 24, 2017, there was one attack in which ANDSF personnel turned weapons on U.S. or allied military personnel. DOD reported no U.S. casualties from this insider attack.¹²⁶

International media outlets reported an additional possible insider attack on March 19 at Camp Shorab in Helmand, where an Afghan Special Forces guard allegedly opened fire on three U.S. soldiers. According to these reports, the Afghan guard was killed and the three U.S. soldiers were wounded, though not critically. Pentagon officials told reporters that the incident is currently under investigation to assess the MOD claim that the guard accidentally shot the U.S. personnel.¹²⁷

From January 1, 2017, through February 24, 2017, there were 12 insider attacks in which ANDSF personnel turned on fellow ANDSF personnel. These attacks killed 12 Afghan personnel and wounded eight.¹²⁸ USFOR-A noted that the above figures on U.S. and ANDSF insider attacks and casualties are based on operational reporting and may differ from the official figures from the Afghan government or its ministries.¹²⁹

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

Key areas of the RS mission are organized under eight Essential Functions (EF) that train, advise, and assist (TAA) their Afghan counterparts. The highlights of each function reported to SIGAR this quarter include:

- **EF-1 (Multi-Year Budgeting and Execution):** The MOD's end of FY 1396 (2017) budget execution was reported at 86%, the highest execution rate in the Afghan government and the best result MOD has ever achieved. EF-1 advisors are currently assisting the MOD and MOI with their FY 1397 budget cycle. The ANA Trust Fund Board approved

the 2017 Implementation Plan, which encompasses \$390.4 million in projects supported by 32 donor nations.¹³⁰

- **EF-2 (Transparency, Accountability, and Oversight):** The implementation of counter and anticorruption initiatives is not progressing as expected in the MOI and MOD, though, according to CSTC-A, ammunition and fuel-reporting processes have improved significantly. MOD reversed its previous decision to keep asset declarations in-house and turned over its leaders' asset declarations to the High Office of Oversight and Anti-Corruption (HOOAC). So far, 190 asset declarations have been turned over. Additionally, 19 of 21 of the new zone-level inspector general (IG) officers have reported for duty, an increase of two since last quarter. The final two are awaiting approval by the lead IG. The officers have begun to submit reports but advisors have not yet evaluated them.¹³¹
- **EF-3 (Civilian Governance of Afghan Security Institutions):** After the Anti-Corruption Justice Center (ACJC) became operational in November 2016 it has prosecuted five major corruption cases, according to CSTC-A. Those prosecuted included two major generals, one from the Attorney General's Office and one from MOI. Two training sessions for ACJC prosecutors and Major Crimes Task Force (MCTF) investigators were held at Camp RS in Kabul. This quarter the number of gross violations of human rights (GVHR) cases identified by the MOD decreased from 16 to nine, and the number of MOI cases increased from 30 to 33. Investigations were completed for seven of the MOD and 11 of the MOI cases. MOD/MOI GVHRs stem from alleged extra-judicial killings of captured or wounded enemy fighters, alleged assault or torture of captured enemy fighters, and alleged cases of rape.¹³²
- **EF-4 (Force Generation):** In the past three months, 250 female students graduated from a police academy in Turkey. They will be assigned to police districts upon completion of follow-on training at the ANP Academy (ANPA). The Training General Command has created a literacy plan to sustain Afghan teaching capabilities. Annual training plans have been created at the ANP Staff College, Criminal Investigation Division training school, and ANPA. As of January 19, 2017, only 2.6% of active ANP personnel were untrained.¹³³
- **EF-5 (Sustainment):** In February 2017, CSTC-A approved the MOD's request to demilitarize 70 vehicles from the 201st, 203rd, and 205th Corps. The Afghan Automated Information Management team conducted the first receipt and transfer of ammunition into the CoreIMS electronic system, part of a new process to improve tracking in the supply chain. MOD approved a revised ammunition policy which creates a national-level reserve. Implementing this policy will be an ongoing focus of TAA efforts. Expeditionary sustainment advisory teams made assessments on the 209th, 215th, and 205th Corps. The

next round of assessments will cover all ANA corps' Forward Support Depots, the 111th Capital Division, and ANP zones' Regional Logistics Centers beginning in March 2017.¹³⁴

- **EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** According to the RS mission, ANDSF capabilities have improved slightly, as have the planning capabilities of the General Staff and Deputy Minister of Security. Of the five strategic goals for the MOI, CSTC-A reported progress on Goal 1, which they said had been difficult because the ANA employs ANP in defensive operations that prevent the ANP from developing law-enforcement skills, and on Goal 2, which saw gains in fighting corruption, but limited progress in combating illicit narcotics.¹³⁵
- **EF-7 (Intelligence):** As of February 25, 2017, the total ASFF funding used for ANA intelligence, surveillance, and reconnaissance (ISR) programs was \$728 million, including \$468 million for ISR systems, \$157 million for ISR system support, \$83 million for ISR infrastructure, and \$20 million for ISR infrastructure support. MOI has established a 24-hour intelligence cell at the National Police Coordination Center to enhance collection and dissemination of intelligence. In addition, a civilian casualty avoidance database is being set up, which is similar to the Coalition forces' No Strike List. The MOD's National Military Intelligence Center has also begun exploiting social media as an intelligence source.¹³⁶
- **EF-8 (Strategic Communications):** As of February 25, 2017, senior spokesperson positions in the Strategic Communications Office of the Afghan Presidential Palace remained vacant. Overall, the Afghan government continued to improve its communication coordination at the national level and made progress towards developing systems for publicizing government successes and delegitimizing insurgent groups. MOD demonstrated increased capability in psychological operations. ANA corps demonstrated improvement in conducting media operations independent of the MOD, although corps commanders remain uncertain about engaging with the media without direction from Kabul. The 209th Corps successfully synchronized messaging between the corps command and the provincial government.¹³⁷
- **Gender Office:** The Gender Office reported that a \$3.8 million Gender Occupational Opportunity Development (GOOD) contract was awarded on February 1, 2017. GOOD is expected to provide literacy, English-language skills, computer skills, and office-management courses to women in the ANDSF. Together with EF-1, the Gender Office received approval for women's dormitories at the Air Force Academy for 40 cadets and 10 staff at a cost of \$2 million. EF-4 and the Gender Office are working with MOD to vacate women from male-only positions and vice-versa to permit recruitment of women to appropriate positions and promotion tracks.¹³⁸

Five Strategic Goals of the Minister of Interior Affairs

Goal 1: Strengthen public order and security and prevent and combat destructive and riotous activities

Goal 2: Enforce the rule of law and the fight against crimes including narcotics and corruption

Goal 3: Strengthen strategic management and communications systems through institutional development, respect human rights and gender, and implement structural reforms

Goal 4: Improve professionalism and civilianization in the Ministry of Interior, provide quality security services to the public, and strengthen public trust toward the police

Goal 5: Improve the quality and effectiveness of infrastructure, resources, and support services to the MOI

Source: USFOR-A, response to SIGAR data call, 11/26/2016.

HELMAND'S EMBATTLED 215TH CORPS

Since the United States and its Coalition partners officially handed over security responsibility to the Afghan National Defense and Security Forces (ANDSF) in January 2015, the Afghan National Army's (ANA) 215th "Maiwand" Corps has been responsible for protecting Helmand Province. Helmand has also been the focal point of the Taliban's campaign against the ANDSF.¹³⁹

Helmand has strategic importance as one of the two principal opium-producing regions in Afghanistan. The commander of Resolute Support (RS) and U.S. forces in Afghanistan, General John W. Nicholson Jr., has characterized the Taliban as a "narco-insurgency" which depends on opium trafficking for 60% of its funding.¹⁴⁰ Northern Helmand is also home to the Kajaki Dam, which helps provide power to the southern provinces.¹⁴¹ Helmand borders Kandahar and Uruzgan provinces, as well as Pakistani Baluchistan, from which the Taliban funnels supplies and fighters across the southern desert into the Helmand River Valley.¹⁴²

In Helmand, the 215th Corps has faced "some of the heaviest fighting in Afghanistan."¹⁴³ Brigadier General Charles Cleveland, the RS deputy chief of staff for communications, described their difficulties as the greatest of any ANA Corps in the past year.¹⁴⁴

Helmand was the scene of intense fighting well before the handover to the ANDSF. The security of Helmand was a UK responsibility from 2006 to 2009, when British forces struggled to contain a strengthening Taliban insurgency. By 2009, the Taliban had nearly complete control of the province and "essentially encircled" the capital of Lashkar Gah.¹⁴⁵ In mid-2009, U.S. Marines were sent to Helmand as reinforcements, but Taliban forces in the province complicated efforts to keep districts clear of insurgents and maintain security.¹⁴⁶ Intense fighting continued in the province through 2011, requiring the first deployment of American battle tanks in Afghanistan to counter the pervasive threat of IEDs.¹⁴⁷ Between October 2010 and March 2011, U.S. Marines in Sangin District sustained the heaviest losses of any Coalition battalion during the Afghanistan campaign.¹⁴⁸

The Marines fought off insurgent offensives alongside the 215th Corps throughout 2011 and 2012, enabling them to build up that corps, pacify much of the region, and improve socioeconomic conditions for locals. During the Marines' drawdown from 2012 through 2014, in preparation for Afghan forces taking responsibility for the province's security, Taliban fighting ramped up. However, as the Marines departed Helmand, the last Marine commander there believed the Afghans could handle the fight on their own.¹⁴⁹ The Marines handed off advising of the 215th Corps to U.S. Army's Task Force (TF) Forge—which started as a seven-man advisory team in 2015 but now includes 600 soldiers, civilians and contractors¹⁵⁰

The pattern of Taliban operations in Helmand has changed noticeably since the handover to the Afghans. Traditionally, winter brought a temporary break in fighting as both insurgent and ANDSF forces regrouped. However both this winter and winter 2015–2016 saw sustained Taliban campaigns in Helmand.¹⁵¹ Helmand's winters are milder than most of Afghanistan and do not force the suspension of combat operations.¹⁵²

The 215th has been particularly bedeviled by poor leadership and corruption. In December 2015, Mohammad Moein Faqir was appointed commanding general of the 215th as part of an effort to address "incompetence, corruption and ineffectiveness," which resulted in the replacement of many commanders and staff officers.¹⁵³ This restructuring followed allegations by local provincial officials accusing the corps leadership of permitting "ghost" troops to proliferate the rolls to such an extent that more than half the paper strength of some *kandaks* (battalions) did not exist in reality.¹⁵⁴ In January 2016, an RS spokesperson hailed Faqir as "personally invested in turning around" the 215th and restoring its fighting capability.¹⁵⁵

But in a significant crackdown on corruption by the Afghan government, General Faqir was relieved of command in October 2016, then arrested in March 2017 on



A U.S. Task Force Forge officer oversees winter campaign training of the ANA's 215th Corps at the Regional Military Training Center in Helmand Province. (NATO photo by Kay M. Nissen)

charges of neglect of duty and theft of supplies and food meant for his soldiers. Theft of supplies, such as fuel purchased by the U.S. government for Afghan military vehicles, has been an ongoing concern and the subject of many SIGAR inquiries.¹⁵⁶

Brigadier General Wali Mohammad Ahmadzai, former commander of the 2nd Brigade, 201st “Selab” Corps in Kunar Province, assumed command of the 215th in October 2016.¹⁵⁷ Under Ahmadzai’s command, the 215th succeeded in driving back the October Taliban offensive against Lashkar Gah, albeit with heavy casualties.¹⁵⁸ During this phase, General Ahmadzai began pulling back 215th units from other districts to Lashkar Gah, abandoning indefensible outlying areas.¹⁵⁹

Media reports have continued to describe Lashkar Gah as “surrounded” and “practically besieged” by Taliban forces for more than a year,¹⁶⁰ although DOD has at times disputed such characterizations.¹⁶¹ During the 2016 fall campaign, Lashkar Gah was one of four provincial capitals targeted in coordinated Taliban offensives.¹⁶² On October 13, this offensive compelled the 215th to pull out of Chah-e-Anjir on the outskirts of the city in order to concentrate their remaining forces to defend the city proper; the ANA reportedly sustained severe casualties in the withdrawal.¹⁶³ Afghan commandos and U.S. airstrikes were deployed to support the 215th and, by October 16, the ANA had retaken control of the capital.¹⁶⁴ DOD reported in December 2016 that a

lack of coordination between the 215th Corps and the neighboring 205th Corps (in Kandahar) and overreliance on Afghan special forces has hindered the 215th Corps’ operational effectiveness.¹⁶⁵

In late March 2017, the 215th withdrew from Sangin’s district center. Sangin has long been of strategic interest in the fight for Helmand; U.S., British, and Afghan forces have suffered significant casualties there.¹⁶⁶ Media reports at the time—citing local Afghan government and military officials—characterized the withdrawal as a strategic loss due to the Taliban overrunning the district center. However, RS and the Afghan MOD maintained that Sangin did not fall and that the ANDSF still control the district. They characterized the withdrawal as a planned repositioning that included the destruction of any buildings or equipment left behind to prevent their use by the Taliban.¹⁶⁷

In comments provided to SIGAR, RS said “The perceived fall of the Sangin District Center to insurgents is an inaccurate and false narrative perpetrated by Taliban propaganda. The failure of [Afghan government] officials in Helmand Province to proactively articulate to the local and international media that ANDSF were repositioning to the newly designated district center directly contributed [to] insurgent propaganda.” According to RS, the decision to reposition forces two kilometers south of the original position was planned by senior provincial leaders based on several factors, most notably that by late 2016 the local population had been displaced from the central part of Sangin “severely limiting access of the populace to district governance.” RS characterized the withdrawal as “a public information failure” which gave the impression “of military withdrawal and insurgent success” rather than “the repositioning of the district government to serve its citizens.” RS also noted that an Afghan kandak of 700 personnel is expected to take up operations in Sangin in late April 2017.¹⁶⁸

Force regeneration of the 215th is again the “center-piece” of this winter’s campaign in order to improve the corps’ operational readiness.¹⁶⁹ According to CSTC-A, as of January 2017, the 215th’s operational readiness rate was the lowest in the ANA at 33%—the only corps below 50% readiness. As the corps taking the brunt of insurgent offensives, the 215th was projected to reach

QUARTERLY HIGHLIGHT



Former 215th Corps Commander General Moein Faqir, before his March 2017 arrest on corruption charges. (U.S. Army photo by Specialist Nikayla Shodeen)



Current 215th Corps Commander General Wali Mohammad Ahmadzai in his office at the corps' headquarters in Helmand Province. (NATO photo by Kay M. Nissen)

50%–60% readiness in time for the spring campaign.¹⁷⁰ In February 2017, CSTC-A also reported that the 215th Corps' operational readiness is hindered by logistical difficulties, including insufficient warehouse workers and mechanics.¹⁷¹ TF Forge explained that an underperforming supply depot commander had exacerbated these problems but was replaced in February 2017, producing a “steady improvement in logistical matters.”¹⁷²

According to USFOR-A, General Ahmadzai has been personally participating in the regeneration effort, a level of engagement described as “fundamentally different” from previous corps commanders and a positive sign.¹⁷³ TF Forge also noted that despite the enemy's continued offensives in the winter months, General Ahmadzai has been committed to maintaining the force-regeneration effort while also fighting the enemy with forces already in the field. Additionally, General Ahmadzai is reportedly in the process of implementing a merit-based leader-selection process to address the recurring problems with leadership and corruption in the corps.¹⁷⁴

TF Forge has done much in the last year to bolster the 215th Corps. According to DOD, when resetting the force during the first half of 2016 to gear up for

the spring and summer insurgent offensives, six kandaks were withdrawn from the frontlines to re-train and re-equip.¹⁷⁵ U.S. forces have consistently provided advice and assistance to the 215th on operational priorities, including the effective use of attack helicopters, improving equipment readiness, and enhancing ANA-ANP coordination.¹⁷⁶ In addition to advisory assistance, TF Forge can provide battlefield support to the 215th in extreme circumstances, as it did during the August 2015 operation to retake Musa Qala district center, and again in the October 2016 defense of Lashkar Gah.¹⁷⁷

In the next few months, TF Forge will be rotating out and replaced by Task Force Southwest, comprised primarily of 300 U.S. Marines that will continue TF Forge's mission supporting the 215th's operational advising and force regeneration. The U.S. military hopes that drawing on the Marines' considerable experience in Helmand will prove a turning point for the 215th Corps. As Major General Richard Kaiser, commander of CSTC-A, said in February, TF Southwest's “operational history [in Helmand] will surely be a force multiplier to the success of the overall mission.”¹⁷⁸

ANDSF ELEMENTS DEMONSTRATED MODEST IMPROVEMENTS OVER WINTER MONTHS

According to USFOR-A, the ANDSF are generally performing better than at the same point last year, especially in the areas of addressing corruption, use of the ASSF, operational planning for the 2017 campaign, and operational focus. The ANP's development continues to lag behind the ANA in areas such as operational reporting and unit-level situational awareness.¹⁷⁹

With the exception of Afghan special operations and aviation units, and during periods when tactical units return to base for re-equipping and retraining with U.S. advisor assistance, USFOR-A says U.S. advisors have little or no direct contact with ANDSF units below ANA corps- and ANP zone-headquarters levels. General Nicholson noted in his Senate testimony in February that an increase in troops and expanded authorities would better enable U.S. forces in Afghanistan to provide critical advising and operational support to the ANDSF below the corps level.¹⁸⁰ On a case-specific basis, RS currently deploys expeditionary advisory teams, conducts battle-field visits, and participates in a key leader engagement, to advise at lower, unit-level echelons for a limited period of time. For more information on how ANA and American unit terminology compares see Table 3.7. In addition to USFOR-A observations and TAA activities, 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 verified by U.S. officials.¹⁸¹

USFOR-A said the ANDSF headquarter (HQ) elements demonstrated mixed results across the area of operations due to:¹⁸²

- **Training:** Some corps and zone leaders are meeting expectations while others show little progress. There are units that performed poorly last quarter that have since made significant improvement. Units that have weak training programs cite high operational demand to explain their shortfall.
- **Reporting:** The quality of ANP reporting in zone and MOI HQs is considered to be poor. Zone HQs rarely have acceptable knowledge of their subordinate units' status.
- **Corruption:** Some significant, positive steps against corruption have been demonstrated at the ANDSF HQ level. ANDSF HQ leadership have been speaking out against corruption. Many leaders have been prosecuted on corruption charges in both the ANA and ANP. However, corruption remains the most significant obstacle to ANDSF progress.
- **Overuse of the ASSF:** Overuse of the ASSF remains a major problem. As of early 2017, the ASSF conducted 80% of all the ANA's offensive operations.¹⁸³ This quarter, USFOR-A reports that ANDSF HQs have dramatically improved in the use of ASSF, with RS and senior ANDSF leadership making proper use of the ASSF a priority, and ASSF misuse becoming mostly regionally isolated. While there are still notable repeat offenders, the vast majority of ASSF misuse has significantly decreased.

TABLE 3.7

COMPARISON OF U.S. AND AFGHAN ARMY TERMINOLOGY		
United States	Afghan	Afghan Size
Corps	Corps	14,000-22,000
Division	Division*	8,500
Brigade	Brigade	4,000
Battalion	Kandak	670
Company	Tolay	80

Note: *The ANA has one independent division, the 111th Capital Division.

Source: ISAF/SFA, RS Security Force Assistance Guide 3.1, pp. 44, A-5, 7/1/2014; CSTC-A, response to SIGAR data call, 1/13/2016; Global Security, "Afghan National Army (ANA) - Order of Battle," accessed 4/13/2017.

- **Operational Planning:** ANDSF have also demonstrated capacity improvement in their ability to plan campaigns and major operations. While planning across the forces is not yet at an acceptable standard, RS advisors have noticed progress in the planning for the upcoming campaign as compared to last season's efforts. The ANDSF are better able to identify main and supporting efforts and resources that should be allocated to support them. ANDSF staff are more focused on the plan than on airing grievances.
- **Conduct of Operations:** As Afghanistan was in the winter season during this reporting period, the ANDSF have not been challenged as they were the prior quarter. The ANDSF have demonstrated an ability to remain focused on important operational objectives. The training the ANDSF conducted over the winter should yield significant improvements in the upcoming fighting season.

According to USFOR-A, as part of force-generation efforts over the winter campaign, the ANA successfully executed an operational readiness cycle, which is a plan that allows forces to rotate out, refit, retrain, or take leave, before returning to the fight.¹⁸⁴ The ANP focused on small unit and individual training. While all ANA corps succeeded in achieving their first operational readiness cycle, some did so more easily than others. **Collective training** was attempted by all corps, with mixed levels of success, and RS will continue to provide TAA support to the corps' staff to help them achieve their collective training requirements during the 2017 operational campaign.¹⁸⁵

Collective training: refers to training units together. It typically follows a sequence of individual skills, collective skills, collective drills and actions, and a final collective validation event that combines all of the previous training components.

Corps' and units' situational reporting to MOD and MOI Headquarters continues to be a challenge across the ANDSF but more so in the ANP, according to USFOR-A. Proper reporting procedures are not enforced by commanders and maintaining consistent awareness of units' status is challenging. To improve the accountability of personnel and prevent payments to "ghost soldiers," the MOD is conducting personnel asset inventories for all ANA corps and ensuring all soldiers are enrolled in the Afghan Human Resources Information Management System (AHRIMS), an electronic system that helps counter corruption in the personnel reporting system.¹⁸⁶ For a more complete update about AHRIMS implementation, see page 100 of this section.

USFOR-A reported that the ANDSF demonstrated improvements in their planning capabilities throughout the winter campaign's planning efforts. While they received advice and guidance from RS, the ANDSF led the planning for the upcoming seasonal campaign. Afghan commanders clearly designated main and supporting efforts and allocated resources and enablers to weight them appropriately, with RS taking an observational role.¹⁸⁷

USFOR-A has previously reported that the ANDSF lack a system to plan for risks to force and mission and, as a result, rely heavily on U.S. forces

Source: USFOR-A, response to SIGAR vetting, 4/11/2017.



A noncommissioned officer of the ANA instructs soldiers in early March before redeploying on security operations in Helmand Province. (NATO photo by Kay M. Nissen)

to prevent strategic failure. This quarter, USFOR-A said that RS advisors to MOD and MOI are working with their Afghan counterparts to ensure that risks are considered during planning efforts. However, while the ANDSF did include risk information in their campaign briefs, there was not a notable emphasis on the topic. RS advisors continue to emphasize the importance of identifying and mitigating risks in planning engagements with their counterparts.¹⁸⁸

Ministries of Defense and Interior Progress Toward Fiscal Year 2017 Projections

The RS Essential Function directorates 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 MOD and MOI.¹⁸⁹ The milestones are assessed using a five-tier rating system.¹⁹⁰ The five ratings reflect the degree to which Afghan systems are in place, functioning, and being used effectively. The highest rating, “sustainable,” indicates an Afghan ministry can perform a specific function without Coalition advising or involvement.¹⁹¹ 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.¹⁹²

As of February 23, 2017, out of 44 MOD POAM categories, four received the highest, “sustaining capability” rating, 12 were “fully effective,” and 15 were “partially effective.”¹⁹³ Out of 31 MOI POAM categories, two received a “sustaining capability” rating, six were “fully effective,” and 14 were “partially effective.”¹⁹⁴ MOD and MOI are both performing best in the area of

sustainment. MOD is also performing well in intelligence and MOI in strategic communications. Both MOD and MOI are struggling with transparency and oversight.¹⁹⁵

By the end of 2017, the MOD is projected to achieve 10 at the highest, “sustaining capability” rating, 19 “fully effective,” and 13 “partially effective.”¹⁹⁶ The MOI is estimated to achieve three at the “sustaining capability” rating, 18 “fully effective,” and six “partially effective.”¹⁹⁷ Overall these projections show an increase in expectations compared to projections from last quarter.

Several U.S. officials continue to cite poor leadership in the ANDSF, including at ministry-headquarters level, as a key shortfall responsible for a range of issues plaguing the Afghan forces, from corruption to heightened casualties.¹⁹⁸ To address poor leadership, Afghan President Ashraf Ghani has replaced many high-level ANDSF leaders, including most recently Deputy Interior Minister General Abdul Rahman Rahman. General Rahman was replaced by Major General Tariq Shah Bahrami, formerly the head of an elite police unit and director of information collection and coordination in the Afghan National Security Council.¹⁹⁹ President Ghani also appointed the prominent former intelligence chief Amrullah Saleh as the head of the Afghan government’s new security forces reform effort as well as the High Office of Oversight and Anti-Corruption, both duties tasked with battling corruption and nepotism amongst senior Afghan government leaders.²⁰⁰

President Ghani’s efforts followed several incidents of corruption among high-level security-sector leaders. Most notably this quarter, Moein Faqir, the general in command of Helmand Province’s beleaguered 215th Corps who had been responsible for fighting corruption, was charged and jailed for corruption related to food and fuel theft.²⁰¹ For more information on General Faqir and the 215th Corps, please see the Quarterly Highlight on page 92.

ANDSF Strength

As of January 20, 2017, ANDSF assigned force strength was 324,437 (not including civilians), according to USFOR-A.²⁰² As reflected in Table 3.8, both the ANA and the ANP saw an increase in force strength. The ANA is now at 90.6% and the ANP is at 95.1% of authorized end strength, not including civilian personnel. This represents an increase of roughly four percentage points for the ANA and one point for the ANP since last quarter.²⁰³

The January 2017 ANDSF assigned-strength number without civilians reflects an increase of 3,581 personnel since last quarter, and an increase of 987 from the same period last year.²⁰⁴

Compared to last quarter, the ANA (including Afghan Air Force and civilians) increased by 2,761 personnel and the ANP increased by 1,468 personnel, as shown in Table 3.9.²⁰⁵

SECURITY

TABLE 3.8

ANDSF ASSIGNED FORCE STRENGTH, JANUARY 2017						
ANDSF Component	Approved End-Strength Goal	Target Date	Assigned as of November 2016	% of Goal	Difference Between Current Assigned Strength and Goals	Difference (%)
ANA including AAF	188,060	December 2014	170,440	90.6%	(17,620)	(9.4%)
ANA Civilians including AAF Civilians	8,474	-	7,271	85.8%	(1,203)	(14.2%)
ANA + AAF Total	196,534		177,711	90.4%	(18,823)	(9.6%)
Afghan National Police*	161,977	February 2013	153,997	95.1%	(7,980)	(4.9%)
ANDSF Total with Civilians	358,511		331,708	92.5%	(26,803)	(7.5%)

Note: ANDSF = Afghan National Defense and Security Forces; ANA = Afghan National Army; AAF = Afghan Air Force.
 *NISTA (Not In Service for Training), generally students, are now included in the above "ANP" and "Total ANDSF" figures. This quarter, there were 4,940 NISTA. Standby personnel, generally reservists, are not included.

Source: DOD, *Report on Progress Toward Security and Stability in Afghanistan*, 12/2012, p. 56; USFOR-A, response to SIGAR data call, 1/20/2017.

TABLE 3.9

ANDSF ASSIGNED FORCE STRENGTH, FEBRUARY 2014–JANUARY 2017				
	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	11/2016
ANA including AAF	179,511	171,428	176,058	174,950
ANP	146,304	148,167	148,480	147,635
Total ANDSF ^d	325,815	319,595	324,538	322,585
	1/2017			
ANA including AAF	177,711			
ANP ^e	153,997			
Total ANDSF ^f	331,708			

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.

^dNISTA (Not In Service for Training), generally students, are now included in the above "ANP" and "Total ANDSF" figures (as of 1/2017). This quarter, there were 4,940 NISTA. Prior figures do not include them. None of the figures include Standby personnel, who are generally reservists.

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 call, 12/28/2014, 3/24/2015, 6/29/2015, 9/11/2015, 12/14/2015, 3/4/2016, 6/3/2016, 8/30/2016, 11/20/2016, and 1/20/2017.

ANDSF Casualties

From January 1, 2017, through February 24, 2017, according to figures USFOR-A obtained from operational reporting, 807 ANDSF personnel were killed and 1,328 were wounded. Among these, 12 ANDSF service members were reported killed and eight wounded during 12 insider attacks.²⁰⁶ These figures are similar to those of the same period last year.²⁰⁷

DOD has previously reported that the majority of ANDSF casualties are the result of direct-fire attacks, with IED explosions and mine strikes accounting for much lower levels of casualties.²⁰⁸ USFOR-A emphasized that these ANDSF casualty figures may differ from the official figures of the Afghan government or its ministries.²⁰⁹

AHRIMS and APPS

The ANDSF are in the process of implementing and streamlining several systems to accurately manage, pay, and track their personnel—an effort that could greatly improve protection for the U.S. funds that pay most of the ANDSF's expenses.

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; when implemented, it will integrate AHRIMS data with compensation and payroll data to process authorizations, record unit-level time and attendance data, and calculate payroll amounts.²¹⁰

In addition, the Afghan Automated Biometric Identification System (AABIS) and the ANDSF Identification Card System (ID) support the effort to link biometric records of personnel with APPS for payment of personnel. The aim is for APPS, AABIS, and ID to contain unique biometric-registration numbers: only those ANDSF members registered in AABIS will be issued an ID, and only those members registered with a linked ID will be authorized to have an APPS record for payment. The APPS will be interoperable with AABIS and ID card systems to eliminate the error-prone manual process of inputting 40-digit biometric numbers into the ID system.

