

3 RECONSTRUCTION UPDATE



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Afghans in Jalalabad gathered on September 8, 2017, to protest the oppression and deaths of Rohingya Muslims in Myanmar (formerly Burma). (AFP photo)

RECONSTRUCTION UPDATE

This quarter, President Donald Trump unveiled his Administration's new strategy for the war in Afghanistan after a comprehensive review of the situation on the ground by officials in the Departments of Defense and State, and other U.S. agencies. In a speech at Fort Myer in Virginia on August 21, President Trump emphasized that the new approach to Afghanistan would be conditions-based, not built around "arbitrary timetables," in order to break the stalemated conflict and avoid the unacceptable consequences of a hasty withdrawal.

Efforts are already under way to implement the President's strategy. Before determining new troop levels for Afghanistan, the Pentagon acknowledged in August that there are more than 11,000 U.S. personnel already on the ground, about 3,000 more than the 8,400 figure previously reported. On August 31, Secretary Mattis signed new deployment orders to add over 3,000 troops in Afghanistan, which will bring the total to 14,000–15,000 personnel, not including civilians and contractors. The force increase is expected to expand the advising mission, increase training for Afghanistan's special operations forces, and allow for increased provision of U.S. air and artillery strikes in support of Afghan forces.

On October 5, the Afghan government, international community, and representatives from Afghanistan's civil society and private sector met to discuss progress and achievements in Afghanistan's reform agenda, and to reaffirm their partnership and commitment to Afghanistan's long-term development. The Senior Officials Meeting was held one year after the October 2016 Brussels Conference on Afghanistan.

At the Brussels conference, the Afghan government had agreed to draft and endorse an anticorruption strategy for the whole of government by the first half of 2017. On September 28, 2017, the High Council on Rule of Law and Anti-Corruption approved the National Strategy for Combatting Corruption. In commenting on the strategy, President Ghani said that the drive against corruption should be "measurable and vision-oriented." He also ordered that the government produce a comprehensive report every six months that covers the strategy's implementation.

In the July 30, 2017, quarterly report, SIGAR reported that Afghanistan's total domestic revenues for the first six months of FY 1396 (which began December 22, 2016) decreased by 25% compared to the first six months

RECONSTRUCTION UPDATE



The October 2017 Senior Officials Meeting drew members of the Afghan government, international community, and Afghan civil society to Kabul to discuss the country's reform agenda. (Afghan government photo)

of FY 1395. Using updated data, SIGAR analysis this quarter showed that aggregate domestic revenues remained roughly the same for the first eight months of FY 1396, compared to the first eight months of FY 1395. MOF senior officials told SIGAR this quarter that they classify revenues into “one-off” and “sustainable” categories. The MOF considers certain revenues—including customs, taxes, and non-tax fees—as “sustainable.” Using the Afghan government’s definition of sustainable domestic revenues, these categories collectively increased by about 12%, year-on-year, for the first eight months of FY 1396, compared to the first eight months of FY 1395.

This quarter, the United States and the Afghan government announced the launch of the bilateral Kabul Compact. The Kabul Compact process consists of four U.S.- and Afghan-chaired working groups covering governance, economic development, peace and reconciliation, and security issues. Each working group has a matrix of benchmarks to chart reform progress for the next three years. A joint U.S.-Afghan statement described the compact an important factor in developing the new U.S. Afghanistan policy.

Despite the United States having provided \$8.