CSTC-A is overseeing this process to ensure interoperability so that biometrically linked ID cards can be issued to all ANDSF personnel and that APPS can generate payroll information and bank-account information for accounted-for personnel. 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 such “ghost” personnel. Routine checks will still be required to determine that personnel are properly accounted for and are still actively serving in the ANDSF.²¹¹

USFOR-A reported last quarter that there were 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.²¹² A Personnel Asset Inventory (PAI) was also initiated to correct the employment status of personnel retired, separated, or killed in action.²¹³

This quarter, CSTC-A reported that the MOD's PAI is ongoing, but did not indicate a possible completion date.²¹⁴ USFOR-A also said that because the MOI has identified critical fields needing to be complete within AHRIMS, its PAI process is ongoing to ensure those fields are completed and verified. As of March 8, 2017, MOI has currently completed this for approximately 70,000 ANP (around 45% of the force) and 8,400 ALP (just under 30% of the force). USFOR-A estimates that the MOI PAI will be completed on or before July 30, 2017, at which point integration of AHRIMS data to APPS can commence.²¹⁵ In vetting comments, USFOR-A projected that the transition from to APPS for both the MOI and MOD would occur before the end of 2017.²¹⁶

“Ghost” Personnel

In January 2017, U.S. media outlets reported that 30,000 ghost personnel have been identified within the ANA. As a result, U.S. officials confirmed that as of January 1, 2017, ANDSF salaries will be paid only to those MOD and MOI personnel who are correctly registered in AHRIMS.²¹⁷ SIGAR requested more detailed information this quarter from U.S. officials in order to clarify the current situation involving ghost personnel and what actions have been taken by the U.S. and Afghan governments to address the issue.

USFOR-A reported that their Afghan partners are “very serious about resolving this issue” and as of March 1, 2017, MOD and MOI had properly enrolled and accounted for roughly an additional 16,000 personnel in AHRIMS in the preceding two months. USFOR-A emphasized that “a thorough and deliberate process to validate all Afghan soldiers and police is ongoing and is expected to last through late summer 2017.”²¹⁸

In vetting comments, USFOR-A assessed that a significant number of reported ghost personnel are better categorized as “unverified” personnel because often these personnel are present for duty, but have not completed proper enrollment into AHRIMS and are therefore unaccounted for in the system. USFOR-A noted that efforts to increase enrollment in AHRIMS prior to the introduction of APPS, completion of the PAI process, and continued enforcement by CSTC-A, will help resolve this problem and better identify the number of actual ghost personnel.²¹⁹

USFOR-A also confirmed that the U.S. will continue to disburse funds only to those ANDSF personnel they are confident are properly accounted for.²²⁰ Accordingly, when CSTC-A withheld funds for those personnel not accounted for in AHRIMS, funding decreased because the MOD and MOI could not prove the stated number of personnel on hand. USFOR-A reported that there has been approximately \$15 million in cost avoidance for January and February 2017 alone, but that this amount will continue to



The 209th Corps' biometric enrollment process under way in Mazar-e Sharif in January. (SIGAR photo)

change as the MOD and MOI increase the validation of the remaining soldiers and police through the ongoing PAI process.²²¹

At this time, USFOR-A said that it could not provide valid information for the corps-level incidence of suspected ANDSF ghost personnel, which SIGAR requested in order to determine the areas of Afghanistan with the highest concentration of suspected ghosts.²²²

In mid-March, the ANA's 215th Corps and the ASSF raided a Taliban-run jail in southern Helmand Province, freeing at least 32 ALP personnel.

Source: Khaama Press, "32 ALP soldiers rescued from Taliban jail by Afghan Special Forces in Helmand," 3/13/2017.

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.²²³ While the ANP is paid via the UN Development Programme's multilateral Law and Order Trust Fund for Afghanistan (LOTFA), the ALP is paid with U.S. ASFF funding provided directly to the Afghan government.²²⁴ The ALP is overseen by the MOI, but it is not counted as part of the ANDSF's authorized end strength.²²⁵

As of February 27, 2017, the NATO Special Operations Component Command-Afghanistan (NSOCC-A) reported that according to the ALP Staff Directorate, the ALP has 28,724 guardians, 24,537 of whom are trained, 3,167 remain untrained, and 1,020 are currently in training.²²⁶ These figures indicate an increase of 1,101 ALP personnel since November 2016, an improvement from the 954-person force reduction incurred from late August to late November. It is also an improvement in the gap between trained and untrained personnel, with an additional 672 ALP guardians trained since last quarter, another 819 currently in training, and a total decrease of 390 reported untrained personnel.²²⁷ According to NSOCC-A, MOI directs untrained personnel to attend training at the provincial training centers during the winter season, and increases training at the regional training centers in the spring (for ease of access during the fighting season).²²⁸

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 in Kabul and does not track ALP retention, attrition, or losses.²²⁹ However, the Afghan government reported that 100 ALP guardians were killed in action from November 2016 through January 2017, and 443 were wounded in the past four months from October 2016 through January 2017.²³⁰

Based upon the recent agreement between CSTC-A and MOI to stop funding guardians not enrolled in AHRIMS, NSOCC-A reported a reduction in their estimated U.S. funding for the ALP from \$93 million last quarter to \$85.4 million this quarter. NSOCC-A notes that they suspect the loss of funding for the first quarter of 2017 will incentivize the MOI to account for those ALP not registered in AHRIMS to get back U.S. funding. As such, NSOCC-A estimates that U.S. funding for the ALP in FY 2017 will be

between \$85.4 million (with no additional ALP accounted for in AHRIMS) and \$91.1 million (with additional ALP accounted for in AHRIMS).²³¹

This quarter, NSOCC-A reported continuing efforts to enroll ALP personnel in the AHRIMS in order to transition ALP salary payments to an electronic funds transfer (EFT) process and to inventory materiel. These processes are expected to help track and train ALP personnel.²³² As of February 27, 2017, there are 22,145 ALP biometrically enrolled (77% of the force), 23,244 ALP enrolled in EFT (81%), and 20,250 ALP (70%) had been slotted in AHRIMS, marking modest progress since last quarter. NSOCC-A remarked that the progress made on these goals significantly contributes to the elimination of ALP ghost personnel.²³³

The MOI's 1395 (2016) Bilateral Financial Commitment letter laid out clear goals for the completion of ALP registration for biometric IDs (100% of the ALP), EFT salary payments (90% of the ALP), and slotting ALP personnel in AHRIMS (95% of ALP) by December 20, 2016.²³⁴ The percentages indicate that the ALP still have not reached these goals. However, NSOCC-A continues to recommend no penalties, based on the efforts of the ALP Staff Directorate and the Deputy, Deputy Minister for Security to complete the requirements. CSTC-A concurred with their recommendation. As with the ANA and ANP, CSTC-A will fund salaries only for ALP guardians who are actively slotted in AHRIMS (20,250 guardians). NSOCC-A says that CSTC-A will review validated numbers every three months and provide updated funding based on validated AHRIMS personnel numbers.²³⁵ In vetting comments, NSOCC-A noted that meeting the MOI Bilateral Financial Commitment letter's goals is particularly difficult for the ALP because they are traditionally located in very rural areas. According to NSOCC-A, there are currently 17 districts that do not have the infrastructure needed to complete AHRIMS enrollment, and 30 ALP personnel have been shot and killed while traveling to PAI locations in order to enroll in AHRIMS.²³⁶

NSOCC-A reported that there are currently no updates to the ALP district assessments. As of February 27, 2017, the ALP Staff Directorate has conducted 138 of 179 district assessments. They added that the security situation in the remaining districts did not allow the ALP Staff Directorate to complete the assessments by December 20, 2016, as anticipated. However, the MOI is conducting assessments in ANP Zone 303, and NSOCC-A is awaiting the results.²³⁷

NSOCC-A also provided an update on the status of the ALP's equipment inventory process. As of February 26, 2017, 163 of 179 districts have been inventoried and provincial-level consolidated, manual (non-electronic) inventories were created from the compiled ALP district inventories. The ALP Staff Directorate is creating a schedule of due dates for inventories by district to begin the next round of inventories for Afghan fiscal year (FY) 1396 in order to continue the progress.²³⁸

AFGHAN NATIONAL ARMY

As of March 31, 2017, the United States had obligated \$41.8 billion and disbursed \$41.2 billion of ASFF funds to build, train, equip, and sustain the ANA.²³⁹

ANA Strength

As of January 20, 2017, the overall assigned strength of the ANA, including the AAF but not including civilians, was 170,440 personnel.²⁴⁰ Marking a turn for the first time in a year, ANA strength including Afghan Air Force increased by 2,113 personnel when compared to last quarter, as shown in Table 3.9 on page 99 of this section.²⁴¹ When ANA and AAF civilians are included, the ANA military strength increased by 2,761, an improvement from last quarter's decrease of 902 personnel.²⁴² According to USFOR-A, potential ghost personnel have not been subtracted from these strength figures because the number of ghosts is still being calculated. Ghosts are estimated using the AHRIMS (personnel management) and APPS (payment) systems, both still undergoing improvements, while a different system calculates manpower—these systems have not been reconciled.²⁴³ For more information on AHRIMS, APPS, and ghost personnel, please see pages 100–102.

ANA assigned military personnel are at 90.6% of the authorized end strength, more than a four-point increase from last quarter. The number of ANA and AAF civilians is 7,971 this quarter, or 94% of authorized civilian strength.²⁴⁴

According to USFOR-A, the overall ANA monthly attrition rate (including the AAF) for the last quarter was:

- November 2016: 2.6%
- December 2016: 2.4%
- January 2017: 2.9%

The 2.6% average attrition for this quarter was slightly lower (0.2 percentage points) than last quarter.²⁴⁵ Corps-level attrition figures are classified and will be reported in the classified annex of this report.

According to DOD, attrition remains a larger problem for the ANA than for the ANP, in part because ANA soldiers enlist for limited lengths of duty and have more widespread deployments across the country, while police view their careers as longer-term endeavors.²⁴⁶

The ANA does not allow soldiers to serve in their home areas in order to decrease the potential for local influence. DOD observed that the policy has resulted in increased transportation costs and obstacles for soldiers attempting to take leave, contributing to soldiers going absent without leave. However, the ANP historically suffers significantly more casualties than the ANA.²⁴⁷ DOD has also noted that the Coalition is no longer encouraging pay incentives or salary to address retention, as they have not been shown to be effective.²⁴⁸

ANA Sustainment

As of March 31, 2017, the United States had obligated \$18.6 billion and disbursed \$18.1 billion of ASFF for ANA sustainment.²⁴⁹ The majority of ASFF sustainment funding is for salaries and incentive payments, but other uses include procuring items such as fuel, ammunition, organizational clothing and individual equipment, aviation sustainment, and vehicle maintenance.²⁵⁰

CSTC-A reported the total amount expended for all payroll and non-payroll sustainment requirements in Afghan FY 1395 (2016) was \$927.3 million through December 20, 2016, a \$51.2 million increase from Afghan FY 1394 (2015).²⁵¹ Aside from salaries and incentives, the largest uses of sustainment funding were for fuel (\$154.1 million), energy operating equipment such as generators (\$21.9 million), and building sustainment (\$10.7 million).²⁵²

CSTC-A reported that the funding required for ANA base salaries, bonuses, and incentives will average \$531.5 million annually over the next five years.²⁵³ In vetting comments, 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, reducing corruption, security conditions, and other factors.²⁵⁴

Of the \$674.8 million spent on ANA sustainment in FY 1395 through December 20, 2016, \$254.7 million was spent on salaries and \$420.1 million on incentive pay for ANA officers, noncommissioned officers and soldiers, civilians, and contractors.²⁵⁵ Funding for ANA salaries decreased slightly in FY 2016 (by roughly \$20 million), while incentive pay increased by about \$63 million.²⁵⁶

ANA Equipment and Transportation

As of March 31, 2017, the United States had obligated \$13.4 billion and disbursed \$13.3 billion of ASFF for ANA equipment and transportation.²⁵⁷ Most of these funds were used to purchase vehicles, aircraft, ammunition, communication equipment, weapons, and other related equipment.²⁵⁸ Approximately 48% of U.S. funding in this category this quarter was for vehicles and related parts, as shown in Table 3.10 on the next page.²⁵⁹

The total cost of equipment and related services procured for the ANA increased by over \$77.3 million since last quarter and by over \$329 million in the last year.²⁶⁰ The vast majority of the increase in the last quarter was from an additional \$58.6 million in aircraft and related equipment procurements, followed by \$48 million in ammunition, and \$19.5 million for vehicles and related equipment procurements.²⁶¹ These figures do not include the November 2016 DOD request for \$814.5 million for UH-60 Black Hawk helicopters for the Afghan Air Force, as Congress has yet to approve it.²⁶²

In terms of equipment and transportation services that have already been fielded to the ANA, the largest increase in funds since last quarter was spent on weapons (\$135 million), followed by ammunition (\$73 million), and

TABLE 3.10

COST OF U.S.-FUNDED ANA EQUIPMENT, AS OF FEBRUARY 27, 2017			
Type of Equipment	Procured	Remaining to be Procured	Procured and Fielded to the ANA
Vehicles	\$7,380,483,741	\$24,352,619	\$6,707,279,043
Aircraft	2,536,573,797	378,386,745	1,526,849,750
Ammunition	2,517,218,609	64,706,697	2,340,083,230
Communications	887,716,065	83,548,368	673,422,562
Other	891,923,871	18,438,982	844,254,917
Weapons	648,352,822	17,394,846	680,518,830
C-IEDs	455,211,247	1,845,520	354,803,671
Transportation Services	71,442,600	0	68,997,343
Total	\$15,388,922,752	\$588,673,777	\$13,196,209,346

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, 2/27/2017.

transportation services (\$55.5 million).²⁶³ The biggest decrease was in communications equipment (-\$72 million).²⁶⁴

Equipment Operational Readiness

Despite having begun equipment-regeneration efforts during this year's winter campaign, the equipment operational readiness (OR) rates for the ANA declined or stayed the same this quarter in all but one of the ANA's six corps.²⁶⁵ CSTC-A calculates these OR rates by determining the ratio of fully mission-capable equipment against total authorization. However, some equipment categorized as non-mission-capable may still be serviceable for use at a static location or checkpoint.²⁶⁶

As of January 20, 2017, CSTC-A reported the ANA's corps-level equipment OR rates at 62% for the 201st, 61% for the 203rd, 58% for the 205th, 80% for the 207th, 54% for the 209th, and 33% for the 215th.²⁶⁷ The equipment OR rates for this quarter show an average 1.2-point decline across all ANA corps when compared to October 2016.²⁶⁸ For the first time this quarter, CSTC-A also reported the equipment OR rates for the Afghan National Army Special Operations Command (78%) and the ANA's 111th Capital Division, which covers Kabul Province (91%).²⁶⁹

The ANA corps with the best equipment OR rates are the 207th (80%), which covers western Afghanistan around the relatively stable Herat Province, followed by the 201st Corps (62%), in charge of the Panjshir Valley, Nuristan, Laghman, and Kapisa Provinces just north of Kabul.²⁷⁰ The 215th Corps in Helmand Province, where much of the fighting in southern Afghanistan is concentrated, continued to have the lowest equipment OR rate, 33% this quarter, followed by 54% for the 209th Corps, which covers the majority of northern Afghanistan's provinces.²⁷¹

CSTC-A remarked that continued fighting in the south has interfered with equipment maintenance activities, keeping OR rates relatively low and static, particularly for the 215th Corps.²⁷² They noted that additional maintenance enablers have been deployed to the “main effort corps” that shoulder most of the fighting burden (including the 215th, 209th, and 205th) in a push to increase their OR rates to 50–60% by the end of the winter campaign in preparation for the spring fighting season. They also expect all remaining corps to attain above 60% for OR rates in the same time period.²⁷³

Core Information Management System

The Core Information Management System (CoreIMS) is part of the solution to address the Afghan supply-chain logistical capability gap. Since 2012, efforts have been under way to develop and implement an automated system within both ministries to replace their paper-based process for keeping track of equipment.

CoreIMS is an inventory-management system that is being enhanced to better track basic items like vehicles, weapons, night-vision devices, and repair parts. The system will help allocate material and analyze usage to predict future item and budget requirements, while reducing opportunities for fraud.²⁷⁴ The Web-based CoreIMS is available at MOD and MOI national logistic locations, forward-support depots, and regional logistic centers.²⁷⁵ The goal for the system is to improve Afghan sustainment processes by providing managers and decision makers with the current status of assets.²⁷⁶ In addition, CSTC-A has provided advanced CoreIMS training for Afghan logistic specialists to train, mentor, and assist other ANA and ANP personnel in logistics operations and CoreIMS functionality.²⁷⁷

As of March 1, 2017, CSTC-A reports that the CoreIMS software is fully implemented and functional at both national and regional levels. CoreIMS is also expanding to better ensure accurate military materiel inventories and equipment maintenance tracking.²⁷⁸

CSTC-A's main focus in completing CoreIMS implementation is reconciling the ANDSF's physical inventory with CoreIMS inventory, as well as tracking requested parts, completed orders, and time to fulfill a supply request.²⁷⁹ Using this data, CoreIMS will provide a predictive-analysis capability to identify parts for re-order, eventually accounting for serial-numbered items and their maintenance records.²⁸⁰

To do this, CSTC-A has integrated CoreIMS with the Security Cooperation Information Portal (SCIP), a U.S. database of the sale and provision of U.S. military materials, services, and training to foreign countries and international organizations. CSTC-A emphasized that this process would save the time and resources of ANDSF procurement personnel, decrease human error, and significantly improve order and asset visibility.²⁸¹

The SCIP integration process is another process that allows for the recording of materiel transferred between ANDSF warehouses and depots,

creating a notice for the receiving site to expect the materiel. CSTC-A believes that SCIP integration of weapons and ammunition data into a “virtual depot” on CoreIMS while leveraging the ability to transfer weapons and ammunition to Afghanistan’s national storage depots will provide 100% visibility of weapons and ammunition being provided to the ANA and ANP.²⁸²

This quarter, CSTC-A reports that both the CoreIMS-SCIP integration and the Transfer Functionality are also completely implemented. They said the implementation of the two processes allows CSTC-A to have accurate data on materiel transferred to the ANDSF so distribution and time involved can be tracked down to the regional level.²⁸³

CSTC-A notes that while the ANA and ANP are both using this functionality, there are still challenges with the transfer and receipt processes within the depots. The inefficiencies are being reflected in the CoreIMS data; CSTC-A is working with the CoreIMS contractor to improve the system’s functionality and with the MOD and MOI to improve their receipt processes.²⁸⁴

ANA Infrastructure

As of March 31, 2017, the United States had obligated \$5.9 billion and disbursed \$5.8 billion of ASFF for ANA infrastructure projects.²⁸⁵

As of February 28, 2017, the United States had completed 392 infrastructure projects valued at \$5.2 billion, with another 26 ongoing projects valued at \$144.9 million, according to CSTC-A.²⁸⁶

Two projects valued at \$718,603 were completed this quarter, including the 209th Corps Regional Logistics Supply Command at Mazar-e Sharif (\$687,358) and the 207th Corps Regional Logistics Supply Command at Herat (\$31,245).²⁸⁷

The largest ongoing ANA infrastructure projects are the same as last quarter: the second phase of the Marshal Fahim National Defense University (MFNDU) 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) to be completed in February 2019, and an NEI substation in Kunduz (\$9.5 million) to be completed in May 2018.²⁸⁸

Three contracts with a total value of \$2.4 million were awarded this quarter. They were a \$1.5 million **Women’s Participation Program** project building facilities for women’s use at the new Hamid Karzai International Airport’s AAF base, a \$828,284 taxiway repair for A-29 Super Tucano aircraft at the AAF base in Mazar-e Sharif, and security upgrades to MFNDU’s Kabul campus.²⁸⁹

An additional 24 infrastructure projects valued at a total of \$488 million are currently in the planning phase: seven Kabul National Military Hospital projects (\$321 million), four Afghan Electrical Interconnect projects (\$26.8 million), five ANASOC projects (\$16.8 million), and five AAF projects (\$5.3 million). The remaining projects, valued at around \$118 million, comprise other ANA sustainment projects supporting the new MOD headquarters and other security facilities.²⁹⁰

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

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

CSTC-A reported that several infrastructure-related train, advise, and assist (TAA) activities are ongoing. CSTC-A's MOD infrastructure advisors remain engaged in engineering TAA for Kabul's Construction and Property Management Department (CPMD) headquarters, which was established to provide engineering and facility maintenance for the MOD. The CSTC-A advisors work with CPMD leadership and ANA facility engineers to increase their capabilities and capacity to operate, maintain, and sustain infrastructure.²⁹¹

CSTC-A also continued the facility-maintenance training program, which trains ANDSF facility personnel in essential trades and skills for operating and maintaining power plants, HVAC systems, water treatment plants, and waste-water treatment plants, (as well as for performing quality control for such work). Training was offered at multiple ANA and ANP locations in Kabul and at regional headquarters. During the last quarter, 371 students were trained in classes including topics such as basic HVAC (133 students), basic waste-water treatment plant operations (72 students), and basic water-treatment-plant operations (41 students).²⁹²

ANA and MOD Training and Operations

As of March 31, 2017, the United States had obligated and disbursed \$3.9 billion of ASFF for ANA, AAF, and MOD training and operations.²⁹³

The largest MOD training projects are multiyear contracts that include an \$80.9 million project to train AAF pilots, another \$41.8 million project for out-of-country training for AAF pilots, and a \$65.3 million project to train Afghan special forces. There are two additional training programs for the ANA that cost \$18.3 million each.²⁹⁴

Afghan Air Force

As of January 20, 2017, the overall assigned strength of the AAF including civilians was 8,389 personnel. This reflects a 477-person increase since last quarter, and a 1,253-person increase from the same reporting period last year.²⁹⁵

As of February 28, 2017, the United States has appropriated approximately \$5.2 billion to support and develop the AAF since FY 2010, with roughly \$1.3 billion of it requested in FY 2017.²⁹⁶ CSTC-A notes that the FY 2017 figure includes DOD's recent request to Congress for \$814.5 million to fund the Afghan Aviation Transition Plan (AATP), which will replace the AAF's aging, Russian-made Mi-17 fleet with refurbished, U.S.-made UH-60 Black Hawk helicopters procured from U.S. Army stocks.²⁹⁷ As the AATP is a large new investment in Afghanistan's aviation future, the FY 2017 funding requested is about 2.4 times the average amount requested in the seven prior years of U.S. funding requests for the AAF.²⁹⁸

Since FY 2010, just over \$3.2 billion has been obligated for the AAF, with roughly \$231 million of FY 2017 funds obligated as of February 28, 2017.²⁹⁹

The majority of the funding obligated since FY 2010 has been designated for sustainment items, which account for 47.9% of obligated funds, followed by equipment and aircraft at 35.6%, a percentage that will increase substantially if the funding request for the AATP is approved and those funds are obligated.³⁰⁰

The AAF's current inventory of aircraft includes:³⁰¹

- 4 Mi-35 helicopters
- 46 Mi-17 helicopters (18 unusable)
- 26 MD-530 helicopters (one less since last quarter)
- 24 C-208 utility airplanes
- 4 C-130 transport airplanes (two unusable)
- 19 A-29 light attack airplanes (12 are currently in Afghanistan and seven are in the United States supporting AAF pilot training)

As of April 11, 2017, 18 Mi-17s and two C-130 are undergoing overhaul or heavy repair. One MD-530 was lost since last quarter after crashing due to a mechanical failure. It was destroyed to prevent its falling into insurgent possession. One A-29 crashed in the United States in March.³⁰² In vetting comments, DOD noted that they do not fund any of the costs for the Mi-35 helicopters; under current sanctions, they fund only sustainment for the Mi-17 variant. Sanctions notwithstanding, DOD would not fund the cost of the Mi-35s because the A-29s were intended to replace them.³⁰³

The eight A-29 Super Tucano light attack aircraft are the newest addition to the AAF fleet and have already proven to be valuable assets, with USFOR-A characterizing their impact as being “immediate . . . at both the tactical and strategic levels.”³⁰⁴ Over the next two years, the AAF will receive seven more A-29s once their pilots complete their training at Moody AFB in the United States and operational weapons testing and cockpit upgrades are completed. According to USFOR-A, four additional A-29s were delivered to Afghanistan in March, bringing the total in theater to 12.³⁰⁵

Last quarter, General Nicholson said that the AAF are now conducting most of the ANA escort and resupply missions that U.S. or Coalition forces once performed exclusively.³⁰⁶ He continued his praise for the AAF in his February testimony before the Senate Armed Services Committee, hailing the force as a “critical” offensive advantage against the Taliban and noted their “rapidly gaining capability.” According to General Nicholson, the AAF's first ground-attack aircraft entered the fight in April; he also cited the progress made integrating intelligence surveillance and reconnaissance assets into their new targeting processes.³⁰⁷

AAF Operational Readiness Rates Exceeding Goals

Given the increasing U.S. and Afghan emphasis on investing in the AAF, SIGAR asked USFOR-A to provide information regarding the AAF's operations, flight hours, mission capability rate, recommended utilization



AAF pilots fly A-29 Super Tucanos over Afghanistan during a late-March training mission in preparation for the upcoming spring campaign. (U.S. Air Force photo by Senior Airman Jordan Castelan)

rates, and mission-capability achievement benchmarks for each of its active airframes.

According to USFOR-A, the AAF flew 6,143 sorties from November 2016 through February 21, 2017, 47% of which (2,892) were flown in December 2016.³⁰⁸

USFOR-A reports that from late November to late February, all but one of its airframes are above their operational readiness goals: the C-208's OR is at 87.4% against an 80% goal, the C-130's OR is at 62.8% against a 50% goal, and the A-29's OR is at 84.5% against an 80% goal.³⁰⁹ USFOR-A noted that the MD-530's OR is calculated differently from the other airframes in AAF inventory and is, therefore, not comparable.³¹⁰

Based on USFOR-A's assessment, the only AAF airframe that faces strain and overutilization is the Mi-17, which is reported at only 57.4% OR against a 70% goal over the same period. This is not surprising, as the AAF's Mi-17s flew the most missions by far in the last four months—3,281 sorties—which account for 53.4% of the total number of sorties flown by all airframes during that period.³¹¹ Senior DOD officials have lobbied Congress to approve funding for the AATP to steadily replace the Mi-17s with recently refurbished UH-60s and thereby improve the AAF's overall operational readiness and reduce capability gaps.³¹²

Personnel Capability

SIGAR asked USFOR-A to provide information regarding how many fully mission-qualified crew members the AAF has on each of its airframes, and

what qualifies them as fully mission qualified or certified mission ready (CMR). USFOR-A responded:³¹³

- **C-130: eight total pilots (five mission pilots and three instructor pilots), five flight engineers, and eight loadmasters are CMR.** C-130 pilots, flight engineers, and loadmasters are trained on an U.S. Air Force formal academic course. Upon completion of the course, they undergo a formal flight evaluation on all mission areas. After a successful flight evaluation, they must complete the C-130 Local Area Orientation (LAO), which consists of five flights and three ground training (GT) sessions. The LAO is approximately 25 hours of training. After this, the Afghans certify the crew members into their position.
- **C-208: 42 total pilots (31 mission pilots and 11 instructor pilots) are CMR.** Most C-208 pilots receive their initial aircraft training during Afghan Undergraduate Flight Training, in either the Czech Republic or UAE by contractor-led instruction. They then undergo LAO training (similar to C-130) once they arrive at their unit, either in Kabul, Kandahar, or Shindand. The LAO consists of four GTs, two simulators, and six flights which covers the airlift mission and additional aircraft training. The LAO is approximately 56 hours of training. After LAO and instrument procedures training is complete, they take a flight evaluation and are awarded CMR status and certificates from their Afghan squadron commander.
- **A-29: 12 total pilots (10 mission pilots and two instructor pilots) are CMR.** AAF A-29 pilots are trained in the United States at Moody AFB. They arrive in Afghanistan as either a flight lead or a wingman depending on their demonstrated skill set. Once arriving in theater, the A-29 pilots will go through a 14–16 ride LAO and a CMR checkout, which consists of academics, simulator instruction, and four phases of flight training. CMR certification is currently done by U.S. advisors, but USFOR-A reports that it will assess the new AAF instructor pilots' ability to conduct CMR certification throughout 2017.
- **MD-530: 36 total pilots (31 mission pilots and five instructor pilots) are CMR.** The MD-530 mission-ready checkout begins with one week of local area and aircraft academics introducing the pilot to the MD-530, as the training they receive out of country is on the MD-500. This is followed by two phases of proficiency-based flight training. The AAF pilot performs co-pilot duties during all phases of training. Because the flight training is proficiency based, the length of the program can be from three to five weeks in total in Kabul. After approximately one year of co-pilot duties, AAF pilots may be recommended to become mission pilots, which takes approximately an additional five to six weeks.
- **Mi-17: 68 total pilots (33 pilots and 35 instructor pilots), 27 flight engineers, and 54 crew chiefs are CMR.** USFOR-A reported that AAF personnel training on Mi-17s (Russian-made) go through an entirely organic Afghan mission-ready training process, due to U.S.

sanctions on Russia. The exception to this is training on night vision goggles, for which Coalition advisors train AAF pilots through a course similar to Coalition pilots.

- **Mi-35: 10 pilots are CMR.** USFOR-A reported that AAF personnel training on Mi-35s (Russian-made) go through an entirely organic Afghan mission-ready training process, due to U.S. sanctions on Russia. They also noted that the Afghans have sought to keep Mi-35s in their inventory even though DOD intended the A-29s to be a replacement for them, with the pilots expected to transition to other platforms. The Mi-35s are not in the Plan of Record that DOD and international donors agree to fund. Given current sanctions on Russia, DOD can fund sustainment of Mi-17 helicopters, but not Mi-35s.³¹⁴

The Special Mission Wing

The Special Missions Wing (SMW) is the aviation branch of the MOD's Afghan Special Security Forces (ASSF) that provides aviation support to Afghanistan's counternarcotics, counterterrorism, and special operations forces.³¹⁵ Two SMW squadrons are located in Kabul, one in Kandahar Airfield, and one in Mazar-e Sharif, providing the ASSF with operational reach across Afghanistan.³¹⁶ The night-vision-capable SMW provides all the Afghan special forces' helicopter support.³¹⁷

The two main funding sources for the SMW are the ASFF and the DOD–Counternarcotics fund.³¹⁸ From FY 2010 to February 18, 2017, just over \$2.2 billion has been obligated for the SMW from both funds. The vast majority of the funding obligated since FY 2010 has been designated for sustainment items (46.1%) and equipment and aircraft (45.8%).³¹⁹

This quarter, USFOR-A reported that the SMW's leadership focused on collective training and crew growth during this winter's campaign in order to be prepared for the spring fighting season. According to USFOR-A, as of mid-February, one platoon's collective training course graduated in mid-December and a second course commenced in early January 2017. The second iteration graduated in early March 2017. By training more key crew members, USFOR-A noted that the SMW has increased qualified Mi-17 crews by 40% in the last quarter and is on track to increase the current state by another 14% by April 2017. In vetting comments, DOD reported that the SMW reached 24 night-vision-goggle-qualified Mi-17 crews, which was the goal of the winter campaign.³²⁰

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

AFGHAN NATIONAL POLICE

As of March 31, 2017, the United States had obligated \$20.3 billion and disbursed \$19.9 billion of ASFF funds to build, train, equip, and sustain the ANP.³²¹

ANP Strength

As of January 20, 2017, 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 153,997, according to USFOR-A.³²² This is an increase of 1,468 ANP personnel since last quarter. The ANP are currently at 95.1% of their authorized end strength.³²³ Despite recent gains, from late June 2016 through late January 2017, the ANP suffered a loss of 1,492 personnel.³²⁴

Patrol personnel represent the largest component of the ANP this quarter with 70,180 members; noncommissioned officers numbered 51,166, while officer ranks stood at 27,761. The largest increase occurred within the non-commissioned officer ranks (565 new personnel) and the smallest increase within the smallest component of the ANP (426 new officers).³²⁵

ANP attrition stayed relatively stable since the last reporting period. According to USFOR-A, the overall ANP monthly attrition rate for the quarter was:³²⁶

- November 2016: 2.1%
- December 2016: 1.9%
- January 2017: 2.2%

ANP Sustainment

As of March 31, 2017, the United States had obligated \$8.9 billion and disbursed \$8.6 billion of ASFF for ANP sustainment.³²⁷ This includes ASFF contributions to the Law and Order Trust Fund for Afghanistan (LOTFA), which pays for ANP salaries, the largest use of sustainment funding.³²⁸ Other uses include electricity, organizational clothing and individual equipment, and vehicle fuel.³²⁹

According to CSTC-A, as of December 20, 2016, \$676.7 million in U.S. and donor contributions was provided for ANP sustainment for Afghan FY 1395. Of that amount, \$458.1 million was expended on ANP payroll and incentives.³³⁰ Of the payroll amount, \$333 million represents the U.S. on-budget (through ASFF) contribution and \$114.4 million represents the U.S. contribution to LOTFA for ANP salaries and the United Nations Development Programme management fee.³³¹

In addition to LOTFA, CSTC-A has provided \$51.7 million for ANP salaries and incentives (a \$7.9 million increase from the \$43.8 million reported last quarter).³³²

CSTC-A reported that aside from salaries, the majority of ASFF ANP sustainment funding for Afghan FY 1395 (nearly \$120.6 million) has been used for vehicle fuel, which comprises 55% of expenditures.³³³

ANP Equipment and Transportation

As of March 31, 2017, the United States had obligated and disbursed \$4.5 billion of ASFF for ANP equipment and transportation.³³⁴ Most of these funds

SIGAR AUDIT

SIGAR released an audit this quarter entitled *Afghan National Defense and Security Forces: DOD Needs to Improve Management and Oversight of Uniforms and Equipment* that reviewed DOD's procurement, maintenance, and oversight of organizational clothing and individual-equipment purchases for the ANDSF. For more information, see pp. 23-28 of Section 2.

were procured to purchase vehicles, ammunition, weapons, and communication equipment, as shown in Table 3.11, with approximately 67% going to purchase vehicles and vehicle-related equipment.³³⁵

TABLE 3.11

COST OF U.S.-FUNDED ANP EQUIPMENT, AS OF FEBRUARY 27, 2017			
Type of Equipment	Procured	Remaining to be Procured	Procured and Fielded to the ANP
Weapons	\$309,982,254	\$1,627,691	\$297,900,418
Vehicles ^a	3,582,760,677	3,635,133	3,261,663,140
Communications	249,464,891	13,307,558	231,735,671
Ammunition	751,411,579	30,275,643	493,617,941
Transportation Services	78,181,320	0	73,035,507
C-IEDs	131,840,216	374,271	118,457,042
Other	243,198,496	11,166,890	129,044,281
Total	\$5,346,839,433	\$60,387,186	\$4,605,454,000

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 MOI/ANP

^a Vehicle costs include vehicles and parts.

Source: CSTC-A, response to SIGAR data call, 2/27/17.

The net increase of the cost of equipment from last quarter was over \$11 million, of which the vast majority was for ammunition.³³⁶

Last quarter, NSOCC-A reported that the General Command of Police Special Unit (GCPSU), a major directorate in the MOI that oversees all MOI special police units as well as serving as a rapid-response force, failed to submit a serial-numbered equipment inventory as required by the MOI. NSOCC-A recommended that CSTC-A impose a penalty and withhold up to 5% of GCPSU's annual operation and maintenance budget, but following discussions between MOI and CSTC-A in November 2016, no penalty had been imposed on GCPSU for its lack of equipment accountability.³³⁷

In an update this quarter, NSOCC-A reported that GCPSU submitted their updated inventory to Coalition special operations advisors on January 30, 2017, and that no penalty was imposed. NSOCC-A said GCPSU submits updated inventory amendments to them monthly.³³⁸

ANP Infrastructure

As of March 31, 2017, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF for ANP infrastructure.³³⁹ According to CSTC-A, as of February 28, 2017, the United States had completed 744 infrastructure projects valued at \$3.6 billion, with another 22 ongoing projects valued at roughly \$74.8 million.³⁴⁰ There are 10 infrastructure projects in the planning phase worth \$107.2 million, the majority of which are Women's Participation Projects (WPP) projects.³⁴¹

SECURITY



Women's barracks, day care, and training centers, like these at the Police Headquarters in Jalalabad, are under construction at many ANA and ANP bases throughout Afghanistan. (U.S. Army Corps of Engineers Photo)

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).³⁴² This is followed by two WPP projects: compounds for women at the Regional Training Center in Jalalabad (\$7.8 million) and compounds for women at the Kabul Police Academy (\$6.7 million).³⁴³

The two infrastructure projects completed this quarter were an IT connectivity project at MOI headquarters in Kabul (\$1.9 million) and a WPP project for women's facilities at the Pamir Provincial Headquarters in Mazar-e Sharif (\$409,872).³⁴⁴

CSTC-A acknowledged this quarter that its advisors face difficulties in conducting post-award oversight, which they recognized as a vulnerability. They reported that their strategy intends to leverage a spectrum of overlapping and corroborating tools to provide construction oversight for ASFF-funded MOI on-budget construction, which include:³⁴⁵

- direct inspection of projects constructed on those MOI facilities which that secure Coalition-forces presence
- Coalition-forces patrols for site inspections
- Persistent Threat Detection System balloon (surveillance blimp) imagery of contractor daily operations and progress
- direct inspection, measurement, and time-stamped photographing by the command's Afghan engineer subject-matter experts
- sequential satellite-imagery analysis
- intelligence, surveillance, and reconnaissance imagery capture and analysis
- dedicated Coalition forces overflight imagery capture and analysis
- contractor quality-control-program measurement and time-stamped photograph reporting

SIGAR SPECIAL PROJECT

SIGAR issued an inquiry letter this quarter asking DOD for more information about its ongoing and planned infrastructure development projects in Afghanistan following the call for donor countries to invest more in Afghanistan's infrastructure in the Afghanistan National Peace and Development Framework (ANPDF) for 2017-2021. For more information, please see pp. 46-47 of Section 2.

- MOI facility-engineer site inspection, measurement, and time-stamped photograph reporting

ANP Training and Operations

As of March 31, 2017, the United States had obligated and disbursed \$3.7 billion of ASFF for ANP and MOI training and operations.³⁴⁶

As of January 19, 2017, only 2.6% of ANP personnel (not including ALP) were untrained (3,934 untrained out of 149,057 active ANP personnel), which indicates that the ANP is below the 5% untrained-personnel threshold mandated by the MOI's 1395 Bilateral Financial Commitment Letter.³⁴⁷

The MOI's largest ongoing training contracts include an \$11.7 million project to develop the ANP's human intelligence-gathering capacity, and a \$10.8 million contract for training MOI advisors and mentors. According to DOD, FY 2016 training funds were used mainly for the AAF, ASSF and MOD training and advisors.³⁴⁸

This quarter, CSTC-A reported a number of updates on training activities related to infrastructure. CSTC-A's infrastructure branch for the MOI consists of seven advisors who meet with MOI Facilities Department (FD) personnel at least twice a week to discuss issues and advise on solutions for all aspects of facility engineering and program management including budget planning, contract reviews, project planning and development. Training and advising often occurs more frequently, with CSTC-A advisors often calling several of their key FD counterparts to discuss procurement and other related topics.³⁴⁹

In order to assist the MOI FD with meeting their daily operation requirements, CSTC-A has contracted Afghan subject matter experts (SMEs) with technical skills matched to these requirements who train MOI facility engineers and complete other technical tasks. SMEs assist MOI FD daily operations by developing requirements, writing the statement of work for contracts, and executing oversight. There are 18 engineer SMEs working at MOI FD; one is working at CSTC-A as an SME program local-national officer and a Women's Participation Program manager.

Of the 70 total SMEs hired for use throughout Afghanistan, 58 are at MOI FD. Of those 58, there are 36 located within the provinces and six at the MOI's "pillars," which include the Afghan Uniform Police, the Afghan National Civil Order Police, the Afghan Border Police, and the Afghan Anti-Crime Police.³⁵⁰

CSTC-A reports that they are actively executing a program to train ANDSF facility engineers and public-works personnel in trades and skills needed to operate and maintain power plants, plumbing systems, water treatment plants, and waste-water treatment plants, as well as to perform quality control over this work. The training program is conducted with an emphasis on hands-on, on-the-job training.³⁵¹

WOMEN COMPRISE 1.4% OF ANDSF PERSONNEL

This quarter, the RS Headquarters Gender Affairs Office reported 4,388 women serving in the ANDSF, a decrease of 18 personnel since last quarter.³⁵² USFOR-A attributes the decrease to retirement and instances of absence without leave within the ANP, which was the only force to suffer female personnel attrition this quarter.³⁵³ The overall percentage of women in the ANDSF remains at 1.4%; the ANP has the highest percentage of women, 2%.³⁵⁴

Of the 4,388 women, 3,112 were in the ANP, 1,065 were in the ANA, 139 were in the ASSF, and 72 were in the AAF. Of the women in the ANP, ANA, and AAF, 1,266 were officers, 1,637 were noncommissioned officers, 1,246 were enlisted, and 239 were cadets.³⁵⁵

USFOR-A reported this quarter on how the U.S. is spending the \$10 million required by the FY 2016 National Defense Authorization Act to promote the security of Afghan women. According to USFOR-A, the funds are being used to renovate facilities for women to provide additional safety measures, such as security cameras, securing existing facilities as appropriate with cipher locks on women's restrooms, and training women in courses such as self-defense, workplace violence, and sexual harassment in the workplace. USFOR-A notes that both male and female ANDSF personnel are trained in these courses.³⁵⁶

On March 8, the first permanent facilities created as part of the Women's Participation Program were opened, new barracks and a daycare facility for female ANA personnel, at Camp Shaheen in Mazar-e Sharif. However, issues have been raised recently regarding ANDSF facilities for women. This quarter, the CSTC-A audit division issued a draft audit report on the MOI's utilization of gender facilities for women. CSTC-A inspected 18 gender-designated facilities and determined at least half were not used primarily by women. Consequently, CSTC-A questioned the effectiveness of the MOI's gender program.³⁵⁷ For more information about this audit, see page 131 of this section.

The RS Gender Office is also assessing the process of assigning women to ANDSF positions to best ensure seamless integration. Currently, women are assigned to ANDSF positions coded for women. The Gender Office is working to better understand which positions are open to women so that women can be recruited for those specific positions. According to RS, a clear understanding of who can be assigned to a position is necessary to recruit, properly train and allow for promotions of women in the ANA. This quarter, 88 additional positions for women were created in the ANA.³⁵⁸

ANDSF MEDICAL AND HEALTHCARE

The total cost of ANDSF medical equipment fielded this quarter was approximately \$7 million, with \$27.7 million projected for medical equipment procurement for Afghan fiscal year 1396 (2017).³⁵⁹

As of February 28, 2017, there were 917 physicians (a 92-person decrease from last quarter) and 2,893 other medical staff (a 159-person increase) within the ANDSF healthcare system; 351 physician positions (27.7% of those required) and 480 other medical positions (14.2%) are vacant, according to CSTC-A.³⁶⁰

CSTC-A reported that the renovation of the ANP Hospital (ANPH) has proceeded more slowly than expected as the Afghan government continues to investigate procurement irregularities from the previous contract. The Office of the Surgeon General (OTSG) has used the lull to identify medical equipping and outfitting requirements before the project restarts. Based on OTSG-generated requirements, the Coalition has funded a \$3.7 million medical equipment package.³⁶¹

The OTSG has also been working to establish 20-bed hospitals in each police zone. Currently there are three operational zone hospitals, including one in Jalalabad that recently became operational. While other zone hospitals are being established, the OTSG plans to surge medical providers from the ANPH to those zones where major security operations are under way. In addition, the OTSG has prioritized the distribution of combat lifesaver bags, first aid kits, and medic bags to the provinces ahead of expected security operations planned for the spring and summer.³⁶²

According to CSTC-A, Coalition advisors traveled with ANA Medical Command officials to the ANA military hospitals at various locations with the goal of determining the educational needs of the healthcare providers including gaps in training, and improving lines of communication, collaboration and knowledge sharing between Kabul National Military Hospital (KNMH) and the regions.³⁶³ In vetting comments, CSTC-A clarified that KNMH is the same as Sardar Daud Khan Hospital, the facility where the suspected Islamic State-Khorasan attack occurred in early March.³⁶⁴

CSTC-A noted that the hospital assessments found that ANA physicians are providing better-than-expected care. Afghan doctors have been receiving specialized training in countries such as India, Turkey, Germany, and the United States. CSTC-A reported that nursing staff had some deficiencies, including a lack of basic infection-control standards such as hand washing and wearing personal protective equipment. They that these issues are being addressed by local coalition advisors and Afghan educators.³⁶⁵

MOD and Coalition advisors worked to address what CSTC-A has characterized as the “unacceptably high” killed-in-action (KIA) rates of ANDSF personnel. CSTC-A noted that while the reasons for high mortality rates can be somewhat explained by deficiencies in the medical evacuation process (due to limited availability of air assets to bring wounded personnel from the battlefield to medical facilities), improvements in point-of-injury care have been shown to significantly improve survivability for combat casualties. For this reason, CSTC-A advisors accompanied ANA medical officials to conduct refresher training courses on combat casualty care and trauma

management for medics and nurses.³⁶⁶ In addition, CSTC-A reported that the ANA has begun tracking more closely the statistics for various types of casualties and forwarding that information to the KNMH. A monthly report is now published as well as a yearly summary of injuries by type, care provided, and patient outcomes.³⁶⁷

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 \$345.7 million in weapons-destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has two-year funding and has obligated approximately \$17.3 million of FY 2016 funds.³⁶⁸

State directly funds six Afghan nongovernmental organizations (NGOs), three 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 December 31, 2016, State-funded implementing partners have cleared approximately 210 million square meters of land (approximately 81 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).³⁶⁹ In addition, survey and clearance are still needed on 59 firing ranges belonging to ISAF/NATO covering an area of 127.5 square kilometers (49.2 square miles). From December 2012 to June 2016, 47 hazards and a total area of 1,205.5 square kilometers (465.4 square miles) were cleared on ISAF/NATO firing ranges.³⁷⁰

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 607 square kilometers (234.4 square miles) of contaminated minefields and battlefields. During the quarter, nine square kilometers (3.5 square miles) were cleared, bringing the known contaminated area to 598 square kilometers (231.9 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.³⁷¹

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.³⁷²

TABLE 3.12

CONVENTIONAL WEAPONS DESTRUCTION PROGRAM METRICS, FISCAL YEARS 2010–2017						
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	12,101,386	2,134	33,078	88,798	4,062,478	570,800,000
2016	27,856,346	6,493	6,289	91,563	9,616,485	607,600,000
2017	4,813,771	1,307	842	6,975	613,577	598,300,000
Total	209,668,077	64,975	1,883,118	5,864,269	83,075,219	598,300,000

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.

Source: PM/WRA, response to SIGAR data call, 3/28/2017.

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 activities. The \$30.2 million ACAP program has expended \$19.6 million to date and is planned to conclude in February 2018.³⁷³ According to USAID, ACAP funding allows MACCA to expand its victim-assistance activities beyond service provision and data collection to include immediate assistance for individual survivors and their families.³⁷⁴

The number of deminers working in MAPA total around 9,700, of which 99% are Afghan nationals. The high number of individuals involved with demining makes Afghanistan one of the world's largest mine action programs, with the most coverage on the ground. Less than 1% of all security-related incidents targeted the demining community since 2009.³⁷⁵

Between October and December 2016, MAPA reported that 1,771 civilian victims received assistance and disability support services. The total number of beneficiaries since 2007 is 426,192.³⁷⁶ From January to December 2016, the UN and mine action partners have provided risk education regarding mines and ERW to over 466,000 returnees from Pakistan.³⁷⁷

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GOVERNANCE

KEY ISSUES AND EVENTS

Throughout the quarter, the National Unity Government grappled with high-level political realignments. As the UN Secretary-General noted in March, the Afghan government faces both internal and external political challenges. He called on Afghan political elites to work together, saying “a cohesive working relationship between the President [Ashraf Ghani] and the Chief Executive [Abdullah Abdullah] will remain vital.”³⁷⁸

One month after Ata Mohammad Noor’s formal reappointment by President Ghani in February as governor of Balkh Province, Noor apologized for having supported Ghani’s former electoral opponent, Abdullah, during the 2014 presidential elections. Noor also announced that he was no longer politically cooperating with Abdullah, saying “it is better to separate our political ways now as you [Abdullah] cannot command the support of millions.” Noor, governor of Balkh Province since 2004, but serving in an acting capacity for the past two and a half years, is chief executive of the Jamiat-e-Islami party. In January, there were reports that Noor was negotiating a separate power-sharing deal with President Ghani, causing turmoil in Jamiat-e-Islami between supporters of Abdullah and Noor.³⁷⁹

Later in March, Noor announced that he may resign his governorship in order to run for president.³⁸⁰ According to Afghan media, during a visit to Balkh Province after Noor’s announcement, President Ghani praised Noor, saying he “has always made request for the improvement of Balkh and not for himself.”³⁸¹

Noor may be benefiting from the political isolation of his old opponent, First Vice President Abdul Rashid Dostum, who supported President Ghani in the 2014 election. On November 24, 2016, Dostum reportedly kidnapped and ordered the sexual assault of a political rival, a former governor of Jowzjan Province.³⁸² Since the Afghan attorney general’s office announced an investigation on December 17, 2016, Dostum has prevented Afghan police from investigating. According to the *Wall Street Journal*, Dostum has barricaded himself inside his Kabul home, with Afghan officials estimating the size of his force as between 700 and 1,000 men.³⁸³

The *New York Times* reported that while President Ghani was away at an international security conference, First Vice President Dostum traveled

to his office at the presidential compound with a sizable armed escort of his own and declared himself acting president until President Ghani returned. The current standoff is reminiscent of a year-long 2008 incident in which Dostum was previously accused of abuse. That incident ended when Dostum went into a self-imposed exile in Turkey. Dostum returned in 2009 to support President Hamid Karzai's 2009 presidential bid, receiving the largely ceremonial title of chief of staff for the commander-in-chief of the armed forces.³⁸⁴

On April 17, President Ghani dismissed his representative for good governance and reform, former vice president Ahmad Zia Massoud. In response, Massoud said "If the president wants to push me out, the country will end up in another civil war." Dostum appeared to side with the marginalized Massoud, with one of Dostum's representatives labeling Massoud's removal unfair.³⁸⁵ Additionally, acting minister of foreign affairs and head of Jamiat-e-Islami, Salahuddin Rabbani, called for a "change to the [government] system" as agreed in the 2014 accord that led to the formation of the National Unity Government.³⁸⁶ Key among these terms was convening a *Loya Jirga* (grand assembly) to amend the Afghan constitution and consider the proposal to create the post of executive prime minister.³⁸⁷

U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE

As of March 30, 2017, the United States had provided nearly \$32.3 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).

MUTUAL ACCOUNTABILITY UPDATES

At the Senior Officials Meeting (SOM) in September 2015, the international community and the Afghan government agreed to the Self-Reliance through Mutual Accountability Framework (SMAF) as a guide for their activities at least to the end of the present government's term.³⁸⁸

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).³⁸⁹ At the October 2016 Brussels Conference, international donors and the Afghan government also agreed to 24 new "SMART" (Specific, Measurable, Achievable, Realistic, and Time-bound) deliverables for 2017 and 2018.³⁹⁰

According to the Afghan government, as of January 2017, a number of the original SMAF indicators remained in progress. For example, two provinces were governed by acting governors and nine deputy minister positions led by acting personnel (these appointments were supposed to have been made permanent by the end of 2015). While five revenue-generating ministries—finance, mines and petroleum, commerce and industries, transport and civil aviation, and communication and information technology—submitted their anticorruption plans on schedule, all remaining ministries were still developing their plans. Finally, the subnational-governance policy that was supposed to be approved by March 2016 was still being revised.³⁹¹

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 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 next parliamentary elections—intended for 2015, but never held—and to distribute electronic identity cards to all Afghan citizens as quickly as possible.³⁹²

At the October 2016 Brussels Conference, the Afghan government agreed to take concrete steps toward electoral reform and preparations in 2017.³⁹³

USAID reported that there are a number of outstanding elections-related decisions, including an election timeline, the method for registering voters, and the mechanism for funding the election. The Afghan government is still debating the timeline for parliamentary elections. While the Independent Electoral Commission (IEC) proposed elections in early 2018, President Ghani reportedly insisted on elections in 2017. USAID, however, believes that an early 2018 election is very ambitious. Additionally, the IEC has yet to determine the voter registration method. According to USAID, the two voter registration options are: (1) revalidating existing cards plus validating new cards for new voters, and (2) issuing new voting cards for all. Finally, USAID reports that President Ghani would prefer elections funding to be on-budget (via the Afghan government budget). However, in April, donors in the Election Support Group decided to provide their elections funding via the United Nations Development Programme.³⁹⁴

According to the IEC, the initial cost estimate for the next parliamentary and district council elections is \$120 million. As of April, the Ministry of Finance was still discussing potential financing with international donors.³⁹⁵

According to the UN Secretary-General, this quarter the IEC publicly reaffirmed its commitment to establishing polling center-based voter lists, in accordance with electoral law, and its spokesperson announced that electronic national identification cards will not be used for voter registration

in upcoming elections. On February 10, the IEC spokesperson announced that parliamentary and district council elections would be held in 2018.³⁹⁶ In April, Chief Executive Abdullah's office announced that parliamentary and district council elections would be held before March 21, 2018.³⁹⁷

According to State, there has been no progress in introducing electronic identification cards and the U.S. government is presently not a donor to this initiative.³⁹⁸ The EU has reportedly decided to not fund electronic identification cards that display ethnicity or nationality, according to USAID.³⁹⁹ Some critics contend that the term "Afghan" is politically advantageous for the Pashtun ethnic group since "Afghan" has historically been used interchangeably with Pashtun.⁴⁰⁰

In late March, however, the head of Afghanistan's Biometric Identity Cards Issuing Authority said the Afghan government has given him 90 days to begin issuing electronic identity cards. The initial budget of \$4.2 million will be funded by the Afghan government itself. President Ghani had earlier approved a draft census law that included the word "Afghan" as the nationality and ethnicity of the card holder. The Afghan government has cited the debate around the politicized term "Afghan" as a reason for the delayed start in issuing electronic identification.⁴⁰¹

In March, the Afghan Ministry of Justice (MOJ) announced that it had revoked the licenses of numerous political parties to prevent factionalism. Whereas there had been 110 registered political parties previously, there are now only 60.⁴⁰² An MOJ spokesman later clarified that 50 of the parties had their licenses revoked because they lacked a clear agenda.⁴⁰³

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.

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

Summary of Assistance Agreements

At the Brussels Conference in October 2016, the United States and other international participants confirmed their intention to provide \$15.2 billion between 2017 and 2020 in support of Afghanistan's development priorities.⁴⁰⁴ Although the United States did not commit to a specific amount, then-Secretary of State John Kerry promised to work with Congress to provide civilian assistance at or near the 2016 levels through 2020.⁴⁰⁵

Earlier, at the 2010 Kabul Conference, the United States and other international donors supported an increase to 50% the proportion of civilian development aid delivered **on-budget** through the Afghan government to improve governance, cut costs, and align development efforts with Afghan priorities.⁴⁰⁶ Donors, including the United States, reaffirmed this commitment at the July 2012 Tokyo Conference and again at both the December 2014 London Conference and the September 2015 SOM.⁴⁰⁷ As of December 2016, USAID had not yet achieved the 50% on-budget target.⁴⁰⁸ At the

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.

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TABLE 3.13

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 3/31/2017 (\$)	
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	\$130,995,837	
Basic Education, Learning, and Training (BELT) - Textbooks Printing and Distribution	Ministry of Education (MOE)	Yes	11/16/2011	6/30/2017	26,996,813	24,891,728	
E-Government Resource Center (EGRC)	Ministry of Communications and Information Technology (MCIT)	Yes	8/28/2013	12/1/2017	3,900,000	1,205,000	
Strategic Communication Support to the Palace (SCSP)	Ministry of Finance (MOF)	Unknown	7/18/2016	7/31/2017	627,833	210,986	
Multi-Donor Trust Funds							
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	7/31/2019	2,700,000,000	1,575,289,080	
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	No	3/7/2013	3/6/2018	153,670,184	153,000,000	

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 currently total \$2,947,280,275.

Source: USAID, response to SIGAR data call, 4/9/2017.

October 2016 Brussels Conference, the United States and other 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.⁴⁰⁹

As shown in Table 3.13, USAID expects to spend \$757 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 \$153 million to the Afghanistan Infrastructure Trust Fund (AITF).⁴¹⁰

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 2017.⁴¹¹ The Department of Defense (DOD) was authorized \$4.26 billion to support the ANDSF for fiscal year (FY) 2017 (though the appropriation was not finalized before this report went to press).⁴¹²

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.⁴¹³ At the September 2014 Wales Summit, NATO allies and partners reaffirmed their commitment to 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 2017.⁴¹⁴

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. The international community has so far pledged more than \$800 million annually for 2018–2020. President Obama also pledged that he would recommend to his successor that the United States continue to seek funding for the ANDSF at or near current levels through 2020.⁴¹⁵

As of early April, DOD had not yet finalized the agreements governing their Afghan FY 1396 (FY 1396 runs from December 22, 2016, to December 21, 2017) direct on-budget contributions to the Ministry of Defense (MOD) or Ministry of Interior (MOI).⁴¹⁶

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.⁴¹⁷ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance for each program.⁴¹⁸

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.⁴¹⁹ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁴²⁰ 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.⁴²¹

As of January, the United States remains the largest donor to the ARTF (30.6% of actual contributions) with the next largest donor being the United Kingdom (17.4% of actual contributions).⁴²² 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 2016.⁴²³ The ARTF recurrent-cost window supports operating costs, such as Afghan government non-security salaries. The recurrent-cost window pays 16–20% of the Afghan government's non-security operating budget.⁴²⁴

This quarter, the World Bank reported on the results of its monitoring agent's review of the eligibility of Afghan government-submitted recurrent costs to be paid via the ARTF. In a review of 1,952 sample items (representing \$115 million in recurrent costs), 66% of the sample recurrent costs were deemed eligible for payment. The main reasons for finding an item ineligible for payment include: missing approvals, no supporting documents, non-compliance with procurement rules, and missing documents. By comparison, the portion of Afghan government-submitted recurrent costs deemed by the monitoring agent eligible for Afghan fiscal year 1393 (December 22, 2013, to December 21, 2014) was 74.3%.⁴²⁵

When reviewing recurrent costs, the World Bank's monitoring agent selects a representative sample of Afghan government civilian payroll transactions for greater scrutiny. According to data the World Bank provided donors in January in response to donor concerns about "ghost teachers," the monitoring agent conducted a document review on \$40.5 million of \$469.3 million in Ministry of Education (MOE) payroll expenditures for Afghan fiscal year 1393. The monitoring agent concluded that 94% of MOE payroll expenses were eligible after this sample review.⁴²⁶

Starting in 2014, the monitoring agent added physical verification of a sample of nonsecurity Afghan government employees to its review process. The monitoring agent will notify the relevant Afghan government ministry or department of the employees it intends to physically verify. Once the ministry or department approves, the monitoring agent meets with the employee. Of the 185,375 MOE staff in 1393, the monitoring agent selected 3,087 teachers (representing 1.7% of all MOE employees) for physical verification. Of this sample, 1,952 teachers (63.2%) were dropped from the sample as they worked in areas the monitoring agent deemed too insecure to visit. For the 1,135 teachers located in areas the monitoring agent considered safe enough to visit, the monitoring agent was able to verify 72% teachers without issues and 28% with issues.⁴²⁷ According to USAID, the issues associated with physical verification include, but are not limited to, the following: employee no longer in service; the employee is on leave or absent from office; and the employee is in another place, such as a site visit for official work or abroad.⁴²⁸

On-Budget Assistance to the ANDSF

More than 60% of total U.S. on-budget assistance goes toward the Afghan security forces requirements.⁴²⁹ DOD provides on-budget assistance to the Afghan government through (1) direct contributions from the Afghanistan Security Forces Fund (ASFF) to the Afghan government to fund MOD and MOI requirements, and (2) ASFF contributions to the multidonor LOTFA.⁴³⁰ Administered by the UNDP, LOTFA primarily funds Afghan National Police salaries and incentives.⁴³¹ Direct-contribution funding is provided to the Ministry of Finance, which allots it incrementally to the MOD and MOI, as required.⁴³²

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 Afghan government to fund MOD and MOI requirements, subject to certain conditions that the ministries must meet for the use of the funds.⁴³³ CSTC-A monitors and formally audits the execution of those funds to assess ministerial

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.

capability and ensure proper controls and compliance with documented accounting procedures and provisions of the annual commitment letters.⁴³⁴

In December 2016, CSTC-A lost access to the Afghanistan Financial Management Information System (AFMIS) due to upgrades to the AFMIS that have caused technical challenges for CSTC-A. CSTC-A normally reviews AFMIS expenditure reports weekly to monitor the Afghan government's utilization of on-budget security funds. As of mid-April, CSTC-A does not know when they will regain functional AFMIS access.⁴³⁵

In the last quarter, CSTC-A provided \$188.3 million to the MOD, \$110.1 million to the MOI, and \$28.8 million to LOTFA.⁴³⁶ Most of the on-budget funds provided by CSTC-A support salaries, with limited amounts for local procurement used for services such as facility-maintenance contracts.⁴³⁷

According to CSTC-A, the Afghan government's procurement process is hindering the execution of ASFF funds provided as direct contributions. As of September 2016, the execution rate was only 37%.⁴³⁸ CSTC-A officials believe Afghan government procurement reforms—particularly the establishment of the National Procurement Commission (NPC) that is chaired by President Ghani and reviews all operations and maintenance contracts above \$300,000 and construction contracts over \$1.5 million before contract award—has enforced contracting standards and reduced corruption.⁴³⁹ According to CSTC-A, the establishment of the NPC and associated National Procurement Authority (NPA) have improved the Afghan government's compliance with Afghan procurement law.⁴⁴⁰

However, CSTC-A reports that corruption and ethical concerns continue to hamper MOD and MOI contracting. MOD and MOI officials have been suspended or released from duty in response to both proven as well as unsubstantiated corruption allegations. Both the MOD and MOI procurement departments have undergone complete or partial replacement of officers and employees. Additionally, the NPA has revoked the MOI's procurement authority, meaning routine purchases are further delayed due to increased oversight.⁴⁴¹ CSTC-A reports that new personnel have been appointed to key MOD and MOI procurement positions. These new personnel are reluctant to approve contract actions due to their lack of procurement knowledge.⁴⁴²

According to CSTC-A, the transition of security-related procurements from off-budget (procured by CSTC-A) to on-budget (procured by the Afghan government) has not achieved the desired results. This quarter, fuel, medical, and pharmaceutical purchases for MOD and MOI reverted to CSTC-A management. CSTC-A reports that corruption and low-quality product substitution prompted the move. CSTC-A hopes to transition these procurement responsibilities back to MOD and MOI as their capacities improve. However, DOD says continued use of DOD-procured contracts for these requirements is conceivable as part of a long-term security



U.S. and Afghan army officials cut a ribbon marking the turnover of permanent facilities for a Women's Participation Program barracks. (DOD photo by Michael Glasch)

cooperation relationship with Afghanistan, whether funded by ASFF or Afghan funds.⁴⁴³ The MOD and MOI budgets registered the largest reductions in the overall national budget—over \$415 million less compared to the previous year's budget—due to the transition of fuel procurement responsibilities from the Afghan government to donor procurement.⁴⁴⁴

This quarter, the CSTC-A audit division issued a draft audit report on the MOI's utilization of facilities for women. CSTC-A inspected 18 gender-designated facilities and determined at least half were not used primarily by women. According to DOD, in some cases, new facilities built exclusively for female use were taken over by male police who would leave existing facilities (in various states of disrepair) to the female police. Consequently, CSTC-A questioned the effectiveness of the MOI's gender program. The audit recommended that CSTC-A impose a penalty of \$4.35 million. This penalty would be slightly more than the amount CSTC-A planned to contribute in the most recent Afghan fiscal year to the MOI for improvements to gender facilities. According to CSTC-A, they hope the penalty will force MOI officials to change their treatment of female police. As of mid-April, CSTC-A reports that the draft report is with MOI for comments that will need to be reviewed and incorporated prior to issuing a final report on the matter.⁴⁴⁵

MOD and MOI Had Mixed Results in Meeting Conditions for U.S. Funding

In March, DOD found that while the MOD and MOI made satisfactory progress in meeting a number of agreed-upon conditions for U.S. funding assistance, both ministries had a significant number of deficiencies.

Of 50 conditions defined in the commitment letter, CSTC-A determined that the MOD made satisfactory progress toward meeting 35 conditions

and insufficient progress toward meeting 15. This quarter, CSTC-A provided approximately \$74,000 in incentive funds to the MOD for satisfactory progress in female recruitment. According to CSTC-A, the MOD made progress in recruiting women into the Afghan army, particularly following the introduction of overseas training in Turkey.⁴⁴⁶

However, CSTC-A found that the MOD's 215th Corps failed to submit accurate, verifiable ammunition consumption reports on the required monthly basis starting in September 2016. Rather than subject MOD to a penalty, CSTC-A decided to discuss the matter with the MOD chief of general staff. Additionally, CSTC-A found that the MOD failed to provide the required 100% accounting of night-vision devices, prompting CSTC-A to continue withholding future deliveries of night-vision devices to the units that were deficient. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOD has yet to provide such a list. Finally, CSTC-A found that MOD has yet to adopt an absent-without-leave policy that is legally enforceable, prompting CSTC-A to suspend all U.S.-based training, schools, and seminars—with the exception of pilot and special forces training—until MOD issues such a policy.⁴⁴⁷

Of 64 MOI conditions defined in the commitment letter, CSTC-A determined that the MOI made satisfactory progress on 25 conditions, while 39 had insufficient progress. This quarter, CSTC-A provided no incentive funding to the MOI for satisfactory progress. CSTC-A found that the MOI has not sufficiently investigated cases of gross violation of human rights (GVHR). In response, CSTC-A will continue to withhold MOI's travel budget for all but gender-related trainings and deny raises to the MOI offices that compose the MOI's GVHR Committee as well as any other pay incentives for general officers and senior ministerial civilians.⁴⁴⁸

CSTC-A also found that the MOI has yet to develop a plan to divest facilities that they cannot afford. CSTC-A did not impose a penalty for this condition as they wait for MOI to submit an acceptable divestment plan. CSTC-A found that MOI has yet to adopt an absent-without-leave policy that is legally enforceable, prompting CSTC-A to suspend all U.S.-based training, schools, and seminars—with the exception of special unit training—until MOI issues such a policy. Although required by the commitment letter to provide ammunition consumption reports, MOI failed to provide these to CSTC-A. CSTC-A chose not to impose a penalty for this deficiency. MOI was also expected to validate all Afghan Local Police (ALP) personnel by December 2016; however, only 138 of 179 districts hosting ALP forces were assessed as required. CSTC-A believes that the current personnel asset inventory is improving personnel accountability and therefore choose not to impose a penalty as funds were already reduced to pay only those validated ALP personnel.⁴⁴⁹

The MOI also failed to fully account for night-vision devices, prompting CSTC-A to withhold future deliveries to the MOI headquarters and

two Afghan National Civil Order Police brigades. Although required by the commitment letters to provide a list of all small arms and provide timely reports for lost weapons, the MOI has yet to provide such a list. Because of this, CSTC-A threatened to not order additional small arms. Finally, CSTC-A found that MOI has failed to respond to an audit that questions approximately \$500,000 in municipal service costs. CSTC-A chose to impose a penalty for the amount of questioned funds.⁴⁵⁰

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.⁴⁵¹ As shown in Table 3.14, active programs include USAID's Afghan Civic Engagement Program (ACEP) that seeks to increase civil-society capacity.

TABLE 3.14

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 3/31/2017 (\$)
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$45,208,573
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	20,130,775
Rasana (Media)	N/A	3/29/2017	3/28/2020	9,000,000	-

Source: USAID, response to SIGAR data call, 4/9/2017.

This quarter, USAID launched the \$9 million Rasana program. This program aims to support and train female journalists, drive substantive policy discourse about salient development issues in Afghanistan, and advocate for protection of Afghan journalists. Rasana will also build local capacity by providing training, material support, and advocacy to expand media opportunities for women, working with local women's groups to advance women's causes in the media, and supporting gender-sensitive content production and programming.⁴⁵²

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 by providing 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.⁴⁵³

At the October 2016 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 December 2016. The Afghan government reports that it filled 819 CBR positions, as of December 2016. This represents a significant increase over the 196 CBR positions the Afghan government reported it had filled as of September 2016.⁴⁵⁴

National Assembly

From January 19 to March 5, 2017, both houses of parliament were in recess.⁴⁵⁵

Between September 2016 and January 2017, the lower house of parliament reviewed 34 legislative documents and approved five draft laws, six legislative decrees, and the 1396 budget, and ratified 19 international agreements, one declaration, and three resolutions. During the same period, the upper house of parliament passed 14 bills, adopted 21 international agreements, issued 27 resolutions and declarations, and conducted 15 oversight trips.⁴⁵⁶

In November 2016, the lower house of parliament passed no-confidence votes for seven of 16 ministers summoned to explain why their ministries executed less than 70% of their development budgets (projects and investments are funded from a ministry’s development budget). From parliament’s perspective, these votes of no-confidence mean that the ministers are dismissed.⁴⁵⁷ President Ghani ordered the ministers to continue working, referring the legality of the dismissals to the Supreme Court.⁴⁵⁸ As of March, there has been no attempt to remove the ministers, who continue to fulfill their duties. Additionally, the Supreme Court decision on the constitutionality of the votes of no-confidence remained pending.⁴⁵⁹

In March, *ToloNews* reported that members of parliament were upset with the government’s response to their votes of no confidence. In particular, the lower house’s administrative board reported that President Ghani has yet to follow through on a promise to finalize nominations for vacant positions. A spokesperson for Chief Executive Abdullah was reported saying that the government was discussing the matter and would soon introduce ministers to parliament.⁴⁶⁰

Following the recess, the lower house of parliament summoned the ministers of defense and interior, as well as the head of the National Directorate for Security to discuss mounting insecurity. All three survived votes of confidence.⁴⁶¹

According to State, the parliament continues to face difficulties achieving quorum, though this occurs less often when sessions relate to the upcoming parliamentary elections and interpellation sessions wherein the parliament

requires Afghan government ministers to explain their actions. The lower house of parliament achieved quorum in just 21 of 54 sessions, with an average attendance rate of 44.3%. The upper house of parliament achieved quorum in 30 of 36 sessions, with an average attendance rate of 56.6%.⁴⁶² In April, four members of the lower house of parliament—including two women—were suspended for being absent for 20 days.⁴⁶³

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.⁴⁶⁴ Following the January passage of the Afghan budget, ALBA developed an in-depth presentation on the budget for parliamentarians, parliamentary staff, and other stakeholders. This presentation was available in time for the winter recess to enhance knowledge on approved operating and development expenditures. During the debates over the draft budget, ALBA found that several parliamentary commissions lacked access to data on Afghan government program implementation and results. In response, ALBA analyzed the 1396 national budget on behalf of parliament and highlighted the differences between the approved budget and original draft.⁴⁶⁵

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 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.⁴⁶⁶

This quarter, USAID finalized a mid-term evaluation of ACEP. The evaluators concluded that ACEP support increased CSOs’ ability to engage with government, monitor government accountability, and advocate for policy priorities. ACEP-supported CSOs showed significant differences in the extent and type of government engagement. Overall, very few of the ACEP-supported CSOs reported engaging in monitoring government accountability. The extent to which CSOs’ engagements increased largely correlated with the extent of ACEP support. For instance, CSOs that received relatively fewer ACEP funds and training showed the least improvement in their ability to engage the Afghan government, monitor government accountability, and advocate for policy priorities.⁴⁶⁷ Additionally, the evaluators found that the sustainability of ACEP interventions is poor due to a “project”-style approach to the program that is characterized by frequent change of CSO partners, short-term partnerships, small grant sizes, and a focus on outputs. The evaluators noted, however, that since ACEP

GOVERNANCE

is working to improve democracy and governance in Afghanistan through stronger and more capable media and civil society sectors, the sustainability of the program's interventions is dependent upon the sustainability of the current government system, which is inherently fragile.⁴⁶⁸

In January and February, ACEP sponsored two study tours to India for their CSO partners. The first tour, a two-week financial-sustainability study tour, aimed to expose 11 partners to social enterprise and financial sustainability models practiced by Indian CSOs. The second tour, a one-week event for budget-advocacy CSOs, aimed to improve the capacity of 12 CSO partners to understand budget execution and public finance management.⁴⁶⁹

SUBNATIONAL GOVERNANCE

According to the UN Secretary-General, in 2016, all new subnational appointments were made through a merit-based process, bringing the total number of merit-based appointments to 53 district governors (14%) and five deputy provincial governors (15%). A total of 20 mayors (12%) were appointed directly by President Ghani.⁴⁷⁰

Additionally, the Afghan government has allocated \$34 million (\$1 million for each province) in the 2017 national budget for development projects as part of the implementation of the Provincial Budgeting Policy.⁴⁷¹ A previous provincial-budget pilot attempt ultimately failed in 2012 when donors and the Afghan government could not agree on the source of funding for province-nominated project proposals. Provincial budgeting has been a key priority since the 2012 Tokyo Mutual Accountability Framework. For more details, see pages 128–129 of the January 2014 *Quarterly Report to the United States Congress*.⁴⁷²

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 3.15 summarizes total program costs and disbursements to date.

TABLE 3.15

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 3/31/2017 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$73,499,999	\$32,762,163
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	15,692,620

Source: USAID, response to SIGAR data call, 4/9/2017.

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.⁴⁷³

This quarter, ISLA conducted a series of three-day trainings in Kunar, Nangarhar, Laghman, Logar, Zabul, and Farah Provinces. As of February, the training has been completed in 14 ISLA-supported provinces. Training participants include representatives from the provincial governor's office, provincial council, province-level ministry offices, civil society organizations, and local media. The trainings allowed training participants to voice their ideas for their province's development plans.⁴⁷⁴

According to USAID, ISLA aims to enhance the institutional and human capacity of provincial line directorates and provincial development committees to ensure that local priorities are integrated into the national budgets through provincial development plans. Some portions of the provincial plans that are being developed and improved with ISLA's technical support could be funded with the \$34 million that the Afghan government has allocated for provincial budgeting.⁴⁷⁵

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 deputy ministry of municipal affairs and municipal advisory boards, aims to improve municipal financial management, urban service delivery, and citizen consultation.⁴⁷⁶

According to USAID, SHAHAR-supported municipalities successfully increased their revenues and budget execution for the recently concluded fiscal year compared to the previous year. These revenue increases include a 26% rise in fixed revenues and a 71% increase in non-fixed revenue, resulting in a 38% overall increase in municipal revenues. The municipalities generated approximately \$11 million in revenue surplus that they used to fund development projects. Additionally, municipalities increased their budget execution by 48%.⁴⁷⁷

This quarter, USAID reported that SHAHAR completed its first-round internship program, resulting in 152 interns being placed with either municipalities, the deputy ministry of municipalities, or SHAHAR offices. The

majority (85%) of the interns were women. SHAHAR has begun recruitment of 150 interns for the second round, with a minimum of 75% being women.⁴⁷⁸

RECONCILIATION AND REINTEGRATION

The U.S. and Afghan governments agree that the best way to ensure lasting peace and security in Afghanistan is reconciliation and a political settlement with the Taliban.⁴⁷⁹

According to the United Nations Secretary-General, there was no discernible progress on peace talks between the Afghan government and the Taliban this quarter.⁴⁸⁰ In March, the Taliban denied that the group had met with Pakistani officials to discuss peace talks with the Afghan government.⁴⁸¹

This quarter, Russia appeared to step up its involvement in Afghanistan. On December 2, General John W. Nicholson Jr., the commander of U.S. and NATO forces in Afghanistan, labeled Russia, Pakistan, and Iran as malign actors that enable insurgent or terrorist groups in Afghanistan. Nicholson said that Russia lends public legitimacy to the Taliban, which undermines the Afghan government and NATO efforts to stabilize Afghanistan.⁴⁸²

Generals Curtis Scaparrotti (Commander, U.S. European Command and NATO Supreme Allied Commander Europe) and Joseph Votel (Commander, United States Central Command) further suggested that Russia may be supplying the Taliban. According to General Scaparrotti, Russian influence in Afghanistan has increased to the point that includes “perhaps even supply to the Taliban.” General Votel offered that “it’s fair to assume [the Russian government] may be providing some kind of support to [the Taliban] in terms of weapons or other things.”⁴⁸³ The Russian government publicly rejected Scaparrotti’s remarks.⁴⁸⁴

On March 31, Secretary of Defense James Mattis weighed in on the issue of Russian support for the Taliban, saying “I’m not willing to say at this point if that has manifested into weapons and that sort of thing. But certainly, what they’re up to there in light of their other activities gives us concern.”⁴⁸⁵

On December 27, 2016, the governments of Russia, China, and Pakistan met in Moscow to discuss the security situation in Afghanistan. At the time, the Afghan government expressed its displeasure at not being invited to the meeting.⁴⁸⁶ On February 15, Afghanistan, as well as India, and Iran joined the previous three countries for a follow-up meeting in Moscow. The Russian government issued a statement following the meeting noting that participants had agreed to accelerate their efforts to support the Afghan peace process and announcing that the Central Asian republics would be invited to attend the next regional meeting on Afghanistan.⁴⁸⁷ In March, a spokesperson for Afghanistan’s national security adviser referred to the Russian government as “an important ally.”⁴⁸⁸ In April, Pakistan’s foreign policy aide to the prime minister publicly called for U.S. participation in the

Russian-sponsored talks, saying that the U.S. is the “biggest stakeholder” in Afghanistan. Later, however, the acting State spokesman said that the U.S. did not intend to participate in the talks as their purpose was unclear.⁴⁸⁹

In an interview with *Bloomberg*, Russia’s special envoy for Afghanistan, Zamir Kabulov, was quoted saying that the Taliban “have given up global jihad and have become a national force,” concluding that the Taliban is “justified” in opposing a foreign military presence.⁴⁹⁰

According to the UN Secretary-General, bilateral relations between Afghanistan and Pakistan continue to be strained this quarter, with senior officials of both governments blaming the other country for insurgent attacks. On February 17, Pakistan closed its border with Afghanistan to all traffic and conducted cross-border shelling, targeting suspected militants on Afghan territory. According to State, the U.S. and UK governments intervened diplomatically, leading to reopening of the Afghanistan-Pakistan border on March 20.⁴⁹¹ After it reopened the border, Pakistan announced that it would start building a fence along the areas bordering Afghanistan’s Nangarhar and Kunar Provinces.⁴⁹² An MOI spokesperson said that the Afghan government will not allow such construction.⁴⁹³

In September 2016, the Afghan government finalized a peace agreement with the Hezb-e Islami Gulbuddin (HIG) insurgent group.⁴⁹⁴ In the peace deal, the Afghan government committed to several actions, including requesting the removal of HIG leaders from the UN’s and others’ sanctions lists.⁴⁹⁵

In January, the Afghan government successfully lobbied the UN to remove Gulbuddin Hekmatyar’s name from the UN sanctions regime. According to State, the delisting demonstrated a strong international and regional consensus for Afghanistan’s peace and reconciliation efforts, including from two of Afghanistan’s influential neighbors, Russia and China.⁴⁹⁶ According to the UN Secretary-General, Hekmatyar’s political rivals fear his return to Afghanistan, as they believe a united HIG could become the country’s largest political party.⁴⁹⁷

The UN Secretary-General also noted that human rights advocates have expressed their concern with the terms of the HIG peace agreement, given the agreement’s failure to fully address victims’ grievances and suspected human rights violations.⁴⁹⁸ President Ghani, while discussing the balance between justice and peace in March 2015, said “peace means forgiving blood” and insisted that the Afghan government “cannot sacrifice the future for the sake of the past.”⁴⁹⁹

In April, Ambassador Franz-Michael Mellbin, Head of Delegation of the European Union to Afghanistan, said the EU is considering whether to financially support the Afghan government’s peace deal with HIG. Ambassador Mellbin insists, however, that HIG “will not have any control over the money.” According to the *Wall Street Journal*, U.S. officials have not yet received a request from the Afghan government to drop the terrorist designation for Hekmatyar or HIG.⁵⁰⁰

Afghanistan Peace and Reintegration Program

On March 31, 2016, the Afghanistan Peace and Reintegration Program (APRP) closed following a decision by APRP donors, the Afghan government, and UNDP.⁵⁰¹ The APRP was an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.⁵⁰² 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.⁵⁰³

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. According to State, the ANPR is expected to shift from the disarmament, demobilization, and reintegration 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.⁵⁰⁴ As of March, the establishment of the ANPR is still pending President Ghani's approval.⁵⁰⁵

In December 2016, State provided \$1.1 million to support the ANPR. While State intended to disburse another \$3.9 million in early 2017, this has not yet occurred since the ANPR is not finalized and approved by President Ghani.⁵⁰⁶

In February, the U.S., UK, and South Korean governments along with UNAMA sent a letter to President Ghani expressing their readiness to support a comprehensive, “whole of government approach” to peace and reconciliation. According to the letter, the Afghan National Security Council will supervise the peace process, without compromising the independence of the previous lead, the High Peace Council (HPC). The HPC, meanwhile, is expected to focus its efforts toward building an Afghan consensus on peace, engaging in peace negotiations, and monitoring the implementation of peace agreements. The authors noted that their financial support for an Afghan-led and Afghan-owned peace process is predicated upon a viable, technically sound disbursing agent, and implementing partner.⁵⁰⁷

RULE OF LAW AND ANTICORRUPTION

In March, President Ghani was quoted in Afghan media saying that the sovereignty of law is weak in Afghanistan. In particular, he decried how officials consider themselves above the law and “everyone thinks they can violate the law with the power of a gun.”⁵⁰⁸

In April, U.S. Special Chargé d’Affaires to Afghanistan, Ambassador Hugo Llorens, said that while progress has been made in increasing democracy and prosperity in Afghanistan, corruption continues to hold Afghanistan back from its full potential and outrage Afghan citizens. He called on Afghans to demand transparency and accountability from their leaders saying, “Corruption is a cancer that will kill Afghanistan if left unchecked.”⁵⁰⁹

National Security Adviser Lieutenant General H. R. McMaster previously commanded the Combined Joint InterAgency Task Force Shafafiyat (Transparency), an anticorruption task force, from 2010 to 2012. SIGAR’s Lessons Learned report on U.S. anticorruption efforts found that Shafafiyat and other U.S. government task forces had learned much about networks engaged in corruption. Their work provided civilian and military decision makers with a more complete picture of the corruption challenge, including insights on the intersection of corruption, the drug trade, crime, and the insurgency. Shafafiyat later transitioned into Resolute Support’s Essential Function 2 (Transparency, Accountability and Oversight).

Source: SIGAR, *Corruption in Conflict: Lessons from the U.S. Experience in Afghanistan*, 9/2016, pp. 40, 96.

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This quarter, Resolute Support reported that they are in the process of establishing a Counter Threat Finance Cell (CTFC). The Resolute Support CTFC has 33% of its personnel on board and is equipping a facility for their use. The CTFC has begun coordinating their efforts with the U.S. Embassy in Kabul. The CTFC may serve as a successor to the Afghan Threat Finance Cell (ATFC), a U.S. unit formed to track and stop terrorist financing. The goals and scope of the CTFC are still being developed, with SIGAR participating in this process.⁵¹⁰

Project Summary

The United States has assisted the formal and informal justice sectors through several mechanisms. These include State'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 3.16.

USAID has a cooperation arrangement with the United Kingdom's Department for International Development to fund the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID funds the MEC's monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.⁵¹¹

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 project—to address immediately identifiable corrupt practices.⁵¹²

AERCA had identified 10 services that are important to Afghans but are perceived as not working as well as expected: (1, 2) disability and martyr

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.

TABLE 3.16

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 3/31/2017 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	2/28/2017	\$285,644,451	\$267,479,751
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	68,163,468	4,718,418
Electoral Reform and Civic Advocacy (AERCA)*	7/13/2009	8/31/2017	51,302,682	45,373,697
Corrections System Support Program (CSSP IV)**	3/1/2016	8/27/2017	22,564,474	12,469,724
Justice Training Transition Program (JTTP) Follow On***	1/2/2013	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	2,000,000

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.

**Disbursements as of 1/29/2017.

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

Source: State, INL, response to SIGAR data call, 3/24/2017; USAID, response to SIGAR data call, 4/9/2017.

payments by the Ministry of Labor, Social Affairs, Martyrs and Disabled; (3, 4, 5) driver's license issuance, vehicle registration, and national identification by the MOI; (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 MOE.⁵¹³ In August 2016, USAID and AERCA decided to suspend AERCA's assistance to the driver's license service after determining that there was insufficient political will for reform in the MOI's traffic department to enable worthwhile collaboration.⁵¹⁴

This quarter, AERCA conducted a rapid assessment of the Population Registration Directorate (PRD) in Jalalabad City, Nangarhar Province. AERCA found that the PRD serves between 400 to 750 citizen applicants per day, with most seeking issuance of new national identification card. The current process for issuance of a new identification card takes an average of four work days, which according to AERCA is often perceived as inordinately lengthy and frustrating. In particular, applicants from rural districts are particularly upset when they learn that the process takes more than one or two days. Almost two-fifths of the process time is spent to obtain written approval from the provincial governor, a frustrating procedure that AERCA reports has no legal basis. AERCA identified a number of redundant processes that may be simplified in order to reduce wait times.⁵¹⁵

AERCA found that the province-level PRD has been more burdened in recent years as a number of district-level PRD offices along have ceased to function due to growing insecurity. In districts where the local PRD office does function, local residents often do not visit the offices for fear of reprisal by insurgents. The would-be applicants, many of them returnees from Pakistan, and other internally displaced persons, often have to visit the province-level PRD in Jalalabad City.⁵¹⁶

AERCA plans to conduct a census and registration of businesses in Kabul's 22 municipal districts. AERCA's surveyors present themselves to the surveyed businesses as Kabul Municipality staff. As of February, AERCA staff have registered 6,089 businesses in Kabul City's Sixth Municipal District (compared to 2,355 businesses previously registered) and 11,080 businesses registered in the Fifth Municipal District (compared to 6,175 businesses previously registered).⁵¹⁷

In February, AERCA met with representatives of the Ministry of Economy (MOEc) to discuss possible assistance options. The MOEc representatives highlighted challenges associated with nongovernmental organizations (NGOs) including: (1) poor management of NGO registration and license renewal, (2) lack of transparency and accountability of NGO operations, (3) mismanagement of human resources, (4) non-compliance of procurement and accounting procedures with internationally accepted standards and principles, and (5) insufficient monitoring and evaluation of NGO activities. According the MOEc data, over 2,000 Afghan and international

NGOs operate in Afghanistan and receive approximately \$1 billion in donor and Afghan government assistance. Following these discussions, AERCA is developing a service-delivery improvement implementation plan and a memorandum of understanding with MOEC.⁵¹⁸

Last quarter, State's \$48 million Justice Training Transition Program (JTTP), in partnership with the Supreme Court, conducted data collection for an institutional learning needs assessment (ILNA) to identify the most prevalent learning needs among judges. JTTP found that Afghanistan's judges generally valued training and continuing professional development. JTTP will continue to work with the Supreme Court's training department to learn from the ILNA exercise and to develop capacity to run such assessments independently. JTTP also partnered with the Attorney General's Office (AGO) to develop an ILNA to evaluate prosecutors' ability to perform their tasks. JTTP and the AGO are finalizing the ILNA for deployment, expected in the next quarter.⁵¹⁹

In April 2016, 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.⁵²⁰

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.

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 6.15% annually over the past five years. As of January 31, the GDPDC incarcerated 26,862 males and 906 females, while the MOJ's Juvenile Rehabilitation Directorate (JRD) incarcerated 685 male juveniles and 91 female juveniles. These incarceration totals do not include detainees held by any other Afghan governmental organization, as State's Bureau of International Narcotics and Law Enforcement Affairs (INL) does not have access to their data.⁵²¹

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adults, despite presidential amnesty decrees

and the transfer of National Security Threat inmates to the MOD that have reduced the prison population significantly. As of January 31, the total male provincial-prison population was at 197% 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 78% of the ICRC-recommended capacity. The JRD's juvenile-rehabilitation centers' population was at 54% of ICRC-recommended capacity.⁵²²

In February and April, hundreds of prisoners at Pul-i Charkhi Prison went on hunger strike to protest what they claimed were violations of their rights. Almost 20 prisoners sewed their lips shut for being denied the option of serving their prison sentences in their home provinces and for not being pardoned by the Afghan president.⁵²³

According to State, the latest Corrections System Support Program (CSSP) successes related to small-scale infrastructure development. In December 2016, a new hospital was opened at Pul-e Charkhi Prison after nine months of renovation and coordination. Through CSSP, State donated over 30 medical items to the hospital. According to State, Pul-e Charkhi inmates will now have access to emergency care, diagnostic and lab services, internal medicine services, infectious disease treatment, some surgical services, dental care services, pharmacy services, and mental health and drug addiction treatment services. Also in December 2016, CSSP added lightning rods to the Counternarcotics Justice Center, fulfilling a recommendation from a SIGAR inspection. Finally, State completed security renovations at the Balkh Juvenile Rehabilitation Center and upgraded the electrical and sanitation systems at the Kabul Female Prison and Detention Center.⁵²⁴

Anticorruption

At the October 2016 Brussels Conference, the Afghan government agreed to draft and endorse an anticorruption strategy for the whole of government by the first half of 2017. The government says it will implement this strategy by the second half of 2017. Additionally, five revenue-generating ministries are to publicly report on implementation progress of their anticorruption action plans in 2017.⁵²⁵

Anti-Corruption Justice Center

In May 2016, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).⁵²⁶ The ACJC brings together Major Crimes Task Force (MCTF) investigators, Afghan Attorney General's Office (AGO) prosecutors, and judges to combat serious corruption.⁵²⁷ The ACJC's jurisdiction covers major corruption cases committed in any province involving senior officials or substantial monetary losses of a minimum of five million afghanis (approximately \$73,000).⁵²⁸

On February 15, the ACJC convicted a district police chief of money laundering and sentenced him to three years' imprisonment.⁵²⁹



The Anti-Corruption Justice Center announcing sentences in December 2016. (Afghan Attorney General's Office photo)

On March 26, the ACJC convicted four Ministry of Urban Development and Housing (MUDH) employees on charges of embezzlement and misuse of authority. Mohammad Amin Qani and Sayed Amin Sadat, both from the ministry's Apartments Cohesion unit, were sentenced to 20 years in prison for embezzling more than \$12.8 million, while Ahmad Nawaz Bakhtyar and Mohammad Yaqub Ibrahimi of the MUDH Housing Enterprise unit were sentenced to seven years each. Qani was ordered to return the stolen funds, while both he and Sadat were individually fined more than \$2.3 million and required to collectively pay a fine equal to the amount stolen. Bakhtyar and Ibrahimi were also each fined more than \$6.5 million. Qani, Sadat, and Bakhtyar are currently in custody, while Ibrahimi remains at large and was tried in absentia. Those convicted were among six senior MUDH officials President Ghani suspended in 2015 for embezzling millions of dollars in several urban development and housing projects.⁵³⁰

In March, the ACJC also sentenced the provincial council chief for Herat Province—in absentia—to a two-and-a-half-year jail sentence for abuse of his authority. He was accused of interfering with the affairs of the Herat office of the AGO, including forcibly freeing a suspect. In February 2016, the same provincial council chief claimed to have documents proving that the Herat education department paid millions of afghanis for ghost teachers and schools. In February 2017, members of the Herat provincial council also participated in demonstrations against corruption in the Herat provincial government.⁵³¹

On April 10, two Major Crimes Task Force (MCTF) investigators attached to the ACJC were shot dead on their way to the office in Kabul.⁵³²

According to Resolute Support, the international community has demanded that ACJC investigators, prosecutors, and judges be vetted and polygraphed. While the MCTF has complied with this requirement, the AGO and Supreme Court continue to resist or refuse. 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.⁵³³

Afghan Attorney General's Office

According to Resolute Support, other anticorruption bodies, in particular the MCTF, continue to lack faith in the AGO as they continue to observe anticorruption cases being stymied by the AGO. Resolute Support reports that the AGO suffers from institutional corruption and is not transparent in tracking cases post-investigation into prosecution.⁵³⁴

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

In November 2016, SIGAR released a report that reviewed 25 USAID-funded schools in Herat Province. SIGAR observations from these site visits indicated that there may be problems with student and teacher absenteeism at many of the schools visited in Herat that warrant further investigation by the Afghan government.

Source: SIGAR, *Schools in Herat Province: Observations from Site Visits at 25 Schools*, SIGAR 17-12-SP 11/4/2016.

efforts to fight corruption, and to report on these efforts. Its board 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.⁵³⁵

This quarter, the MEC published its second quarterly monitoring report on implementation of recommendations contained in their June 2016 vulnerabilities-to-corruption report on the Ministry of Public Health (MOPH). Of the 115 recommendations, the MEC found that the MOPH has fully implemented 14 and partially implemented 63. According to the MEC, the MOPH has established a National Health and Medical Product Regulatory Authority (NHMRA) to monitor pharmaceutical markets, licensing medical facilities and pharmacists, registering pharmaceuticals and medical products, and controlling quality and price of medicines in the markets. The NHMRA has dissolved 95 of the 467 registered production companies and started reregistration process of these companies. MOPH also established a Complaints Handling Office (CHO) which has addressed 120 complaints.⁵³⁶

Also this quarter, the MEC reviewed the Ministry of Communications and Information Technology's (MCIT) anticorruption plan. The MEC concluded that MCIT has almost entirely failed to implement this plan. For example, while the MCIT collects 10% users' fee from mobile phone users, the ministry cannot verify if the amount deposited into its account represents actual collection of these fees. Additionally, MCIT has yet to conduct a study to determine which 10 public services can be automated in the next three years, despite having a deadline of May 2017.⁵³⁷

High Office of Oversight and Anticorruption

The High Office of Oversight and Anti-Corruption (HOOAC) was established in July 2008 by presidential decree to oversee and coordinate implementation of the Afghan government's anticorruption strategy. The HOOAC 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 AGO for further investigation and possible prosecution. According to USAID, these investigations seldom lead to prosecution. Mutual recrimination between AGO and HOOAC is common.⁵³⁸ The HOOAC is also charged with collection and verification of asset declarations submitted by Afghan government officials.⁵³⁹

As of January, Resolute Support reports that the MOD submitted 194 asset declarations to the HOOAC while the MOI submitted 210 of 310 required asset declarations. Resolute Support notes, however, that asset declaration forms are not being routinely submitted as new personnel begin or depart their positions.⁵⁴⁰

In January, the lower house of parliament recommended that the upper house of parliament dissolve the HOOAC, following up on a two-year-old lower house decision. The HOOAC argues that its dissolution would contravene the Afghan Constitution as well as international conventions. USAID's ALBA program advised the lower house of parliament to refer the matter to the Independent Commission for Overseeing the Implementation of the Constitution for interpretation—an entity that has uncertain authorities for issue opinions on constitutional questions, as it established in 2010, on the basis of a 2007 law passed by parliament that was later declared unconstitutional by the Supreme Court.⁵⁴¹ As of April, USAID reports that there has been no resolution to this issue.⁵⁴²

Security Services

In March, the MOD reported that it had fired 1,394 army personnel, including eight generals, for corruption in the past year. The MOD is currently reviewing more than 1,800 allegations of corruption, with nearly 170 cases having been referred to law-enforcement agencies and 300 already prosecuted. These cases include suspected abuse of office and illegal weapons sales. According to the MOD, Mohammad Moein Faqir, a former commander of 215th Corps in Helmand Province, was among the MOD personnel arrested recently. The MOD said General Faqir is accused of misuse of supplies and soldiers' food, neglect of duty, and lack of transparency in the use of fuel, food, and other supplies.⁵⁴³

In April, the MOI announced that it had found 239 cases of corruption in the previous year. Reportedly, 187 persons were arrested, including 40 police personnel and 15 high-ranking officials.⁵⁴⁴

According to Resolute Support, the MOD has shown increased will to respond to corruption following an October 9, 2016, meeting in which President Ghani demanded action. Shortly after this meeting, the MOD ordered the establishment of corps-, brigade-, and independent command-level Transparency and Accountability Committees (TAC). These TACs are expected to meet bimonthly and send monthly reports to the General Staff Inspector General (GS IG). The GS IG, in turn, is to analyze these reports and brief the results to a General Staff-level TAC.⁵⁴⁵ Thus far, Resolute Support has been able to attend one meeting of the General Staff-level TAC, in which the GS IG highlighted cases from across the Afghan army corps.⁵⁴⁶

The MOI Inspector General has 21 multi-province zonal-level inspector general positions covering the eight zones. Personnel have deployed to 19 of these positions. According to Resolute Support, the inspector general personnel at four of the eight zones are not yet trained and have yet to hold a meeting. Resolute Support is currently unable to assess the effectiveness of the MOI inspector general personnel at the remaining four zones, despite hearing reports that they have received training and are holding meetings.⁵⁴⁷



SIGAR Special Agent in Charge Charles Hyacinthe with Brigadier General Abdul Ghayor Andarabi, Director of the Major Crimes Task Force. (SIGAR photo)

Major Crimes Task Force

Since January 2016, the MCTF has opened 336 cases (including 112 corruption investigations), and arrested 195 suspects.⁵⁴⁸

According to Resolute Support, despite supportive MOI leadership in the form of the MCTF director and his superior, the chief of Afghan Anti-Crime Police, the MCTF continues to face challenges from the broader MOI. For example, the MOI reduced the MCTF operational budget to half of its previous amount. In addition, the MOI has withheld the equivalent of more than a year's worth of the MCTF operational budget. According to Resolute Support, this budget cut appears to coincide with the increase in corruption cases and arrests of significant government officials.⁵⁴⁹

Resolute Support reports that the MCTF is being stretched thin as it assumes the additional duty to provide security for ACJC trials, hindering their case work. While senior MOI leadership are aware of this problem, no progress has been made toward resolving it this quarter. Additionally, Resolute Support reports that the MCTF continues to be burdened with requests for investigative support from the AGO and the ACJC on cases which are not initiated at the MCTF, interfering with the MCTF's own case work. The requests from the AGO and ACJC bring added costs to MCTF for travel, meals, and other duty-related expenses. However, MCTF's operational budget has not been increased to match the demands.⁵⁵⁰

Between November 2016 and January 2017, Resolute Support advisers were unable to travel to the MCTF facility due to security concerns. While Resolute Support advisers were able to remain in contact via telephone and meetings at their own facility, Resolute Support reports the positive momentum and confidence of the MCTF personnel may have been eroded by RS's reduced personal contact with MCTF investigators.⁵⁵¹

According to Resolute Support, the Afghan government needs to take ownership of and empower the MCTF, which Resolute Support sees as "swimming against the tide" of the general state of Afghan government corruption. Despite recent progress, Resolute Support reports that the MCTF's effectiveness against high-level corruption continues to be limited by external factors, such as a lack of AGO transparency and political pressure.⁵⁵²

HUMAN RIGHTS

In March, the State Department released its annual report on human rights in Afghanistan. According to State, the most significant human rights problems in 2016 were widespread violence, including indiscriminate attacks on civilians by armed insurgent groups; armed insurgent groups' killings of persons affiliated with the government; torture and abuse of detainees by government forces; widespread disregard for the rule of law and little accountability for those who committed human rights abuses; and targeted violence and endemic societal discrimination against women and girls.⁵⁵³

Additionally, State pointed out other human rights problems that included extrajudicial killings by security forces; ineffective government investigations of abuse and torture by local security forces; poor prison conditions; arbitrary arrest and detention, including of women accused of so-called moral crimes; prolonged pretrial detentions; judicial corruption and ineffectiveness; violations of privacy rights; restrictions on freedom of speech, press, religion, and movement; pervasive governmental corruption; underage and forced marriages; abuse of children, including sexual abuse; trafficking in persons, including forced labor; discrimination against persons with disabilities; discrimination and abuses against ethnic minorities; societal discrimination based on race, religion, gender, sexual orientation, and HIV/AIDS status; and abuse of workers' rights, including child labor.⁵⁵⁴

Widespread disregard for the rule of law and official impunity for those who committed human rights abuses were other serious problems identified by State. The government did not consistently or effectively prosecute abuses by officials, including security forces. State did note, however, that civilian authorities generally maintained control over the security forces, although there were occasions when security forces acted independently.⁵⁵⁵

Refugees and Internal Displacement

There have not been significant changes in refugee movements during the quarter. According to State, following the December 2016 decision of the UN High Commissioner for Refugees (UNHCR) to close its voluntary repatriation centers in Pakistan for the winter, there have been no voluntary refugee repatriations from Pakistan. In 2016, a total of 370,102 Afghans registered as refugees returned from Pakistan, 2,290 returned from Iran, and 185 returned from other countries. UNHCR predicts a similar high number of refugee returns in 2017 when the repatriation centers open in April.⁵⁵⁶

State sees four primary factors affecting returns in 2017: (1) the introduction of tighter border controls by Pakistani authorities; (2) the harassment of Afghan communities in Pakistan; (3) the extension of proof-of-registration cards, which provide legal status for Afghan refugees in Pakistan, to December 31, 2017; and (4) the reduction of UNHCR-provided repatriation grants from \$400 per person to \$200 per person.⁵⁵⁷ UNHCR provides services at the voluntary repatriation centers (in Pakistan) and at encashment centers (in Afghanistan) to returning refugees such as vaccinations, land mine awareness, school enrollment information, and referral services for those that require additional assistance. In addition to protection assistance, UNHCR provides cash assistance for reintegration. In 2016, these grants were \$400 per person. Starting April 2017, UNHCR will reduce this assistance to \$200 per person for sustainability purposes.⁵⁵⁸ Typically, the \$400 cash grants were expended within two to three months.⁵⁵⁹

Undocumented Afghans (migrants) are also returning in large numbers in recent months. The International Organization for Migration reports that

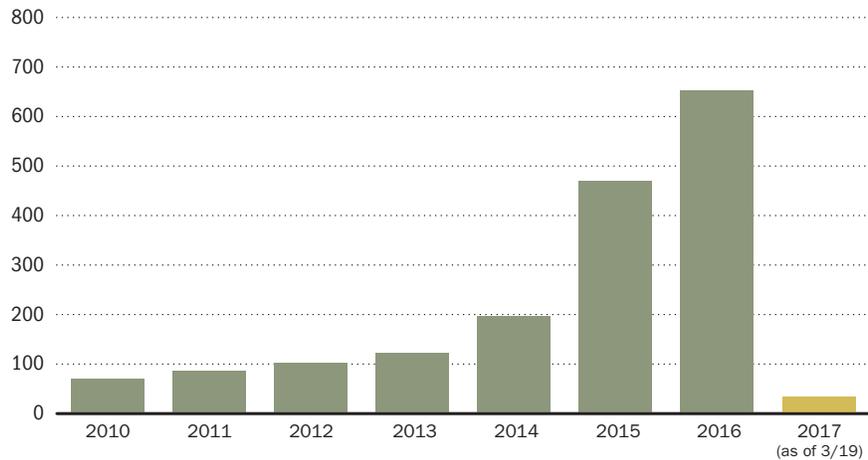
GOVERNANCE

12,149 undocumented Afghan migrants have returned from Pakistan in 2017, as of March 25.⁵⁶⁰

As shown in Figure 3.28, there has also been an increase in internal displacement. According to the UN's Office for the Coordination of Humanitarian Affairs (OCHA), 660,639 people in Afghanistan fled their homes due to conflict in 2016—the highest number of displacements

FIGURE 3.28

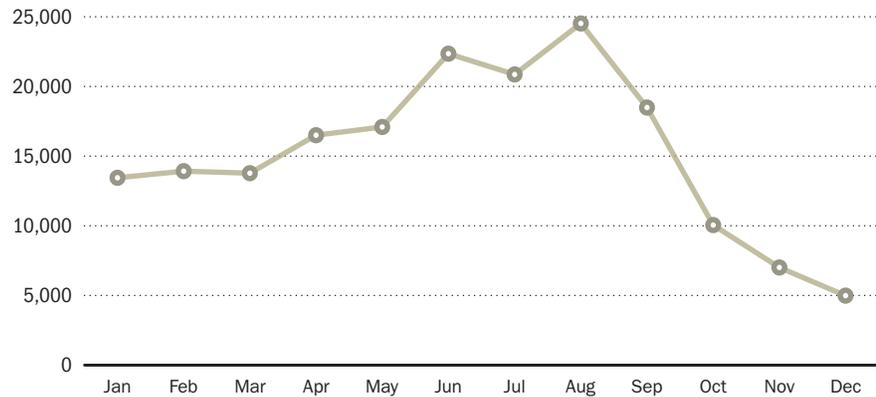
CONFLICT-INDUCED DISPLACEMENTS (THOUSANDS)



Source: UN OCHA, "Afghanistan: Conflict Induced Displacements in 2017 - Snapshot," 3/19/2017.

FIGURE 3.29

FIRST-TIME AFGHAN ASYLUM APPLICANTS TO THE EUROPEAN UNION DURING 2016



Source: EUROSTAT, "First time asylum applicants in the EU-28 by citizenship, Q4 2015–Q4 2016," 3/16/2017.

on record and a 40% increase over the previous year. The UN Secretary-General reports that 220 of Afghanistan's districts had conflict-induced displacement. OCHA reported that as of March 25, 47,404 individuals have been displaced so far in 2017.⁵⁶¹

Eurostat, the statistical office of the EU, reported 182,985 first-time Afghan asylum seekers in the EU in 2016. As shown in Figure 3.29, the number of Afghan asylum applications from October to December was 65% lower than the number for the previous three months.⁵⁶² A Ministry of Refugees and Repatriation spokesman said in December that approximately 10,000 Afghans have returned from Europe in 2016.⁵⁶³

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.⁵⁶⁴

USAID has committed \$280 million to Promote and hopes to raise an additional \$200 million from other international donors.⁵⁶⁵ No other donors have committed to contribute funds to Promote; however, USAID reports that Promote was designed to achieve the project targets with or without additional funding.⁵⁶⁶ Table 3.17 show the current Promote programs.

TABLE 3.17

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 3/31/2017 (\$)
Promote: Women in the Economy	7/1/2015	6/30/2020	\$71,571,543	\$15,046,976
Promote: Women's Leadership Development	9/23/2014	9/22/2019	41,959,377	18,495,491
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	9,096,718
Promote: Women's Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	6,369,704
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, 4/9/2017.

As of March, 3,595 women have participated in Promote's Women in the Economy (WIE) internship and apprenticeship program, which focuses on internships in the healthcare, education, information technology, banking, and finance sectors. Between January and March, 1,423 women were participating in internships and 12 had found jobs. Since the start of WIE, 664 female interns have advanced into full time employment either within the host company, or by finding a Promote-defined new and better job.⁵⁶⁷

This quarter, 1,158 young women graduated from Promote's Women's Leadership Development (WLD) primary training program, bringing the



First Lady of Afghanistan Rula Ghani delivers remarks during a Women in Security Advisory Committee session. (U.S. Navy photo by Lt. Jg. Egdanis Torres Sierra)

total to 3,803 graduates. Of the total number of graduates, 137 graduates were hired by the Afghan government, 265 graduates are participating in internships, apprenticeships, and with other USAID Promote programs, and 143 graduates hired by private sector employers. WLD has extended its training to women at the MOI's police academy with the aim of building women's leadership within the police force.⁵⁶⁸

Promote's Women in Government (WIG) program continued the training of 102 first-cohort interns for their final three-month practicum with one of 17 Afghan government ministries, four independent agencies, or with the Kabul Municipality. This final phase marks the end of their year-long internship. In February, WIG met with Afghan government human resources directors to identify vacancies and push for the hiring of qualified interns.

Meanwhile, the second cohort of 347 WIG interns continued their six-month civil service training at the Ministry of Labor, Social Affairs, Martyrs, and Disabled's Institute for the Disabled in Kabul. Following this initial training, the interns will participate in a three-month leadership development seminar offered by WLD. WIG is also providing civil service training to a third cohort of 540 female university graduates and a fourth cohort of 145 females.⁵⁶⁹ As of January, WIG reports that 15 of the initial 16 WIG pilot graduates are employed full-time by the Afghan government, though three were employed on temporary, three-month contracts.⁵⁷⁰

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 2016.⁵⁷¹ 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.⁵⁷²

At the October 2016 Brussels Conference, the Afghan government agreed to demonstrate progress in its National Action Plan for Women by delivering annual progress 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 2018.⁵⁷³ According to the Afghan Central Statistics Office, 21.9% of Afghan civil service employees were women in 2015–2016, a 0.7% increase over the previous year.⁵⁷⁴

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 2018.⁵⁷⁵ 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.⁵⁷⁶ The Afghan government reports that, as of January, the AGO employs 355 female prosecutors. Additionally, local inspectors for the elimination of violence against women currently operate in 23 provinces. However, the 11 remaining provinces lack dedicated inspectors due to insecurity.⁵⁷⁷ According to State, as of April, 33 provinces host elimination of violence against women prosecution units.⁵⁷⁸

Finally, Afghanistan committed to launch a women's economic-empowerment plan by the first half of 2017 and produce an implementation report by 2018.⁵⁷⁹ According to the Afghan government, the final draft of this plan has been approved and the budget is being developed.⁵⁸⁰

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ECONOMIC AND SOCIAL DEVELOPMENT

KEY ISSUES AND EVENTS

On January 16, 2017, the Afghan parliament passed a 429 billion afghani (AFN, the Afghan unit of currency) budget, or more than \$6.4 billion in current dollars for Fiscal Year (FY) 1396, which runs from December 22, 2016, through December 21, 2017. Domestic revenues are to pay for 38% of the budget, with donor assistance covering the rest.⁵⁸¹

On March 6, 2017, the International Monetary Fund (IMF) announced a staff-level agreement with Afghan authorities on the completion of the first review of Afghanistan's three-year economic-reform program. IMF staff found Afghanistan's performance satisfactory and commended the government for maintaining macroeconomic stability and making progress under challenging circumstances. The agreement is subject to approval by IMF management and the executive board in May 2017. Afghanistan aims to catalyze donor support by successfully completing the program.⁵⁸²

In February 2017, the Financial Action Task Force (FATF) said Afghanistan has substantially addressed the technical requirements of its anti-money-laundering/combating the financing of terrorism (AML/CFT) compliance plan. FATF announced that it expects to visit Afghanistan before June 2017 to monitor whether the required reforms and actions to address deficiencies are being implemented.⁵⁸³ Favorable findings could lead FATF to remove Afghanistan from its list of countries with strategic AML/CFT deficiencies.⁵⁸⁴ Should that happen, Afghanistan's international banking relationships could improve. Afghan banks could also become more profitable, as international trade and transaction fees are an important revenue source for them.⁵⁸⁵

Yet, in March 2017, the State Department again listed Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds. State found Afghanistan's anti-money-laundering laws to be largely in line with international standards, but its supervision and regulatory enforcement is still deficient.⁵⁸⁶

In late March 2017, President Ghani nominated Nargis Nehan as the new Minister of Mines and Petroleum, and directed parliament to schedule a vote of confidence.⁵⁸⁷ Nehan became acting minister on April 1.⁵⁸⁸

Civil-society organizations welcomed her nomination, which they hope will lead to greater reforms, transparency, and accountability.⁵⁸⁹ The Ministry of Mines and Petroleum (MOMP) has lacked a permanent minister since March 2016.⁵⁹⁰

U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE AND ECONOMIC AND SOCIAL DEVELOPMENT

As of March 31, 2017, the U.S. government has provided approximately \$32.3 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 \$15.1 billion has been disbursed.⁵⁹¹

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.⁵⁹² Increased revenues would reduce Afghanistan’s heavy reliance on foreign aid donors.

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. Grid expansion is a critical component of the United States’ economic-growth strategy for Afghanistan.⁵⁹³

ECONOMIC PROFILE

The World Bank reported that past economic and social 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. Weak institutions undermine Afghanistan’s delivery of public services, and along with high levels of crime and corruption, deters private investment.⁵⁹⁴ The IMF added that Afghanistan’s inadequate infrastructure and human capital, and a large illicit narcotics sector, were also notable elements preventing robust and inclusive economic development.⁵⁹⁵

The World Bank said Afghanistan will remain aid-dependent beyond 2030.⁵⁹⁶ Current economic growth remains far below the level required to increase employment and improve living standards, according to the IMF.⁵⁹⁷ It is being outpaced by Afghanistan’s rapid population growth, estimated at 3% per year. As a result, per capita GDP may be falling, employment

opportunities are limited, and the budget is pressured. Afghanistan's labor market is unable to absorb what the World Bank estimates are 400,000 people entering the work force every year. Nearly 23% of Afghanistan's labor force was unemployed in 2013–2014, per the most recent reporting, almost triple the level of the 2011–2012 years of the Coalition surge with its accompanying spending.⁵⁹⁸

The Afghan government acknowledged that lower foreign-military spending since the drawdown of the Coalition in 2014 has reduced demand for goods and services, causing large-scale job loss. Meanwhile, the strength of the insurgency has caused the government to spend more on security forces and less on job-creating investments.⁵⁹⁹

Agriculture has the potential to drive strong economic growth and improve livelihoods, according to the World Bank, and the Afghan government has acknowledged that the country's GDP rises and falls with it. However, agricultural output and income fluctuate with the weather, so economic growth based on this sector is volatile.⁶⁰⁰

Industry and services, which benefited from the Coalition's large presence, security spending, and aid flows prior to 2015, have since grown much more slowly.⁶⁰¹ 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.⁶⁰²

Afghanistan's Fiscal Outlook

Improving Afghanistan's fiscal position, according to the World Bank, will require a large increase in revenues, which is plausible only with mining development, and at least sustained levels of aid. While domestic revenues have increased, the World Bank said, so have Afghanistan's security costs.⁶⁰³

According to DOD, costs for the Afghan National Defense and Security Forces (ANDSF) in FY 2016 were \$5.01 billion, of which the United States paid \$3.65 billion.

DOD expects the FY 2017 ANDSF requirement to cost \$4.9 billion.⁶⁰⁴ For FY 1396 (2017) Afghanistan budgeted AFN 125.2 billion (roughly \$1.9 billion) for the Ministry of Interior and Ministry of Defense. Of that, Afghanistan planned to contribute AFN 26.8 billion (\$401 million), which would absorb 17.6% of Afghanistan's total estimated domestic revenues for the year.⁶⁰⁵

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 for existing assets, and civil service salaries.⁶⁰⁶

Afghanistan's currency, the afghani, has also depreciated significantly, which the World Bank attributes to a decline in aid, the preference of Afghan consumers for the U.S. 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.⁶⁰⁷

For the most recent SIGAR analysis of Afghanistan's revenues and expenditures (FY 1395–Month 11), see pages 151–154 in the January 2017 Quarterly Report to the United States Congress.

Afghanistan's Revenues and Expenditures

Official Afghan financial data were unavailable this quarter. Updated Afghanistan Treasury Department reports covering FY 1395–Month 12 and the first three months of FY 1396 were not publicly accessible, as of April 14, 2017.⁶⁰⁸ The Ministry of Finance's (MOF) budget directorate did publish a financial report for FY 1395–Month 12. But the report used data from the Afghanistan Financial Management Information System (AFMIS), the country's government-wide accounting system, dated November 3, 2016, which was 48 days before Month 12 ended.⁶⁰⁹

AFMIS was temporarily offline this quarter as changes were made to the system. Combined Security Transition Command-Afghanistan (CSTC-A) reported it lost access in December 2016 (toward the end of FY 1395) and said AFMIS upgrades created technical challenges for them that they are still trying to resolve.⁶¹⁰ USAID said the MOF inactivated all AFMIS user accounts for FY 1395, but that it had access to FY 1396 reports.⁶¹¹

Donors are expected to finance approximately 62% of Afghanistan's total FY 1396 national budget, mostly through grants. This covers approximately 45% of the operating budget and 89% of the development budget.

Source: MOF, *National Budget Document, 1396 Fiscal Year, 1/16/2017*, pp. 10, 76.

FY 1396 Budget Approved

The *Wolesi Jirga*, Afghanistan's lower house of parliament, approved a national budget for Fiscal Year 1396, which runs from December 22, 2016, through December 21, 2017. The AFN 429.4 billion (\$6.4 billion) budget includes AFN 268.4 billion (\$4.0 billion) for the operating budget and AFN 161.0 billion (\$2.4 billion) for the development budget. Expenditures will focus on security (34% of the total budget), infrastructure (21%), education (13%), agriculture (7%), social protection—government pensions, assistance to the poor and disaster-affected (6%)—and health (3%).⁶¹²

The Afghan government projected domestic revenues to reach approximately AFN 152.5 billion (\$2.3 billion) in FY 1396. It is relying on taxes, including parliamentary passage and implementation of a 10% value-added tax, increased tariff rates (that are World Trade Organization-compliant), customs duties, and other fees to accomplish this. Additionally, the budget assumed a 3.8% GDP growth rate in FY 1396 even though the World Bank's growth estimate in FY 1395 was 1.2% and 1.8% for FY 1396—less than half the rate posited in the budget.⁶¹³

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," fact sheet, 3/16/2016.

International Monetary Fund Support Agreement Update

On March 6, 2017, IMF announced a staff-level agreement with Afghan authorities on completing the first review of Afghanistan's economic-reform program—the three-year, \$45 million **Extended Credit Facility (ECF)**—that began in July 2016. The ECF sets out an agenda for Afghanistan that focuses on institution building, fiscal and financial reforms, and measures to combat

corruption in order to improve private-sector development and more inclusive growth. IMF staff found Afghanistan's performance satisfactory and commended the government for "prudent macroeconomic management and achieving progress under challenging circumstances." If IMF management and executive board approve the agreement in May 2017, about \$6.1 million will be disbursed to the government.⁶¹⁴

Trade

Afghanistan continued to pursue regional trade ties this quarter, announcing a bilateral economic strategy with Uzbekistan, through which both countries hope to increase their annual trade from \$429 million in 2016 to \$1.5 billion in 2017.⁶¹⁵ Afghanistan's trade balance was an IMF-estimated negative \$7.2 billion (equivalent to 36.6% of GDP) in 2015 and 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%).⁶¹⁶ 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.⁶¹⁷

The U.S.-Afghanistan Trade and Investment Framework Agreement (TIFA) Council met in Kabul, March 27–28, 2017. The U.S. delegation was led by U.S. Special Trade Representative Michael Delaney. The council reviewed trade and investment trends in Afghanistan, the status of key legislative obligations required under World Trade Organization (WTO) rules, and U.S. assistance to Afghanistan in becoming WTO-compliant. The council also addressed concerns raised in the World Bank's *Doing Business 2017* report, as well as challenges, opportunities, and solutions in key Afghan economic sectors. The U.S. delegation presented an overview of the U.S. Generalized System of Preferences (GSP) market-access program, which allows products from designated countries to be imported into the United States duty-free, and how Afghanistan could benefit from greater use of the program.⁶¹⁸

Export and Import Data

Although Afghanistan routinely sustains a large trade deficit, donor aid helped the country maintain an IMF-estimated current-account surplus that was equivalent to 4.7% of GDP (\$925 million) in 2015. It fell to 4.5% of GDP (\$825 million) in 2016. Without donor assistance, the IMF estimated Afghanistan would have a current-account deficit equivalent to 33.5% of its GDP in 2015 (\$6.6 billion) and the equivalent of 36.6% of GDP in 2016 (\$6.7 billion).⁶¹⁹

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 per year. The IMF had 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

Afghanistan was the United States' 93rd-largest trading partner in 2016. U.S. goods exports to Afghanistan totaled \$913 million. Afghan goods exports to the U.S. totaled \$34 million.

Source: USTR, "United States and Afghanistan Hold Annual Meeting Under the U.S.-Afghanistan Trade and Investment Framework Agreement (TIFA)," press release, 3/2017.

Some of the obstacles to doing business in Afghanistan that were reported in the World Bank's *Doing Business 2017* are listed on p. 178.

to be around \$9.0 billion, with more than \$6.7 billion paid for by official donor grants.⁶²⁰ Official statistics for the year had not been published as this report went to press.

IMF staff said that Afghanistan needs to increase and diversify its exports, which will stimulate innovation and good management.⁶²¹ The Afghan government pledged to reduce regulatory and operational barriers to facilitate this.⁶²² Exports depend heavily on agricultural outputs, which the World Bank said can increase if Afghanistan develops supply chains for higher value-added products. This will require investments to develop and improve irrigation and extension services, and to build downstream agro-processing capacities.⁶²³ Weather and rainfall would, of course, continue to exert a significant influence on agricultural output and income potential.

BANKING AND FINANCE

The World Bank said Afghanistan's financial sector is challenged by the country's security environment. It also is affected by "lingering governance concerns, deteriorating asset quality, and weak profitability," according to the IMF.⁶²⁴ The banking sector is dominated by 15 banks—three state-owned, nine Afghan private-sector, and three foreign-owned branches.⁶²⁵ Public confidence has not been fully restored in the wake of the 2010 Kabul Bank crisis.

Bank lending remains low, as shown in the banks' 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 2015.⁶²⁶ 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).⁶²⁷

Less than 10% of the Afghan population uses banks, according to a State Department report; some 90% of financial transactions go through the informal **money service businesses** (MSB)/hawala system. There is no clear division between MSBs/hawala and formal banking systems—**hawaladars** keep bank accounts and use wire-transfer services, while banks occasionally use hawalas to transmit funds to remote areas in Afghanistan. MSBs and hawaladars, which likely account for a substantial portion of illegal proceeds moving through Afghanistan's financial system, are generally not as closely scrutinized by the Afghan government as formal financial institutions.⁶²⁸

According to the IMF, state-owned banks remain strategically and operationally deficient, contributing to significant fiscal risk. While the financial 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.⁶²⁹

The World Bank reported that the quality of commercial and state-owned bank assets continued to deteriorate in the first half of 2016. Commercial-bank loans to the private sector were valued at \$740 million in June 2016.

Loan-to-Deposit Ratio (LTD): a bank's gross loans divided by total deposits. LTD "indicates the percentage of a bank's loans funded through deposits. An upswing in the LTD may indicate that a bank has less of a cushion to fund its growth and to protect itself against a sudden recall of its funding, especially a bank that relies on deposits to fund growth."

"Analysts and regulators routinely evaluate a bank's ability to repay depositors and other creditors without incurring excessive costs and while continuing to fund growth. This so-called 'liquidity' of a bank is evaluated using a whole host of tools and techniques, but the traditional loan-to-deposit (LTD) ratio is a measure that often receives the most attention."

Source: Federal Reserve Bank of Minneapolis, "Is the Loan-to-Deposit Ratio Still Relevant?" 7/1/1998, accessed 4/6/2017, <https://www.minneapolisfed.org/publications/fedgazette/is-the-loantodeposit-ratio-still-relevant>.

Most loans were U.S. dollar-denominated, largely the effect of afghani currency depreciation that inflated the value of assets held by commercial banks.⁶³⁰ The World Bank previously attributed Afghanistan's weak commercial lending to its overall economic slowdown, low investor confidence, stricter implementations of regulations governing foreign-exchange-denominated loans, and banks' risk aversion following the Kabul Bank crisis.⁶³¹

In 2016, 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 that 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.⁶³²

Money Laundering

The State Department lists Afghanistan as a major money-laundering country whose financial institutions either engage in, or are vulnerable to, transactions involving significant criminal proceeds, all of which "continue to threaten Afghanistan's security and development." Narcotics, corruption, and fraud are major sources of the country's illegal revenues and laundered funds. State found Afghanistan's anti-money-laundering laws to be largely in line with international standards, but still deficient and facing significant enforcement and regulatory challenges.⁶³³

State reported that Afghanistan's supervisory and enforcement administration is hampered by corruption, resource constraints, and limited technical expertise. The Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), which is tasked with combating money laundering and terrorist financing, has limited ability to identify and build cases against bad actors, even though State considers its new leadership "dynamic and anxious to pursue the organization's objectives." When FinTRACA does move money laundering and asset seizure cases forward, the Attorney General's Office (AGO) has weak prosecutorial capacity to pursue them.⁶³⁴

The United States Department of Treasury (Treasury) identified communication and procedural problems between FinTRACA and the AGO that were negatively impacting AML/CFT compliance. This quarter, Treasury advisors, funded by the State Department's Bureau of International Narcotics and Law Enforcement Affairs (INL), assessed FinTRACA and the Central Bank's Financial Supervision Department, documenting improvements and continuing challenges that are listed on page 166. INL said training will be provided for FinTRACA staff to strengthen their analytic capabilities, standard operating procedures, and outreach to stakeholders, with Treasury evaluating the effort.⁶³⁵

Hawaladars: individuals engaged in an informal money transfer system common in the Middle East and South Asia. Under Afghan law, all operating hawalas are required to be licensed and report their transactions periodically to DAB. Hawala dealers generally fail to file suspicious transactions reports as legally required.

Money service providers/businesses: individuals or entities that engage in funds transfers, and who may also provide safe-keeping and check-cashing services.

Source: SIGAR 14-16-AR, *Afghanistan's Banking Sector: The Central Bank's Capacity to Regulate Commercial Banks Remains Weak*, 1/2014, p. 4; State, *International Narcotics Control Strategy Report*, Vol. II, 3/2017, p. 28.

“Money laundering, tax evasion, corruption and other practices have dominated 65% of Afghanistan’s financial transactions.”

Source: Integrity Watch Afghanistan, “Curbing Illicit Financial Flows in Afghanistan,” press release, 4/21/2016.

Financial Action Task Force: an intergovernmental policy-making body that sets standards and promotes effective implementation of legal, regulatory, and operational measures for combating money laundering, terrorist financing, and other related threats to the integrity of the international financial system. Its 36 members include the United States, United Kingdom, Switzerland, and the European Union; observers include the United Nations and the Asian Development Bank.

Source: Financial Action Task Force, website, “Who We Are,” and “Members and Observers,” accessed 1/3/2016, <http://www.fatf-gafi.org/about/whoweare/> and <http://www.fatf-gafi.org/about/membersandobservers>.

DOJ and Treasury also organized an AML/CFT workshop for relevant Afghan government stakeholders to discuss and clarify organizational roles and responsibilities. Follow-on workshops will continue to address these issues and develop best practices to improve overall implementation.⁶³⁶

FinTRACA Accomplishments in 2016

FinTRACA reported that it revoked the licenses of 80 money-service providers (MSPs)—more than 9% of all MSPs in Afghanistan. FinTRACA also issued 60 warning letters, imposed approximately AFN 4.3 million (\$64,102) in fines against MSPs and banks for failure to comply with AML laws in 2016, froze 42 bank accounts valued at AFN 25 million (\$374,139), and seized another \$240,000. FinTRACA also sent 26 cases to Afghan law-enforcement agencies, three of which went to the AGO.⁶³⁷

Financial Action Task Force Compliance Update

At its most recent plenary session in Paris, France, on February 22–24, 2017, the **Financial Action Task Force (FATF)** kept Afghanistan on its “Improving Global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Compliance” document, also known as the “gray list.” This means that while Afghanistan has strategic AML/CFT deficiencies, its government has developed an action plan, made a high-level political commitment to address those deficiencies, and is making progress.⁶³⁸ This is the ninth consecutive FATF review in which Afghanistan has maintained this status since being downgraded to the “dark gray” list in February 2014.⁶³⁹

FATF said Afghanistan has substantially addressed the technical requirements of its corrective action plan by introducing frameworks to coordinate AML/CFT policy and operations, criminalizing money laundering and terrorist financing, establishing legal provisions for freezing and confiscating terrorist assets, establishing a targeted financial sanctions structure and an adequate supervisory and oversight system, improving FinTRACA’s legal status and resources, and developing a cross-border currency declaration system. FATF announced that it expects to visit Afghanistan before the June 2017 plenary to monitor whether the required reforms and actions to address deficiencies are being implemented.⁶⁴⁰ The on-site team’s findings will help determine whether to remove Afghanistan from the gray list.⁶⁴¹ Treasury said it remains concerned about the government’s ability to implement AML/CFT laws and reform.⁶⁴²

Kabul Bank Theft: Accountability in Name Only

The main challenge the Afghan government faces in holding accountable those responsible for the near-collapse of Kabul Bank in 2010 is a lack of political will. As of March 23, 2017, Afghanistan’s Attorney General’s Office (AGO) has still not acted on the 114 Kabul Bank-related cases currently

referred to it. In a meeting with the U.S. Department of Justice (DOJ) last quarter, the Afghan attorney general said he was disinclined to enforce or pursue current judgments or investigate the Kabul Bank case any further.⁶⁴³

In at least one recent instance, debt-collection efforts were directly undermined when the original judges from the Kabul Bank Special Court, which had been charged with hearing cases connected to the collapse of the bank, were removed at the alleged insistence of a major debtor, and with the help of first Vice-President General Abdul Rashid Dostum. The three replacement judges were then asked to rehear the financial case against the debtor. Two of the judges dismissed the debt; the third dissented, ruling the initial court order was binding.⁶⁴⁴

Afghanistan established the Kabul Bank Receivership (KBR) to manage the bank's bad assets (for example, loans that are not being repaid). Afghan officials claim that the KBR director and legal advisor have suggested other debtors use the same new panel of judges to contest their assessed liabilities. DOJ predicted that other debtors will do just that if this new court order is upheld.⁶⁴⁵ These developments directly contravene the letter and spirit of President Ghani's October 2014 decree requiring the AGO to indict and prosecute all those involved in the approximately \$987 million stolen from Kabul Bank, and to monitor enforcement of the courts' decisions.⁶⁴⁶

Even if the Special Appellate Court's original decision in November 2014 and the Supreme Court's final judgment in December 2014 stand, their vague language makes enforcement problematic, according to the KBR. Many of the properties and other assets purchased with stolen Kabul Bank funds are located in the United Arab Emirates (UAE). But the courts in Dubai, the chief city of the UAE, view the language in the court decisions—particularly regarding the identification and seizure of properties and assets—as “conditional” and lacking “legal certainty or legitimacy.” Last quarter, a KBR representative said the entire judgment/decision is also legally unenforceable in Afghanistan. It is therefore unclear how the Afghan government should address violations.⁶⁴⁷ The former deputy receiver of KBR also told SIGAR that the AGO's office has expressed no interest in seeking an enforceable new judgement.⁶⁴⁸

Some debtors are shielded by their close ties to former and current high-level government officials. The KBR is an administrative entity only, with no authority to investigate, prosecute, or recover debtor defaults. KBR said requests to the AGO and Kabul Bank Clearance Committee for assistance in recovering stolen funds have gone unanswered.⁶⁴⁹ Additionally, the former deputy receiver told SIGAR that additional recoveries are being impeded, in part because the presidential palace is no longer pursuing this case and the central bank is not properly supervising or exercising control over the Receivership. He also said Afghanistan lacks mutual legal assistance agreements with many of the countries where assets are located, including the UAE.⁶⁵⁰

The Afghan government officially requested UAE authorities in September 2016 to “identify, locate, provide documents and records, and conduct a search and seizure of any and all records and balances associated with the bank accounts listed,” but has not received a response, as of March 2017.⁶⁵¹

In April 2015, DOJ received a one-page diplomatic note from the Afghan government requesting its assistance in seizing the U.S. bank accounts of two Afghan debtors, presumably ex-Kabul Bank chairman Sherkhan Farnood and CEO Khalilullah Ferozi. In its May 2015 response, DOJ noted several deficiencies in the Afghan request, and outlined the corrective actions needed to move forward. As of March 2017, the Afghan government has not responded or corrected the deficiencies.⁶⁵²

The Afghan government’s approach so far has had no apparent consequences, even though the current basis of donor support, the Self-Reliance through Mutual Accountability Framework (SMAF), includes a general “zero-tolerance” policy for corruption and calls for transparent and accountable governance.⁶⁵³ Meanwhile, U.S. government officials have said in meetings with Afghan officials that the United States will hold the Kabul government to its promises to address endemic corruption, including taking action against those responsible for Kabul Bank’s near collapse.⁶⁵⁴

On March 19, 2016, President Ghani signed a decree allowing SIGAR to help detect and retrieve Kabul Bank assets in foreign countries. The decree instructed the AGO, MOF, Ministry of Interior, FinTRACA, and Kabul Bank entities to provide SIGAR relevant information and documents.

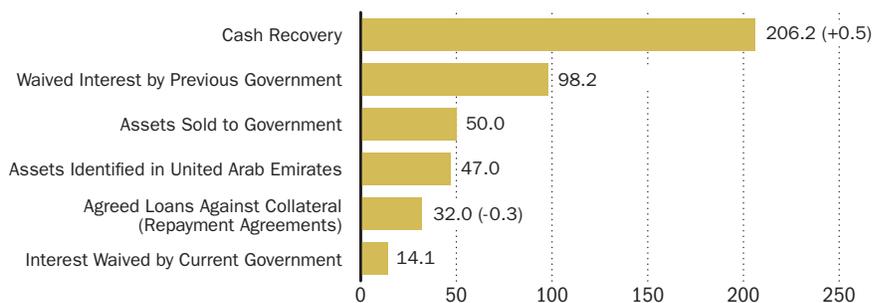
Source: GIROA, Office of the President, Presidential Decree, Serial Number 2726, 3/19/2016.

Cash and Asset Recoveries—A Closer Look

The KBR recovered \$200,000 this quarter, bringing “total recoveries”—a category introduced in the last quarter of 2015—to \$447.5 million, as of March 19, 2017. As shown in Figure 3.30, total recoveries comprise cash, waived interest, and assets recovered or seized (but not necessarily liquidated), and collateral, as well as amounts still owed by major debtors who signed loan-repayment agreements. Amounts owed by 286 debtors

FIGURE 3.30

KABUL BANK DEBT RECOVERIES, AS OF MARCH 19, 2017 (\$ MILLIONS)



Note: Figures in parentheses represent the change from reported amounts last quarter.

Source: Kabul Bank Receivership, “Kabul Bank’s Assets Recovery Brief Report,” 3/19/2017 and 12/17/2016.

have been paid off. Arrangements have yet to be reached with 122 others (individuals and corporations). The KBR reported \$596.9 million remains outstanding from the original theft, including interest.⁶⁵⁵ These figures are not verified by the U.S. government.⁶⁵⁶

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 \$30.8 million has been recovered in cash; another \$32.0 million worth of loan-repayment plans have been agreed to.⁶⁵⁷

If the reported figures are accurate, less than half of the total loss has been so far recovered in cash—\$206.2 million of the \$447.5 million total—according to the State Department (State). For the other, non-cash reported recoveries:⁶⁵⁸

- The \$50 million in bank “assets sold to government entities” that was originally recovered by the KBR were transferred or “loaned” by the Karzai government to various ministries and agencies, but not paid for. The KBR has been unable to reclaim the value of these assets from the government, despite numerous requests.
- The “agreed loans against collateral” merely represents an agreement by an identified group of debtors to repay their loans. Actual repayments have been limited and many debtors have not kept to the agreed-upon schedule. Less than \$13.6 million of the \$45.4 million covered by the 19 signed repayment agreements has been repaid; \$32.0 million remains outstanding. KBR leadership has reportedly not decided whether to pursue the collateral pledged against these loans.
- “Interest waived” by the previous and current governments (\$112.3 million collectively) represent accounted-for losses, not cash recoveries. Waivers were given as incentive to enter repayment agreements.
- The \$47 million in total “assets in the United Arab Emirates” were identified, but have not been recovered. The Dubai courts deem Afghanistan's court decisions on the Kabul Bank case to have no legal merit.

No money has been recovered this quarter from convicted ex-Kabul Bank chairman Sherkhon Farnood and CEO Khalilullah Ferozi. Their assets are hidden under other people's names, according to the DOJ. This follows a pattern of the Afghan government's being unable to compel full repayment from the main architects of the fraud, both of whom are in jail, as of March 2017. According to the KBR, Farnood still owes \$336.8 million; Ferozi owes \$178.7 million. Both amounts include principal and interest.⁶⁵⁹

The KBR found an increasing number of debtors defaulting on their required payments in 2016, with collections declining significantly.⁶⁶⁰ Eighteen of 19 debtors defaulted on their repayment plans this quarter and

This quarter, Abdul Ghafar Dawi—former Kabul Bank shareholder and chief executive of Dawi Oil Ltd.—was arrested in Kabul and charged with embezzling millions of dollars from fuel and oil contracts, and with tax evasion. These allegations were not related to the Kabul Bank theft, but investigators did contact the KBR to determine how much Dawi paid back and still owes in the Kabul Bank case.

Source: DOJ, response to SIGAR data call, 3/23/2017; Khaama Press, “Ex-Kabul Bank Shareholder Abdul Ghafar Dawi Arrested in Kabul,” 3/13/2017.

are a combined \$9.8 million in arrears.⁶⁶¹ The IMF reported that the collections process was “losing steam” with diminishing chances of success for claims against assets located in foreign jurisdictions.⁶⁶²

U.S. Treasury Assistance to the Ministry of Finance

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 and execute technical-assistance and capacity-building programs.⁶⁶³ OTA conducted two missions to Afghanistan this quarter after an almost year-long delay due to security concerns.⁶⁶⁴

OTA assistance is focusing on:

- **Budgeting:** developing baseline budgets and out-year estimates, and reviewing fiscal performance-management-improvement plans.⁶⁶⁵ OTA worked with MOF counterparts January 31–February 9, 2017, to improve estimating costs of existing and proposed government policies. OTA was asked to return in April to train key MOF staff and pilot ministries on developing new procedures the MOF hopes to incorporate into the 2018 budget process. OTA, with Treasury attaché and USAID assistance, also organized a donor meeting where it discussed the findings of its peer review of the MOF’s fiscal performance- and management-improvement plan, and encouraged similarly constructive feedback to the MOF’s public financial-management team. Following the mission, OTA recommended ways the MOF’s performance management team can address donor concerns as well as survey tools they can use to gather feedback from MOF leadership and staff.⁶⁶⁶
- **Economic Crimes:** developing the capacity and effectiveness of Afghanistan’s financial-intelligence unit, FinTRACA, and evaluating the central bank’s capability to supervise money-service providers for compliance with measures against money laundering and terror financing. OTA, with funding from State INL, conducted in-depth, on-site evaluations of FinTRACA and the central bank’s financial supervision department March 4–15, 2017. OTA found FinTRACA to be more effective since its initial assessment in March 2016, adopting protocols to support better analysis. Similarly, the central bank has documented and implemented measures to monitor money service providers more effectively. OTA reported that FinTRACA still needs to enhance its intelligence reports, disseminate them to relevant stakeholders, and conduct more thorough analyses of their process to investigate suspicious activity. OTA is planning subsequent assistance to strengthen FinTRACA’s analytic capabilities, standard operating procedures, and outreach to stakeholders.⁶⁶⁷
- **Banking:** electronic reporting and risk management, and state-bank restructuring (this assistance can be provided from the U.S. Embassy-Kabul and remotely). The assessment mission of September 2015 has

OTA has carried out eight program-assessment missions to Afghanistan, with at least one mission in each of the four focus areas. Some OTA assistance to the MOF has been carried out remotely. Treasury reported that security conditions continue to be a major constraint on establishing a more sustained presence in Afghanistan. Treasury said the ultimate effectiveness of their efforts will largely depend on a strong and sustained political commitment to reform by those Afghan government entities responsible for public financial management, financial-sector strength, and oversight.

Source: Treasury, response to SIGAR data call, 3/24/2017 and 12/30/2016.

not yet been followed by technical assistance. A mission to Afghanistan is scheduled for April 2017.⁶⁶⁸

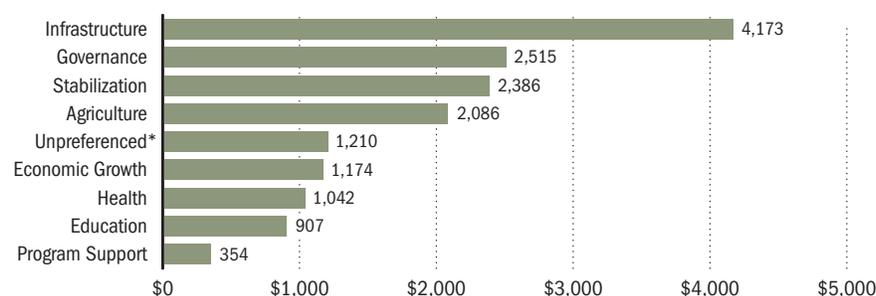
- **Revenue:** collaborating with the new customs and tax academy in curriculum design, course delivery, and supplying course materials. An assessment mission took place in March 2016; technical assistance has not yet begun.⁶⁶⁹

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.⁶⁷⁰ Figure 3.31 shows USAID assistance by sector.

FIGURE 3.31

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF MARCH 31, 2017
(\$ MILLIONS)



Note: Numbers rounded. Agriculture programs include Alternative Development. Infrastructure programs include power, roads, extractives, and other 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, 4/9/2017; SIGAR analysis of World Bank, ARTF, Administrator's Report on Financial Status, as of February 19, 2017.

Development of Natural Resources

In late March 2017, President Ghani nominated Nargis Nehan as the new Minister of Mines and Petroleum, and directed parliament to schedule a vote of confidence.⁶⁷¹ Nehan became acting minister on April 1.⁶⁷² Civil-society organizations welcomed her nomination, saying the new minister (if confirmed) would be crucial to amending the mining law, and implementing reforms to provide greater transparency and accountability.⁶⁷³ The MOMP has lacked a permanent minister since March 2016, leading some to criticize the national unity government for not having prioritized this industry.⁶⁷⁴

Developing Afghanistan's natural-resources sector and reforming the fiscal administration for its extractives industries are essential to strengthening domestic revenue collection. However, the security environment, insufficient infrastructure, declining global commodities prices, and inadequate capacity at the MOMP have all hampered the development of this sector. USAID said the MOMP currently cannot administer the approximately 488 existing extractives contracts.⁶⁷⁵

USAID cited other issues contributing to investor uncertainty: regulations to support implementation of the new mining law enacted in November 2014 are still being developed; amendments to the law and several mineral tenders agreed to in 2010 and 2011 remain unsigned by President Ghani; and a combination of corporate income taxes, export and import duties, production royalties, and other charges constitute an uncompetitive levy of about 80% on mineral production.⁶⁷⁶

Revenues from Natural Resources

Although geological surveys show that Afghanistan has significant mineral resources, mining has so far contributed only slightly to the country's GDP.⁶⁷⁷ Actual government receipts from minerals activity in FY 1394 (2015) were only about 38% of the budget projection.⁶⁷⁸ In the first 11 months of FY 1395, actual receipts were AFN 1.2 billion (approximately \$18.3 million) largely from royalty fees and mineral sales. This was almost double the amount collected in the same period the previous year, and was on track to meet the government's modest \$21 million revenue target for the MOMP in 2016.⁶⁷⁹ Afghanistan's FY 1396 (2017) budget revenue target from extractives is a more ambitious \$34.8 million.⁶⁸⁰

Illegal mining at an estimated 1,400–3,000 sites steals non-renewable natural resources, damaging Afghanistan's economic development.⁶⁸¹ The Afghan government believes \$300 million in revenue is lost annually by illegal mining, which not only denies Kabul much-needed funds, but also fuels the insurgency and drives criminality.⁶⁸²

Hydrocarbons

Afghanistan's efforts to develop its oil and gas reserves focus on the Amu Darya Basin and Afghan-Tajik Basin, both in northern Afghanistan.⁶⁸³ 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.⁶⁸⁴ Oil and gas represent roughly one-fourth of all annual Afghan imports, or approximately \$1.5 billion.⁶⁸⁵

Afghanistan's 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.⁶⁸⁶ However, USAID's implementing partner for the now-completed Sheberghan gas-development project 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.”⁶⁸⁷

Mining Investment and Development for Afghan Sustainability

Programmatic activities for USAID’s, four-year, \$38.7 million Mining Investment and Development for Afghan Sustainability (MIDAS) program ended February 28, 2017, and officially closed out on March 31. No follow-on program is planned at this time.⁶⁸⁸ MIDAS aimed to strengthen the MOMP’s and Afghan Geological Survey’s capacities to develop Afghanistan’s natural resources by focusing on legal and policy frameworks for the sector.⁶⁸⁹

Activities This Quarter

Since late December 2016, MIDAS consultants’ work had been limited to providing technical and legal support to help the MOMP amend and implement the 2014 Minerals Law. In addition to advising the MOMP on an amendments package this quarter, MIDAS legal advisors completed a review of the financial regulation, updated bidding and explosives regulations, and drafted a natural-gas regulation. A MIDAS advisor also helped the MOMP defend and explain the draft health and safety regulation to the Cabinet. If approved, it will be Afghanistan’s first regulation that directly governs all health and safety aspects of the mining industry.⁶⁹⁰

All unfinished work was transferred to the MOMP. MIDAS staff spent March 2017 completing final project deliverables, closing out the program. MIDAS has disbursed \$33.9 million, as of March 31, 2017.⁶⁹¹

Agriculture

Agriculture continues to be the main source of real GDP growth, employment, and subsistence for the Afghan population. It accounts for about 22% of GDP, employs 44% of the population, and affects the 61% of Afghans who depend on agricultural activities for their livelihoods.⁶⁹²

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. The government wants to move from an agrarian-subsistent and importing nation to an agro-industrial exporting one. 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.⁶⁹³

USAID reported \$157.6 million worth of various Afghan agricultural commodities were sold in FY 2016—compared to \$30.55 million sold in FY 2015. Since 2008, sales of agricultural commodities totaled \$531.4 million.⁶⁹⁴



Farmers in Badakhshan Province bag red beans harvested after an agricultural-assistance project. (USAID photo)

TABLE 3.18

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 3/31/2017 (\$)
Regional Agriculture Development Program (RADP)-South	10/7/2013	10/6/2018	\$125,075,172	\$85,639,336
Strengthening Watershed and Irrigation Management (SWIM)	11/15/2016	11/14/2021	87,905,437	1,078,852
Regional Agriculture Development Program (RADP)-North	5/21/2014	5/20/2019	78,429,714	33,362,988
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	2/1/2010	12/31/2019	61,294,444	47,732,684
Kandahar Food Zone (KFZ)	7/31/2013	8/30/2018	45,402,467	33,100,000
Regional Agriculture Development Program (RADP)-East	7/21/2016	7/20/2021	28,126,111	1,450,124
Capacity Building and Change Management Program II (CBCMP II)	7/10/2014	7/9/2017	20,874,464	19,657,609
Afghanistan Agriculture Extension Project II (AAEP-II)	10/1/2014	9/30/2017	20,229,771	17,902,819
Grain Research and Innovation (GRAIN)	3/13/2017	9/30/2022	19,500,000	0
Agriculture Credit Enhancement II (ACE II)	6/24/2015	6/23/2018	18,234,849	6,919,528
Strengthening Afghan Agricultural Facilities (SAAF)	3/25/2011	8/31/2017	7,824,209	6,832,374
SERVIR	9/14/2015	9/30/2020	3,100,000	203,912
Program Evaluation for Effective Learning (PEEL)	2/16/2017	10/31/2017	1,475,177	0
Texas A&M University's Agrilife Conflict Development	11/8/2012	11/7/2017	133,976	133,976

Note: Some of the USAID programs listed receive both Alternative Development and Agriculture Development funds. For more information on Alternative Development programs, see pp. 195–197 of this report.

Source: USAID, response to SIGAR data call, 4/9/2017.

USAID Assistance to the Ministry of Agriculture, Irrigation, and Livestock

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.⁶⁹⁵

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.⁶⁹⁶ Pages 195–197 of this quarterly report discuss USAID’s agriculture alternative-development programs. USAID’s active agriculture programs have a total estimated cost of \$518 million and can be found in Table 3.18.

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 MAIL. ADF

extends agriculture-related credit access to 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.⁶⁹⁷ USAID reported that with ACE II help, ADF has cumulatively disbursed approximately \$83.7 million in loans impacting 37,892 direct beneficiaries, as of February 28, 2017.⁶⁹⁸ 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.⁶⁹⁹

Innovation Grant Fund

ACE II continued to engage financial institutions to provide credit financing to the agricultural sector this quarter, in part through an Innovation Grant Fund, which supports developing and testing new ways to facilitate agriculture-related financial services. In July 2016, ACE II awarded the first grant to OXUS Afghanistan, a microfinance organization, to support lending to borrowers in remote districts. The AFN 10.5 million grant (approximately \$150,000) was to 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.⁷⁰⁰

In January 2017, OXUS entered into a partnership with Etisalat to provide similar services after Roshan abruptly reneged on the agreement in November 2016. Instead of operating cashless branches inside others' business outlets, OXUS will now lease commercial locations under its own brand and rent space to partners like Etisalat. OXUS opened the first three outlets this quarter—two on the outskirts of Kabul and one in Badakhshan Province—and disbursed \$890,000 through eight loans using Etisalat's mobile-money platform.⁷⁰¹

ACE II issued three new Innovation Grant Fund awards this quarter aimed at increasing awareness and access to agricultural credit in rural communities (\$148,308); strengthening OXUS's product development, credit-risk management, and reporting capabilities (\$149,313); and supporting efforts to increase awareness of Islamic financing principles and the availability of Sharia-compliant financing for agricultural activities in four provinces (\$133,514). Two new grant packages were being finalized this quarter for USAID's evaluation.⁷⁰²

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.



Agricultural Development Fund staff and clients exhibit Afghan potato varieties in Uzbekistan. (USAID photo)

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.⁷⁰³ Over 89% of the population in large urban areas like Kabul, Herat, Kandahar, and Mazar-e Sharif have access to grid connected power (although outages are not uncommon), in contrast to less than 11% of the rural population.⁷⁰⁴

Afghanistan’s limited domestic electric generation capacity consists of hydropower and diesel sources. The country imports 77% of its total electricity. Of that imported energy, Uzbekistan provides 35.2%, Tajikistan 30.5%, Iran 20.9%, and Turkmenistan 13.4%.⁷⁰⁵ The World Bank noted that limited access to electricity is one of Afghanistan’s biggest constraints to private-sector development.⁷⁰⁶ Afghanistan will need regional cooperation to meet its energy demands.⁷⁰⁷

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 has 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.⁷⁰⁸ USAID 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.⁷⁰⁹

The Department of Defense has disbursed approximately \$180 million for power projects through the Commander’s Emergency Response Program, as of July 2015, and roughly \$438.8 million through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁷¹⁰

Afghanistan’s two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**. USAID’s ongoing effort to connect and increase the electricity supply in both systems is its Power Transmission Expansion and Connectivity (PTEC) project, which aims to construct a transmission line connecting Kabul with Kandahar and build the capacity of DABS to sustain energy-infrastructure investments.⁷¹¹ USAID’s active power-infrastructure projects are listed in Table 3.19.

Kajaki Dam Power—Operations and Maintenance

After years of effort, a third turbine, known as Unit 2, was installed in the powerhouse at Kajaki Dam and commissioned on October 19, 2016. Unit 2 has a power-generating capacity of 18.5 MW. The installation represented a major advance in DABS’s efforts to increase long-term, sustainable hydro-power from Kajaki Dam to Kandahar and Helmand Provinces.⁷¹²

The three turbines now in service at the Kajaki powerhouse have a total generating capacity of 50.5 MW, but were operating at a peak level of 49.5 MW this quarter due to reservoir-level constraints. All three turbines

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.

SIGAR AUDIT

An ongoing SIGAR audit examines U.S. government efforts to increase the supply, quantity, and distribution of electric power from the Kajaki Dam.

TABLE 3.19

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2017 (\$)
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2018	\$725,000,000	\$130,995,837
Contributions to the Afghanistan Infrastructure Trust Fund (AITF)	3/7/2013	3/6/2018	153,670,184	153,000,000
Engineering Support Program	7/23/2016	7/22/2019	125,000,000	12,722,675
Kandahar Solar Project	2/23/2017	2/22/2018	10,000,000	-
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555
Kajaki Energy Outage Public Relations Campaign	8/22/2016	11/15/2016	55,288	55,288

Source: USAID, response to SIGAR data call, 4/9/2017.

were online this quarter supplying up to 35 MW of power into the 110 kV transmission line and 10–14 MW into the 13.8 kV line.⁷¹³

It is not known how long this level of power generation will last in the short term.⁷¹⁴ Unit 3 is also scheduled to go offline for repairs in 2017, though no timeline for the work was scheduled.⁷¹⁵ However, USAID said once upgrades to the 110 kV system are completed in about two years through its SEPS Completion, Phase 2 project, transmission capacity will exceed Kajaki Dam’s power generating capacity.⁷¹⁶

USAID-funded technical and operational support, including Kajaki site security, life-support services, and helicopter support to DABS ended March 31, 2017. Of the \$22.9 million allocated toward this effort, more than \$15.2 million has been disbursed.⁷¹⁷ DABS assumed full responsibility for the Kajaki power plant, including operations and maintenance (O&M), starting April 2017 and hired 11 operators to take charge of the powerhouse.⁷¹⁸

Power Transmission Expansion and Connectivity Program

The U.S.-funded Power Transmission Expansion and Connectivity (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.⁷¹⁹ 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.⁷²⁰ Technical losses include energy lost to line heating and current leakage; commercial losses include customers’ nonpayment of bills and energy theft as by illegally tapping into lines or bypassing meters.

Construction on the \$104 million transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, was delayed this quarter to repair and replace damage caused by fighting between Afghan security forces and the Taliban. The construction



Trainees in the Power Transmission Expansion and Connectivity Project in Mazar-e Sharif learn about asset management and maintenance. (USAID photo)

completion deadline was extended by six months to July 31, 2017, at a cost of \$2.5 million. Approximately \$80.8 million has been disbursed as of January 31, 2017. Subsequent disbursements are pending National Procurement Authority’s approval of the contract modification.⁷²¹ 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.⁷²²

USAID is providing \$330 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. This segment will consist of a 249-mile transmission line and five substations. On February 26, 2017, DABS signed a \$113 million contract for the transmission line. The award for the substations has been under protest since September 2016. DABS is still evaluating its options to proceed. USAID said security will be a major challenge to implementing this project.⁷²³

For the SEPS Completion, Phase 2, \$55 million was transferred to USAID through the Afghanistan Infrastructure Fund to design and construct a transmission line from Tangi to Sangin North and from Maiwand to Kandahar, install electrical equipment, and commission three substations. Funding will be provided on-budget and implemented by DABS.⁷²⁴ On January 21, 2017, USAID issued its consent to execute the transmission-line contract, but neither DABS nor the awardee signed it this quarter. DABS is still evaluating the bid for the substations.⁷²⁵

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 2015.⁷²⁶ 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; three other generators were transferred to Shorandam to replace units needing scheduled maintenance.⁷²⁷

The Shorandam generators are currently producing 480,000 kilowatt-hours (kWh) per week, which USAID said is insufficient to meet the 1,680,000 kWh estimated weekly electricity demands of the industrial park’s commercial customers. This has reportedly prompted factories to go on strike in January 2017. For other commercial and residential customers in Kandahar, electricity supply is also inadequate.⁷²⁸

Some additional power is being supplied from Kajaki Dam in Helmand Province and diesel generators in Breshna Kot in Kandahar, but USAID said the cost per kilowatt-hour for diesel-generated power is unaffordable for most customers. 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 to align customer load with system output.⁷²⁹

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 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 power-purchasing agreement and contract were signed on February 22–23, 2017.⁷³⁰

Afghanistan Infrastructure Fund Power Projects

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.⁷³¹ Ongoing fighting in Helmand Province, as well as bureaucratic delays in getting right-of-way approvals for NEPS and SEPS transmission lines, continued to challenge AIF contractors and some project-completion schedules. However, USFOR-A reported that significant progress was made on right-of-way issues this quarter.⁷³²

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 3.20 on page 176.⁷³³

AIF projects use FY 2011–FY 2014 appropriated funds. No additional AIF money was requested or appropriated in fiscal years following, but up to \$50 million from the FY 2016 Afghanistan Security Forces Fund may be used under limited circumstances to help finish existing projects.⁷³⁴ As this report went to press, FY 2017 funding levels had not been finalized.

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, the future revenues of which the Afghan government and international donor community are hoping will offset declining international aid.⁷³⁵

Roads

Afghanistan has more than 76,400 miles of road, 28,000 of which have been rehabilitated or improved.⁷³⁶ SIGAR auditors assessed the conditions

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. More information is available on p. 214.

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.20

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF FEBRUARY 22, 2017 (\$ 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	58.3	58.3	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 project	101.0	104.0 ^e	80.8	Transmission lines 98% complete; substations 96.5% complete; Six month extension granted to repair and replace damage from ANDSF-Taliban fighting and ordering/shipping lags; Cost increase: \$2.5 million (completion: 7/2017)	
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line, towers, and power substation	93.7	50.3	33.6	Transmission line, towers, and substation under construction; community land issues affecting some tower locations (completion: 7/2017) ^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	Design, construct transmission line; rebuild and construct substations	40.0	28.7	19.0	Under construction; tower excavation, tower erection, civil work ongoing (completion: 6/2017) ^b	
	NEPS - Pul-e Alam to Gardez	Design, construct transmission line and power substation	120.0	69.2	65.6	Transmission line completed (55 km); substation under construction; security and land issues affecting schedule (completion: 7/2017) ^c	
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines and power substation		39.1	36.2	All towers erected; Transmission line and substation under construction; no land issues at this time (completion: 7/2017) ^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	Design, construct transmission lines and power substation	33.0	24.1	23.4	All towers erected; Transmission line and substation under construction; no land issues at this time (completion: 7/2017) ^d	
	SEPS Completion - Phase 1	Civil, structural, architectural improvements to substations in Tangi, Sangin North and South	75.0	63.1	38.8	Civil work ongoing (continued delays); Security challenges (completion: 7/2017) ^e	
		Design, construct, transmission lines from Sangin North to Lashkar Gah				Civil work ongoing; transmission towers under construction; community issues affecting some tower locations; rerouting and schedule modifications under review; major security challenges in Sangin (completion: 4/2018) ^f	
NEPS - SEPS Connector, Ghazni to Kandahar	Design, Construct transmission line and substations; Final phase of NEPS-SEPS connector USAID: PTEC project	179.5	330.0 ^g	0.0	Transmission line contract signed; winning bidder for substations contracts selected, but protest submitted; DABS evaluating options to proceed (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. USAID: PTEC project	55.0	55.0	0.0	Transferred to USAID for on-budget implementation through DABS; USAID issued consent for DABS to execute transmission-line contract, but not yet signed	
	NEPS - Gardez to Khowst	Design, construct transmission line and substation; DOD's final contribution to NEPS	130.0	121.3	22.2	Khowst substation design under review by USACE; right of way under review by MEW; currently no land issues (completion: 6/2018) ^h	

Note: Project completion dates in parentheses reflect the most recent information provided to SIGAR by USFOR-A and USAID, and are subject to change. In some cases, updated completion dates have not been determined. 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 1/31/2017. All other information is as of 2/22/2017.

^a 235 of 247 towers completed. Another 11 tower excavations complete. Pul-e Alam substation 48% complete (no change from last quarter). Two of four transformers descoped based on estimated electricity demand and being transferred to Gardez substation. Community land issues stalled 2 towers. The U.S. Army Corps of Engineers (USACE) extended completion date from 12/2016 to 7/2017. Risk of community land or construction issues delaying construction into FY 2018.

^b 105 of 114 towers completed. Another 4 tower excavations and 4 foundations complete. (No changes from last quarter.) Pushmol and Maiwand substations 70% and 72% complete, respectively. USACE extended completion date from 9/2016 to 6/2017.

^c Gardez substation 96% complete. Cannot test/commission this segment until NEPS, phase 1 segment is energized to Pul-e Alam. USACE extended completion date from 12/2016 to 7/2017.

^d 100% of transmission towers erected from Charikar to Gul Bahar; Conductor lines 85% strung. 100% of transmission towers erected from Gul Bahar to Nejrab; Conductor lines 100% strung. Gul Bahar substation 98% complete. No community land issues at this time. USACE extended completion date from 12/2016 to 7/2017.

^e Tangi substation 73% complete. Sangin North substation 74% complete. Sangin South substation 72% complete. Security issues negatively impacting material deliveries to all sights slowing work progress; Sangin South workers evacuated since 12/31/2016.

^f Sangin to Durai Junction segment: 83 of 205 towers completed. Another 65 tower excavations and 60 foundations complete. Durai Junction to Lashkar Gah segment: 174 of 212 towers completed. Another 16 tower excavations and 12 foundations complete. Community land issues affecting 8.5% of tower locations (down from 22.6% last quarter); Security issues causing intermittent work stoppages of varying lengths. USACE extended completion date from 6/2016 to 4/2018.

^g Includes additional, non-AIF USAID funding.

^h 123 of 268 tower excavations complete. 23 tower foundations complete. USACE extended completion date from 2/2017 to 6/2018.

Source: DOD, OSD-P response to SIGAR data call, 9/29/2016, 6/29/2016, and 12/28/2015; DOD, OSD-P response to SIGAR vetting, 1/4/2017 and 7/16/2016; USFOR-A, response to SIGAR data call, 3/24/2017 and 12/22/2016; USFOR-A, response to SIGAR vetting, 4/12/2017; USACE, Garrison and Infrastructure Working Group, AIF LIR, 2/22/2017; USAID, OI, response to SIGAR data call, 3/24/2017, 12/22/2016, and 9/23/2016; USAID, OI, response to SIGAR vetting, 10/11/2016.

of approximately 1,020 miles of Afghanistan's U.S.-funded national and regional highways, and found that most were in need of repair and maintenance.⁷³⁷ The World Bank similarly reported that 85% of Afghanistan's roads are in poor shape; the majority cannot be used year-round.⁷³⁸

Since 2002, USAID has provided more than \$2 billion for more than 1,240 miles of road construction, operations and maintenance (O&M), and capacity-building activities.⁷³⁹ DOD provided at least \$847 million on 4,687 road-related projects under the Commander's Emergency Response Program. Despite these investments, SIGAR auditors determined that USAID and DOD have had only limited success in ensuring the long-term sustainability of those roads.⁷⁴⁰

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, but that is \$100 million less than the Asian Development Bank says is needed.⁷⁴¹ Roads that go without maintenance for a long time can deteriorate to the point where they require complete rebuilding. USAID told SIGAR it would cost an estimated \$8.3 billion to replace Afghanistan's roads if they were not maintained.⁷⁴²

Money aside, a USAID assessment from May 2015 found that the Ministry of Public Works (MOPW) needed structural reform, citing ongoing critical weaknesses, including a lack of skilled staff, poor communication, antiquated systems and processes, and a lack of will to implement necessary reforms. SIGAR recommended that USAID condition future funding for its Road Sector Sustainability Project (RSSP) and for the MOPW on the successful creation of an independent road authority, road fund, and transportation institute in order to boost MOPW's capacity. USAID concurred.⁷⁴³

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 MOPW to manage Afghanistan's road network. TA-MOPW is working with Afghan authorities in establishing a road authority, road fund, and transportation institute.⁷⁴⁴ USAID approved a final transition plan on October 11, 2016, the implementation of which is subject to Afghan Cabinet and Parliamentary approval.⁷⁴⁵

This quarter, TA-MOPW provided technical advice and support to the Ministry of Justice for its preliminary review of the package of laws and regulations to govern the road authority (RA), road fund (RF) and transportation infrastructure institute (TII). The project team also helped the President's Office of Administrative Affairs focus on the process of appointing leadership to those agencies. Although the transition plan is still

pending approval, TA-MOPW is drafting terms of reference for RA, RF, and TII transition teams and technical groups so they can be formed quickly once the Afghan government decides on road maintenance reform proposals.⁷⁴⁶ Approximately \$20.8 million has been disbursed for this program, as of March 31, 2017.⁷⁴⁷



Afghan officials discuss progress in governance and reforms in a meeting with the Minister of Public Works. (USAID photo)

Afghanistan Infrastructure Fund Road Projects

DOD has obligated \$62.2 million and disbursed \$60.9 million for five road projects under the AIF, as of January 31, 2017. 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 3.21.⁷⁴⁸

ECONOMIC GROWTH

Investor concerns about insecurity as well as the level of Afghanistan's business-enabling environment continued to negatively affect investor confidence this quarter.

Source: UN, Report of the Secretary General, *The Situation in Afghanistan and its Implications for International Peace and Security*, 3/3/2017, p. 8.

Afghanistan ranked 183rd of 190 countries in the World Bank's Doing Business 2017 report on regulatory quality and efficiency—a six-place fall from 2016.⁷⁴⁹ While Afghanistan ranks high in starting a business (42nd), a doubling of the business-receipts tax rate from 2% to 4% in the latter part of 2015 made it more costly to do so. Afghanistan is nearly last in dealing with construction permits (186), getting electricity (159), registering property (186), trading across borders (175), and enforcing contracts (180). It is considered the second-to-worst country in protecting minority investors, partly a reflection of the country's corporate-governance rules and the weakness of its legal institutions.⁷⁵⁰

In addition to addressing the security challenges that make it difficult to ignite private-sector-led and inclusive growth, the IMF recommended the government eliminate regulatory and administrative barriers for businesses, improve infrastructure, and provide key business services while

TABLE 3.21

AFGHANISTAN INFRASTRUCTURE FUND ROAD PROJECTS, AS OF FEBRUARY 22, 2017 (\$ MILLIONS)						
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status	
AIF FY 11	Lashkar Gah to Nawar Road	Design, construct 22.5 km road in Helmand Province	\$22.0	\$20.5	\$20.5	Complete
	RC-East Border Transportation Corridor	Saracha Bridge	35.6	6.8	6.8	Complete
Ghulam Khan Corridor		12.7		12.7	Complete	
AIF FY 12	Parwan to Bamiyan Road - Section 6	Section 6.1	10.0	3.0	3.0	Complete
		Section 6.2		7.0	7.0	Complete
	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	3.7	Pavement section inspected; two road segments turned over to GIROA. Bridge and approaches still in progress (Completion: 9/2017)

Note: Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 1/31/2017. All other information is as of 2/22/2017.

Source: DOD, OSD-P response to SIGAR data call 12/28/2015; USFOR-A, response to SIGAR data call, 3/24/2017; USACE, Garrison and Infrastructure Working Group, AIF LIR, 2/22/2017.

simultaneously strengthening structures for macroeconomic management, the financial sector, and economic governance, not all of which require major funding to carry out.⁷⁵¹

USAID has cumulatively disbursed nearly \$1.2 billion for economic-growth programs in Afghanistan.⁷⁵² USAID active economic-growth programs have a total estimated cost of \$396.5 million and can be found in Table 3.22 on the next page.

Afghanistan Public Financial Management Assistance

USAID's Afghanistan Public Financial Management (APFM) program is the United States' principal off-budget effort to help strengthen the Afghan government's ability to generate and collect domestic revenue, manage its budget, and become more fiscally sustainable. The program aims to build the government's capacity for forecasting revenue, increasing payment compliance, collection, and transfers to the treasury, as well as budget planning, execution, monitoring, reporting, and coordination.⁷⁵³ This quarter, USAID reported that APFM will end seven months earlier than planned due to significant cuts to USAID's Office of Economic Growth budget. Program activities will cease in September 2017 and APFM will close out on December 27.⁷⁵⁴

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.22

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 3/31/2017 (\$)
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	4/15/2017	\$104,997,656	\$101,925,899
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	11/6/2017	77,754,266	61,468,072
Women in the Economy (WIE)	7/1/2015	6/30/2020	71,571,543	15,046,976
Afghanistan Workforce Development Program (AWDP) Off Budget	4/5/2012	6/30/2018	44,919,458	34,470,891
Multi-Input Area Development-Global Development Alliance	3/23/2013	3/22/2018	30,481,436	16,184,497
Afghanistan Public Financial Management (APFM)	7/27/2015	7/26/2018	22,130,033	10,843,445
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	1,367,909
Commercial Law Development Program	3/1/2014	9/30/2019	10,000,000	6,603,524
Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women	11/2/2015	11/1/2018	4,800,000	2,250,000
IFC PIO Grant - Support of Business Environment Reform	10/15/2010	6/30/2016	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
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
Development Credit Authority (DCA) with FINCA, OXUS, and First Microfinance Banks	9/25/2014	9/24/2020	1,953,875	0
Turquoise Mountain Smithsonian Exhibition	3/9/2015	3/31/2017	535,055	503,797
Market Assessment PIO Grant with ITC: Reconnecting Afghanistan to Global Markets	3/2/2017	7/31/2017	53,859	0
Mobile-izing Saving Study	3/2/2015	9/30/2015	50,022	50,022

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, 4/9/2017; Innovations for Poverty Action, "Mobile-izing Savings with Defaults in Afghanistan," 12/8/2015; USAID, Development Credit Authority, "Overview," 2/2/2015.

In January 2017, APFM began supporting the Ministry of Communications and Information Technology's (MCIT) implementation of Open Access Policy (OAP) to dismantle Afghan Telecom's fiber-optic cable monopoly, authorize licensed mobile network operators to lay down fiber-optic cable, auction additional spectrum to facilitate widespread broadband, and tender new licenses. APFM aims for these measures to raise tax and non-tax revenue for the government, while benefitting consumers with better and cheaper service.

Although the Afghan government formally approved Open Access Policy on October 3, 2016, it was not implemented. After several stakeholder meetings over the quarter that clarified the legality of mobile operators to upgrade their networks and services under their existing license, they were reluctant to proceed. The APFM advisor reported that a presidential decree is needed.⁷⁵⁵

EDUCATION

After years of upheaval in the 1980s and 1990s, Afghanistan's public education system has become one of Afghanistan's success stories since 2002, according to the World Bank. The number of boys and girls enrolled in school has increased dramatically, as has the number of teachers and schools. However, the education sector faces many challenges. The World Bank reported that only about half of all registered schools in Afghanistan have proper buildings, and only 55% of teachers meet the minimum requirements, with the rest receiving in-service training. While the sector is improving, the quality of education and administration remains weak.⁷⁵⁶

Continuing security challenges limited access to education in 2016. The United Nations Assistance Mission in Afghanistan (UNAMA) reported 94 conflict-related incidents against either education facilities or education workers in 2016, killing 24 people and injuring 67. UNAMA also documented 42 education facilities that were occupied and used for military purposes, 34 of them by Afghan security forces.⁷⁵⁷

Ministry of Education Data

According to the **Education Management Information System (EMIS)** for FY 1395 (December 22, 2015–December 21, 2016), Afghanistan reportedly had 15,709 general-education (government-run, grades 1–12) schools, including 904 inactive/closed schools, with 8.4 million students enrolled.⁷⁵⁸ The number of enrolled students includes both present and absent students.⁷⁵⁹ The Ministry of Education (MOE) counts students who have been absent for up to three years as enrolled because, it says, they might return to school.⁷⁶⁰ In December 2016, Minister of Education Assadullah Hanif Balkhi said that after adjusting school records to deduct registered but permanently absent students, only six million students were actually attending classes in Afghanistan.⁷⁶¹

Education Management Information System Data

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 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, increasing donor concerns. To understand the scope of the problem, USAID funded an assessment of EMIS data quality to identify and address gaps in the system.⁷⁶²

Despite its shortcomings and inability to answer key questions, the initial assessment found that 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 accurate and reliable

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.



Fourth graders in Bamyan listen as a peer recites lessons. (USAID photo)

information. 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.⁷⁶³ A second assessment has been completed; USAID says it is under review.⁷⁶⁴

School, Teacher, and Student Verification

SIGAR is concerned about the extent to which schools purportedly constructed or rehabilitated using U.S. funds exist and are open, operational, and usable. This quarter, SIGAR published the second in a series of reports that presented findings from site visits at schools across Afghanistan. The SIGAR team observed 26 schools in Balkh Province and found some schools lacked basic features including electricity and clean water, and had structural deficiencies. The team also saw indications of student and teacher absenteeism that may warrant investigation by the Afghan government.⁷⁶⁵ For more information, see pages 43–44.

In May 2015, Minister of Education Balkhi admitted to parliament that some nonexistent schools in insecure provinces received funding, prompting SIGAR to issue an inquiry letter to USAID requesting information regarding the reliability of the data it used to fund, oversee, and measure the effectiveness of its education programs in Afghanistan.⁷⁶⁶ Soon thereafter, President Ghani ordered an investigation into allegations of corruption at the MOE, but did not release its findings.⁷⁶⁷

Tolo News obtained and published some results of the investigation, which included allegations of embezzlement, inconsistent and underreporting of nonexistent “ghost” schools, thousands of ghost teachers on official payrolls, ghost training seminars, and discrepancies in student enrollment and attendance records.⁷⁶⁸ A March 2017 Afghanistan Analysts Network (AAN) report said that investigators found it difficult to establish accurate data because MOE departments were providing contradictory figures. Investigators did uncover waste, misuse of resources, and inadequate oversight of school construction projects (for example, 1,033 school buildings were incomplete, but fully paid for) and textbook contracts.⁷⁶⁹

An investigator told AAN that hundreds of MOE department or section heads were also paid as advisors to the Minister of Education. In other cases, MOE scholarships to study in Europe were awarded to temporary employees who were ineligible for such training. Forty of these temporary employees did not return to Afghanistan. Additionally, the investigation found that MOE assets were either not maintained properly or went missing, including 65 shipping containers used as storage rooms. Senior MOE staff, including a deputy minister, had taken the containers home.⁷⁷⁰

Notwithstanding findings by SIGAR, the Independent Joint Anti-Corruption Monitoring and Evaluation Committee, and the Afghan

TABLE 3.23

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 3/31/2017 (\$)
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	\$91,927,769	\$45,115,645
Increasing Access to Basic Education and Gender Equality	9/17/2014	12/31/2019	77,402,457	77,402,457
Afghans Read Program (ARP)	4/4/2016	4/3/2021	69,547,810	5,294,824
Support to American University of Afghanistan	8/1/2013	11/29/2019	64,400,000	30,692,408
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	14,758,497
Basic Education, Literacy, and Technical-Vocational Education (BELT), Textbooks	11/16/2011	6/30/2017	26,996,813	24,891,728
Let Girls Learn Initiative and Girls' Education Challenge Program (GEC)	6/29/2016	6/28/2021	25,000,000	5,000,000
Capacity Building at the Ministry of Education	2/6/2017	2/5/2022	23,212,618	533
Early Grade Reading Survey	7/27/2015	3/27/2017	12,487,469	10,136,102
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/1/2014	12/31/2017	7,262,016	3,402,997
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	462,509

Source: USAID, response to SIGAR data call, 4/9/2017.

government itself, the World Bank-administered Afghanistan Reconstruction Trust Fund sent a letter to donors this quarter addressing corruption allegation in the MOE. The World Bank said its third-party monitoring agent visited 1,237 out of 1,853 school buildings financed by the Fund and found no cases of ghost schools.⁷⁷¹ The letter did not address more salient issues of whether the schools were open and being used for their intended purpose, or whether students and teachers were physically present with adequate resources necessary for a suitable learning environment. However, the World Bank did provide donors with the payroll review procedures it said it uses to prevent the inclusion of ghost teachers, which is discussed on pages 128–129.⁷⁷²

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 employment. Its programs focus on early-grade reading, textbooks and other learning materials, and raising literacy rates through teacher and educator training.⁷⁷³ USAID had disbursed approximately \$907 million for education programs in Afghanistan, as of March 31, 2017.⁷⁷⁴ USAID's active education programs have a total estimated cost of \$445 million and can be found in Table 3.23.

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.⁷⁷⁵ Insecurity also plagues health-delivery services. UNAMA reported 119 conflict-related incidents against either health facilities or health workers in 2016—10 were killed, 13 injured, and 42 abducted. UNAMA also documented 23 medical facilities that were occupied and used for military purposes.⁷⁷⁶

Afghanistan Demographic and Health Survey Report Released

On February 15, 2017, the Afghan government released the final USAID-funded Demographic and Health Survey (DHS), a nationally representative June 2015–February 2016 survey designed to provide the Afghan government with up-to-date, reliable data to help develop modern health and social programs.⁷⁷⁷ USAID said the DHS is the commonly accepted “gold standard” of population-based surveys, and utilizes the highest caliber data-collection and quality-assurance methodologies. USAID added that Afghanistan's DHS is comparable to DHS results collected in other countries. Since survey methodologies have changed over time, however, previous Afghan studies are not directly comparable from a statistical modeling perspective.⁷⁷⁸ But cross-country comparisons using the new methods can be made.

Key findings include:⁷⁷⁹

- a fertility rate of 5.3 births per woman (ages 15–49), on average (comparable to Zambia and Senegal)
- infant mortality of 45 deaths per 1,000 live births (comparable to Zambia and Cambodia)
- under-5 mortality of 55 deaths per 1,000 live births (comparable to Senegal, Namibia, and Gambia)
- 16% of children aged 6–23 months having a minimally acceptable diet (comparison not available)
- 46% of children receiving all basic vaccinations (comparable to Democratic Republic of Congo and Uganda)

For ever-married women respondents aged 15–49, 53% have experienced physical violence at least once since age 15, and 31% within the year before the survey. Among those who experienced violence within the year before the survey, 26% said it resulted in physical injury. Fifty-six percent reported experiencing emotional, physical, or sexual violence by their spouse, and 52% having experienced it within the year before the survey. Additionally, less than 1% of ever-married women and 4% of men age 15–49 have been

The 2010 Afghanistan Mortality Survey used a sample design that disproportionately excluded the southern region area, particularly rural, mostly because of security problems. Readers were cautioned to consider this when interpreting the study's national level and southern zone estimates.

A 2017 SIGAR audit on Afghanistan's health care sector questioned USAID's assessment of health achievements because it relied on indicators derived from noncompatible research approaches—the 2010 Afghanistan Mortality Study versus World Health Organization, CDC, UNICEF, Afghanistan's Health Management Information System, etc.—without disclosing the data limitations in that comparative approach.

Source: Afghan Public Health Institute, MOPH, CSO, *Afghanistan Mortality Survey 2010*, 11/2011, p. 10; SIGAR 17-22-AR, *Afghanistan's Health Care Sector: USAID's Use of Unreliable Data Presents Challenges in Assessing Program Performance and the Extent of Progress*, 1/2017, pp. 1, 6–7.

TABLE 3.24

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 3/31/2017 (\$)
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	\$75,503,848	\$1,714,690
Helping Mothers and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	23,786,035
Health Sector Resiliency (HSR)	9/28/2015	9/27/2020	37,936,471	7,447,178
Strengthening Pharmaceutical System	8/28/2011	7/10/2017	34,399,936	32,731,642
Disease Early Warning System Plus (DEWS Plus)	1/1/2015	12/30/2020	32,728,000	19,788,615
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
Challenge Tuberculosis	1/1/2015	9/29/2019	15,000,000	4,449,334
Central Contraceptive Procurement	11/1/2011	9/29/2015	13,535,571	13,035,571
Demographic and Health Surveys	9/9/2013	9/8/2018	6,699,863	6,699,863
Sustaining Health Outcomes through the Private Sector (SHOPS Plus)	1/1/2016	9/30/2017	6,000,000	3,000,000
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,408,826
Mothers and Under-Five Nutrition and Child Health (MUNCH)	12/18/2014	6/30/2017	5,000,000	5,000,000
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	6/30/2017	634,833	634,833
Coordinating Comprehensive Care for Children (4 Children)	9/15/2014	9/16/2019	20,000	20,000

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, 4/9/2017; Global Alliance for Improved Nutrition, "Regional Fortification in the Central Asian Republics," accessed 1/15/2016.

tested for HIV in the past year and received the test results. Only 9% of women and 33% of men age 15–49 know that using condoms and limiting sexual contact to one faithful and uninfected partner helps prevent contracting HIV.⁷⁸⁰

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 (MOPH) includes capacity-building, training, and quality-assurance activities to strengthen the ministry's management and control over healthcare delivery across Afghanistan.⁷⁸¹ 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.⁷⁸²

USAID on-budget assistance to the MOPH provides basic health care and essential hospital services. Off-budget assistance includes activities

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, vices, 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.

SIGAR SPECIAL PROJECT

SIGAR's Office of Special Projects issued a report this quarter on operating conditions at 30 USAID-supported public health facilities in Ghazni Province. Not all the facilities visited had access to electricity and running water, and some had basic structural concerns, but all were open and operational.

Afghan religious leaders and scholars are attempting to counter misinformation by forming the National Islamic Advisory Group for Polio Eradication in 2016, which called on all Afghans to vaccinate their children.

Source: Global Polio Eradication Initiative, "Staying the Course on the Long Road," 2/7/2017.

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.⁷⁸³ U.S. on- and off-budget assistance to Afghanistan's health sector totaled more than \$1 billion as of March 31, 2017.⁷⁸⁴ USAID's active health programs have a total estimated cost of \$310 million, and are listed in Table 3.24 on the previous page.

Health Sector Resiliency

USAID's five-year, \$38 million Health Sector Resiliency (HSR) Project aims to assist the MOPH to strengthen its governance, finance, and human-resource capacities in anticipation of declining donor assistance. The MOPH leads all project activities, with HSR acting as technical advisor, as the ministry considers and implements critical reforms to make Afghanistan's health system more efficient, sustainable, and self-reliant.⁷⁸⁵

HSR conducted several provincial health-office assessments between October and December 2016, the most recent period reported. These included reviews of finance and procurement systems in five provinces to determine legal and regulatory compliance, capacity development needs, and levels of input into national budget and procurement planning. Post-assessment plans were developed to address identified needs in areas such as human resource and departmental management, organizational governance, and accountability. HSR also finalized an advocacy plan for increased domestic funding for the health sector, and began efforts to demonstrate the health, economic, political, and social returns on the government's investment.⁷⁸⁶

Polio

Afghanistan reported three new polio cases in 2017, as of April 5, most recently in Kunduz Province. There were 13 new polio cases in 2016.⁷⁸⁷ Afghanistan and Pakistan, which share a 1,500-mile border, are two of only three countries where polio is still endemic.⁷⁸⁸ Large-scale population movements between Afghanistan and Pakistan increase the risk of cross-border transmission and complicate vaccination outreach.⁷⁸⁹

Security and access challenges constrain vaccination campaigns in some areas. Taliban splinter groups, Islamic State-Khorasan Province, and the Haqqani Network continue to oppose vaccination efforts. They attack polio workers and refuse to allow immunization campaigns in areas under their control. Workers must also contend with misinformation that polio-immunization campaigns are American conspiracies, that immunization volunteers are spies, and that the polio vaccine is an anti-fertility drug or has side effects.⁷⁹⁰

USAID reported that the Afghan Government has strengthened polio eradication cooperation and improved program quality.⁷⁹¹ On April 3, 2017,



Chief Executive Abdullah Abdullah, third from left in front row, inaugurates the Center for National Polio Emergency Eradication Operations in Kabul. (Ministry of Public Health photo)

the government inaugurated a Center for National Polio Emergency Eradication Operations in Kabul to be used for coordinating, organizing, planning, and conducting polio eradication program activities.⁷⁹² This center, along with three regional ones and a network of 7,000 community mobilizers, aim to improve vaccination by engaging communities, as well as religious and traditional leaders. As a result, USAID said the number of children not immunized because of security issues declined from 324,000 in May 2016 to 99,000 in March 2017.⁷⁹³ USAID obligated more than \$25.7 million and disbursed about \$14.5 million for polio eradication in Afghanistan since FY 2003.⁷⁹⁴

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COUNTERNARCOTICS

KEY ISSUES AND EVENTS

Despite a U.S. investment of \$8.5 billion to counter Afghanistan's illicit narcotics economy, Afghanistan remains the world's largest opium producer and exporter—producing an estimated 80% of the world's heroin. The narcotics industry—coupled with rampant corruption and fraud—is a major source of illicit revenue.⁷⁹⁵ In December 2016, the commander of U.S. and NATO forces in Afghanistan, General John W. Nicholson Jr., said the opium trade provides about 60% of the Taliban's funding.⁷⁹⁶

According to the Department of State's Bureau of International Narcotics and Law Enforcement Affairs (INL), a symbiotic relationship exists between the insurgency and narcotics trafficking. Traffickers provide weapons, funding, and material support to the insurgency in exchange for protection, while insurgent leaders traffic drugs to finance their operations. Production and trafficking of illicit narcotics flourish in areas where Afghan state institutions are weak, although trafficking is not limited to insurgent-controlled areas. The narcotics trade also undermines governance and rule of law throughout Afghanistan.⁷⁹⁷

According to the United Nations Office of Drugs and Crime (UNODC), approximately 201,000 hectares of land in Afghanistan were under poppy cultivation in 2016 (a hectare is slightly less than 2.5 acres). That was an increase of 10% over the previous year's total and a 43% increase in potential opium production. According to INL, poppy cultivation remained near historically high levels compared with the past several decades.⁷⁹⁸ While U.S. heroin mainly comes from Mexico, Afghan heroin does make up the majority of heroin consumed in Canada and the rest of the world.⁷⁹⁹

UNODC says poppy eradication results in 2016 were the lowest this decade at 355 hectares—a 91% decrease from 2015. Though cultivation decreased 7% in Helmand—the country's main opium poppy-cultivating province—and 3% in Kandahar, it increased significantly in others, notably 184% in Badghis. The number of poppy-free provinces decreased from 14 to 13, with Jowzjan losing the poppy-free status regained in 2008.⁸⁰⁰ Moreover, final approval of the U.S. government's revised counternarcotics strategy has been postponed until the new Administration endorses the new strategy.



U.S. Special Operations service members board two UH-60 Black Hawk helicopters following a counternarcotics operation in Kandahar province. U.S. Special Forces advised and assisted specialized Afghan police units during multiple counternarcotics operations this year. (DOD photo)

COUNTERNARCOTICS

Afghanistan also suffers from widespread illegal drug use. A 2015 Afghanistan National Drug Use Survey conservatively estimated that roughly 11% of the population tested positive for one or more drugs, including 5.3% of the urban population and 13% of the rural population. Drug use among women and children is among the highest documented worldwide, and 30.6% of households tested positive for some form of illicit drug.⁸⁰¹ In addition, a January 2017 UNODC report found that the availability of synthetic drugs such as methamphetamine has increased in Afghanistan; there were 153 seizures between March 2014 and March 2015, compared to only two between March 2011 and March 2012.⁸⁰²

INL noted that the Afghan government recognizes the negative impact of illegal drugs and has taken steps to address the problem, but the Afghan government has been slow to implement the National Drug Action Plan (NDAP) it adopted in 2015. Moreover, the Afghan government will require ongoing financial and technical assistance from the international community if it is to achieve the NDAP's objectives.⁸⁰³

U.S. RECONSTRUCTION FUNDING FOR COUNTERNARCOTICS

As of March 31, 2017, the United States has provided \$8.5 billion for counternarcotics efforts in Afghanistan since 2002. Congress appropriated most counternarcotics (CN) funds for Afghanistan 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 (INCLE) account (\$2.2 billion).⁸⁰⁴

ASFF is primarily used to develop the Afghan National Army and Police, including the Counter Narcotics Police of Afghanistan (CNPA) and the Special Mission Wing (SMW), which support the counternarcotic efforts of the Ministries of Defense (MOD) and Interior (MOI).⁸⁰⁵

USAID's ESF-funded 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 DEA receives funds through direct appropriations to operate in Afghanistan.⁸⁰⁶

SIGAR will issue a Lessons Learned Program report later this year that will examine U.S. counternarcotics efforts since reconstruction began. This comprehensive review will incorporate satellite-imagery data analysis and provide recommendations to policymakers to improve future strategies and programs.

INTERDICTION AND ERADICATION

The U.S. and Afghan governments use both interdiction and eradication to counter the cultivation and production of illicit narcotics in Afghanistan.

According to the Department of State:⁸⁰⁷

Drug interdiction—or preventing illicit drugs from reaching their destination—is important in stemming the flow of illegal drugs and countering the negative effects of organized criminal groups. INL supports interdiction efforts through training, equipping, and providing technical assistance to partner nation law enforcement agencies. Such efforts increase the capacity to detect, investigate, disrupt, and seize shipments of illicit drugs and the chemicals (known as precursors) needed to process and produce drugs.

Eradication—or the physical destruction—of illicit crops remains an important tool for decreasing the production of illegal drugs and preventing them from entering the United States, or other drug markets. INL provides training, equipment, and technical assistance to foreign governments to support their own eradication programs, and address related counternarcotics and law enforcement challenges.

Interdiction Results

In Afghanistan, INL partners with the Drug Enforcement Administration (DEA) and DOD to build the capacity of the Counter Narcotics Police of Afghanistan (CNPA), with particular focus on support for two specialized units mentored by DEA: the Afghanistan Sensitive Investigative Unit (SIU) and the Afghanistan National Interdiction Unit (NIU).⁸⁰⁸

The poor security situation in Afghanistan makes interdiction a challenge. However, during the second quarter of fiscal year (FY) 2017 (data available January 1 to March 22, 2017) interdictions rose approximately 60%, from 33 to 53 operations, over the previous quarter, which DOD attributes to the mentorship of U.S. Special Forces units, greater access to RS mission support, and improving interoperability.⁸⁰⁹ Most interdiction activities occurred in the capital and eastern regions and included routine patrols, cordon and search operations, vehicle interdictions, and detention operations. These operations resulted in both seizures of illicit narcotics and the destruction of multiple drug labs.⁸¹⁰

According to DOD, Badghis Province has emerged as the second highest poppy producing province, after Helmand, in part due to a lack of security and counternarcotics forces in the province. Badghis Province's role in the drug trade is mainly limited to cultivation and trafficking.⁸¹¹

NIU operations increased and were primarily conducted in Helmand, Kabul, and Nangarhar Provinces. During the second quarter of FY 2017, specialized Afghan CN units, alongside U.S. and Afghan Special Forces, targeted major drug-trafficking organizations in Helmand and Nangarhar Provinces. Recent partnering with U.S. Special Forces has resulted in an

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increase in the number of labs destroyed and drugs interdicted. However, DOD noted that continued mentoring by Coalition partners would likely be required to maintain the current level of operations.⁸¹²

According to U.S. Forces-Afghanistan (USFOR-A), the February 2016 assignment of a Resolute Support advisory team to Afghan counternarcotics forces has increased the number of successful CN missions. In the second quarter of FY 2017, the Resolute Support advisory team supported successful missions by NIU, resulting in seizures of narcotics, **precursor chemicals**, and drug-production equipment. For example:⁸¹³

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.

- **January 1, 2017**, U.S. Special Forces advised and assisted the NIU, SIU, and Special Mission Wing (SMW) during operations in Nangarhar to deny and degrade funding for insurgents and narco-terrorists. The mission yielded 10 kilograms (kg) of pure processed heroin, 21 fifty-five-gallon drums of heroin, 100 kg of ammonium chloride, one opium press, one opium cauldron, and two SKS rifles. This operation is estimated to have denied \$1.7 million to insurgents/criminals.
- **January 10, 2017**, U.S. Special Forces working with the MOD advised and assisted the NIU, SIU, and Afghan special forces during an operation in Farah Province. This mission yielded 12 kg of crystalized heroin, 500 kg of raw opium, 1,810 kg of ammonium chloride, 1,020 liters of acetic anhydride, 860 kg of soda ash, five opium presses, 129 opium cooking barrels, and three generators. This operation is estimated to have denied \$5.8 million to insurgents/criminals.
- **January 26, 2017**, U.S. Special Forces advised and assisted the NIU, SIU, and Afghan special forces to clear six compounds in Helmand Province. This mission resulted in six enemies killed in action and the seizure of 1,090 kg of morphine base, 15,175 kg of ammonium chloride, 11 opium presses, 12 opium cauldrons, 277 cooking barrels, and two enemy vehicles. This operation is estimated to have denied \$3.9 million to insurgents/criminals.
- **February 23, 2017**, U.S. Special Forces advised and assisted the NIU, SIU and Afghan special forces during operations in Nangarhar Province. The mission yielded 1,650 kg of morphine base, 100 kg of hashish, 500 kg of opium seeds, 60 liters of acetic acid, 1,000 kg ammonium chloride, one opium press, and one opium cauldron. This operation is estimated to have denied \$4.7 million to insurgents/criminals.

SIGAR has long tracked DOD and DEA reporting on the results of interdiction operations in Afghanistan. As shown in Table 3.25, from 2008 through March 22, 2017, 3,371 interdiction operations have resulted in the seizure of 449,470 kg of opium. However, this result was less than 1% of Afghanistan's opium production. According to the December 2016 Opium Survey by the United Nations Office on Drugs and Crime (UNODC), Afghanistan's potential opium production was approximately 4,800 metric tons (or 4.8 million kg) in 2016 alone.⁸¹⁴

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TABLE 3.25

INTERDICTION RESULTS, FISCAL YEARS 2008–2017											
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017*	TOTAL
Number of Operations	136	282	263	624	669	518	333	270	190	86	3,371
Detainees	49	190	484	862	535	386	442	394	301	92	3,735
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,063	227,460	1,123,285
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,056	2,859	3,532	1,799	37,403
Morphine seized (kg)	409	5,195	2,279	18,040	10,042	11,067	5,925	505	13,041	47,845	114,348
Opium seized (kg)	15,361	79,110	49,750	98,327	70,814	41,350	38,379	27,600	10,487	18,292	449,470
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	130,846	36,250	53,184	234,981	42,314	55,637	793,499

Note: The significant difference in precursor chemicals total seizures between 2014 and 2015 is due to a 12/22/2014 seizure of 135,000 liters of precursor chemicals.
*Results for period 10/1/2015–3/22/2017.

Source: DOD, response to SIGAR data call, 7/29/2015, 12/23/2016, and 3/22/2017.

Eradication Results

The UNODC's 2016 Afghanistan Opium Survey noted that poppy eradication declined significantly in 2016, with only 355 hectares of opium poppy fields destroyed (compared to 3,760 hectares in 2015, 2,692 in 2014, and 7,348 in 2013).⁸¹⁵ When compared to the UNODC-estimated 201,000 hectares of poppy being cultivated in 2016, eradication is nearly imperceptible, as shown in Figure 3.32 on the next page. Deteriorating security conditions, a lack of political will, and the Afghan Ministry of Counter Narcotics' ineffective management all contributed to the paltry eradication results in 2016.⁸¹⁶

Governor-Led Eradication Program

The United States supports Afghan eradication efforts through INL's Governor-Led Eradication (GLE) program that reimburses provincial governors \$250 per every UNODC-verified hectare of eradicated poppy.⁸¹⁷ GLE is the only eradication program financially supported by the U.S. government; annually it accounts for less than 2% of INL's Afghanistan CN budget.⁸¹⁸ According to financial data provided to SIGAR, INL has obligated more than \$5.6 million and expended nearly \$4.7 million for the GLE program.⁸¹⁹

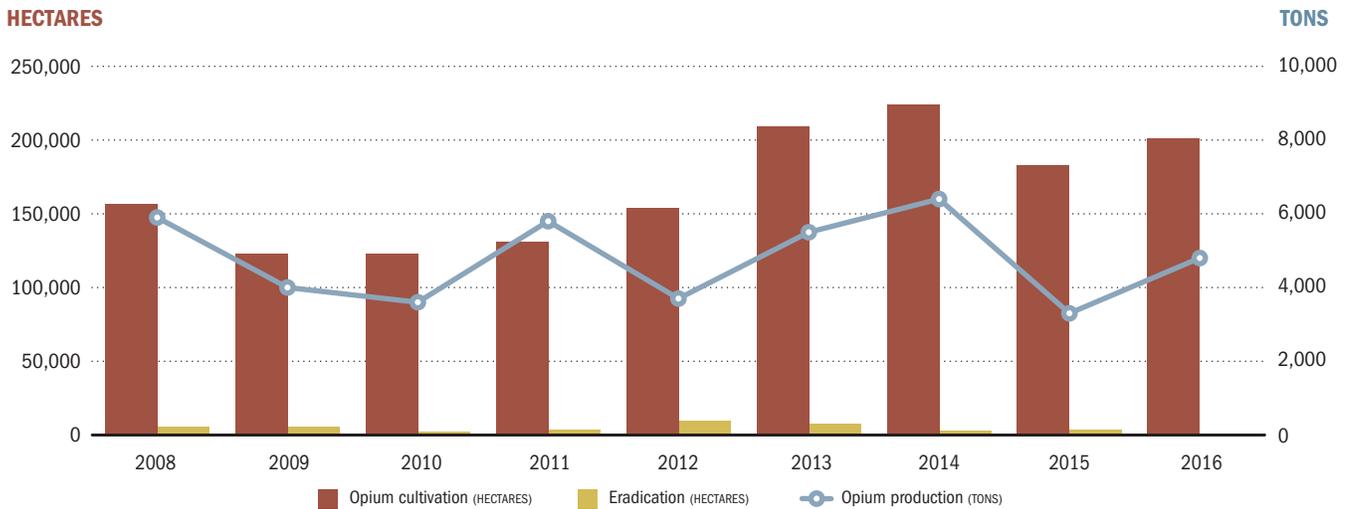
Ministry of Counter Narcotics Capacity-Building

Since 2008, INL has obligated \$35.2 million and expended \$26.0 million on building the capacity of the Afghan Ministry of Counter Narcotics (MCN).⁸²⁰ In mid-July 2015, INL conducted an independent risk assessment of the MCN's public financial-management system. The report identified significant deficiencies that increased the potential for inaccurate financial reporting, inefficiency, ineffective operations, and noncompliance with laws and regulations. Areas of particular concern were internal controls, program management and monitoring, and facility management.⁸²¹

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FIGURE 3.32

AFGHAN OPIUM CULTIVATION, ERADICATION, AND PRODUCTION SINCE 2008



Source: UNODC, *World Drug Report 2016, Annex, 6/2016, vii, ix, xii*; UNODC, *Afghanistan Opium Survey 2016: Cultivation and Production, 12/2016, p. 6*.

Based on recommendations in the risk assessment, in mid-2016, INL solicited and awarded a contract for a financial-remediation plan that was expected to be completed in 2016.⁸²² However, that original schedule changed “following delays in solicitation.” According to INL, the financial-remediation plan was still “on schedule,” per the terms of the contract, as of March 24, 2017.⁸²³ INL said it was too early to measure improvements as a result of the financial-remediation plan. The contractor, the Afghanistan Holding Group, is currently developing standard operating procedures for the implementation of effective financial controls.⁸²⁴ Successful remediation is expected to permit the MCN to receive direct assistance funds.⁸²⁵

In mid-2016, INL solicited and awarded a grant to improve English and information-technology (IT) skills at the MCN.⁸²⁶ According to INL, this quarter, more than 100 students were taking IT-skills training classes twice a week. However, English training was put on hold due to the lack of classroom space. In addition, six fellows from the Asia University for Women were continuing their fellowship at the MCN.⁸²⁷

Good Performers Initiative

The INL-funded Good Performers Initiative (GPI) was a program that sought to incentivize provincial governors’ counternarcotics and supply-reduction activities by supporting sustainable, community-led development projects in provinces that significantly reduced or eliminated poppy

cultivation. From June 2012 to April 2016, INL funded GPI projects on-budget through the Afghan Ministry of Finance. However due to technical-capacity issues at the MCN, INL phased out the GPI program. No new GPI projects were approved after April 30, 2016; however, INL will continue to fund ongoing projects until their completion.⁸²⁸

As of February 28, 2017, INL reported that 286 projects valued at \$126.4 million had been contracted. Of those, 233 projects have been completed and 53 are still in progress.⁸²⁹

INL is also working on an alternative-development project—called the “Strengthen and Diversify Licit Livelihoods through Alternative Development Interventions” project—that is expected to follow through on INL’s commitments to those provinces most affected by the cancelling of the GPI program.⁸³⁰

ALTERNATIVE DEVELOPMENT

USAID’s alternative-development (AD) programs support U.S. counternarcotics objectives by helping host countries to develop economic alternatives to narcotics production. INL funding supports supply-reduction and alternative-development programs. INL told SIGAR it holds biweekly meetings with USAID to coordinate their AD efforts and ensure that INL AD efforts complement and leverage ongoing USAID activities.⁸³¹ According to USAID, both agencies also jointly attend AD program meetings with UNODC, the UN Development Programme (UNDP), the MCN, and the Ministry of Agriculture, Irrigation, and Livestock.⁸³²

INL has been implementing AD programming in Afghanistan since 2007 through GPI and a series of grants with the Aga Khan Foundation to strengthen subnational governance and alternative livelihoods. INL AD programs target high poppy-cultivating areas, in line with Afghan government priorities laid out in Afghanistan’s National Drug Action Plan.⁸³³

Strengthen and Diversify Licit Livelihoods Through Alternative Development Interventions

As of March 10, 2017, INL has obligated \$20 million for its “Strengthen and Diversify Licit Livelihoods through Alternative Development Interventions” project. The project, implemented by UNODC, started in August 2016 and is scheduled to end in 2020.⁸³⁴

The project will support and strengthen selected value chains in production, processing, quality control, and market linkages across 14 target provinces that were most impacted by the loss of GPI award funds or that had very high levels of poppy cultivation.⁸³⁵

According to INL, this quarter, UNODC finalized district and community selection criteria and have prepared a list of communities in target districts. UNODC also developed questionnaires for a socioeconomic survey,

developed plans for 20 small-scale projects, and is developing plans for some large-scale projects.⁸³⁶

Community-Based Agriculture and Rural Development

As of March 10, 2017, INL has obligated \$17.8 million for its Community-Based Agriculture and Rural Development (CBARD) project.⁸³⁷ The program—implemented by UNDP and UNODC—aims to improve household income while reducing dependency on illicit poppy cultivation for selected communities in Farah and Badghis Provinces, the second and sixth highest poppy-cultivating provinces in 2016, according to UNODC.⁸³⁸

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 infrastructure, such as irrigation, transportation, and facilities. The project is scheduled to end in 2020.⁸³⁹

According to INL, this quarter, UNDP and its implementing partner developed draft criteria for identifying beneficiary communities and farmers. UNODC developed questionnaires for a socioeconomic survey. In March, INL provided \$2.2 million to UNODC and \$356,400 to UNDP to conduct surveys of its programs and assessments for future programs. UNODC and UNDP are expected to use the new funding to survey additional communities and conduct assessments that will include information on off-farm employment and access to finance.⁸⁴⁰

Kandahar Food Zone

The Kandahar Food Zone (KFZ) is a \$45.4 million, USAID-funded project implemented by International Relief and Development (IRD). KFZ addresses the drivers of poppy cultivation in Kandahar Province by rehabilitating irrigation infrastructure, expanding alternative livelihood opportunities, supporting small businesses, and building the capacity of the MCN to develop effective alternative-development policies. The project started in 2013 and is scheduled to end in August 2018.⁸⁴¹

According to USAID, during the first quarter of FY 2017, KFZ made no progress toward two “impact indicators”: increasing the number of hectares of improved high-value crops (the FY 2017 goal is 350 ha) and increasing the percentage of households reporting an increase in income from licit livelihoods in targeted areas (the goal is 10%).

No progress was made during the first quarter of 2017 toward 19 of 24 other indicators, including the number of farmers receiving public or private sector training and the number of hectares under cultivation of high-value crops as a result of U.S. government assistance. However, according to USAID, “KFZ has done preparatory work regarding progression toward the achievement of indicators in upcoming quarters of FY 2017. Therefore, there has been very limited progress toward tangible achievement of indicators during this reporting quarter.”⁸⁴²

During the first quarter of 2017, the KFZ project rehabilitated 199 km of irrigation canals and 350 hectares of perennial crops, established 70 hectares of new orchards, and shipped 6,000 tons of fruit to national markets and 4,000 tons to international markets. In addition, the project improved Afghan government irrigation management and increased government engagement with rural communities.⁸⁴³

Regional Agricultural Development Program

USAID's 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, eastern, 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.⁸⁴⁴

RADP-East (RADP-E) is a USAID-funded \$28.1 million program designed to expand sustainable agriculture-led economic growth in the provinces of Ghazni, Kapisa, Laghman, Logar, Nangarhar, Parwan, Wardak, and Kabul. RADP-E works with the private sector to identify constraints to business and value-chain performance, and implement market-based solutions.⁸⁴⁵ RADP-E started in 2016 and expected to end in 2021.⁸⁴⁶ As of March 22, 2017, approximately \$1.4 million had been expended.⁸⁴⁷

According to USAID, this quarter, RADP-E continued its efforts in preparing for its implementation phase. This included completing various studies, surveys, and analyses, as well as collecting information from relevant stakeholders.⁸⁴⁸

RADP-North (RADP-N) is a USAID-funded \$78.4 million program that started in 2014 and is scheduled to end in May 2019. RADP-N invests in increased sustainability and profitability of select value chains—wheat, high-value crops, and livestock—in rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz, and Samangan Provinces.⁸⁴⁹ As of March 22, 2017, approximately \$33.4 million had been expended.⁸⁵⁰

RADP-South (RADP-S) is a USAID-funded \$125 million program that started in 2013 and is scheduled to end in October 2018. RADP-S promotes inclusive and sustainable economic growth for rural Afghans in Kandahar, Helmand, Uruzgan, and Zabol Provinces. The program supports farmers and micro, small, medium, and large agribusinesses to improve production, processing and commodity sales. RADP-S strengthens market systems by using local agricultural firms to champion reforms. RADP-South is working to increase the incomes of farmers, agribusinesses, and veterinary professionals, while raising awareness among farming families of proper nutrition and balanced diets.⁸⁵¹ As of March 22, 2017, approximately \$83.4 million had been expended.⁸⁵²

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.



An Afghan trader pours juice samples at a food exhibition in Dubai, February 27, 2017. (USAID photo)

RADP-West (RADP-W) was a USAID-funded \$27.7 million program that started in 2014 and ended in September 2016. RADP-W was a Ministry of Agriculture, Irrigation, and Livestock (MAIL)-led program designed to improve food and economic security for rural Afghans in certain districts in the western provinces of Herat, Farah, and Badghis. The program supported the ministry's efforts to improve the productivity and profitability of targeted value chains. The program supported initiatives to train and mentor farmers and agribusinesses in the use of appropriate technologies and agricultural practices, post-harvest and value-added processing, and strengthening linkages to domestic and international markets. The program also supported the ministry in efforts to adopt longer-term improvements in national agricultural policy and regulatory development.⁸⁵³ As of March 22, 2017, approximately \$27.1 million had been expended.⁸⁵⁴

Commercial Horticulture and Agricultural Marketing Program

The Commercial Horticulture and Agricultural Marketing (CHAMP) program is a USAID-funded \$61.3 million program designed to boost agricultural productivity and food security, provide market opportunities, and decrease poppy production.⁸⁵⁵ The program started in 2010 and is scheduled to end in December 2019.⁸⁵⁶

According to USAID, the program has helped export 51,700 tons of produce valued at \$55 million to markets in Pakistan, Canada, India, the United Arab Emirates, and Russia. In addition, USAID said the program created more than 7,700 agribusiness jobs, trained 112,500 farmers, and benefitted 38,400 households.⁸⁵⁷

Drug-Demand Reduction

A 2015 Afghanistan National Drug Use Survey conservatively estimated that roughly 11% of the population tested positive for one or more drugs, including 5.3% of the urban population and 13% of the rural population. Drug use among women and children is among the highest documented worldwide and 30.6% of households tested positive for some form of illicit drug.⁸⁵⁸

The United States is helping Afghanistan face this public-health crisis by funding a new rural treatment program to expand substance abuse treatment to the hardest hit local communities. According to INL, the demand for treatment and prevention services far exceeds the capacity of the centers, most of which have extensive waiting lists for new patients. The United States also supports UNODC's global child-addiction program to develop protocols for treating opioid-addicted children, training treatment staff, and delivering services through nongovernmental organizations.⁸⁵⁹

Since 2015, INL has transitioned responsibility for 28 of the 86 U.S.-funded drug treatment centers to the MOPH. Transition of treatment centers scheduled for January 2017 has been suspended while INL, the MOPH, the Ministry of Counter Narcotics (MCN), and the NGOs renegotiate

the transition plan.⁸⁶⁰ The remaining treatment centers will transition by the end of 2019. INL reduced funding to all facilities (including the MOPH portfolio of 28 centers) by approximately 20% in 2015, another 15% in 2016 and another 25% in 2017.⁸⁶¹

Counter-Narcotics Community Engagement

INL has obligated \$12.7 million and expended \$9.8 million to fund its Counter-Narcotics Community Engagement (CNCE) program since October 2013.⁸⁶² CNCE funds communication and outreach programs aimed at discouraging poppy cultivation, preventing drug use, and encouraging licit crops. The United States also supports an anti-drug curriculum in Afghan schools, which has trained over 300 teachers and reached over 30,000 students. According to INL, surveys indicate that the public messaging campaigns are having a slow but steady impact on Afghan attitudes about illicit narcotics.⁸⁶³ CNCE is in its third phase, which began May 2016 and ends November 2017.⁸⁶⁴

CNCE pays an Afghan company, Sayara Strategies (Sayara), to identify provincial drivers of drug trafficking and poppy cultivation—as well as the public response and farmer sentiments towards poppy eradication and counter narcotics efforts—to better target its messaging campaign to reach key geographical and demographic groups.⁸⁶⁵

Sayara also places reporters in 12 key poppy-cultivating provinces. These reporters informally gather information and gauge perceptions on the state of counternarcotics policies and messaging. The reporters collect data by speaking with community members at mosques, bazaars, taxi stands, teahouses, shuras (gatherings of elders), and other places where relevant information is abundant and shared openly. Data is then communicated back to specialists and data analysts for further assessment.⁸⁶⁶

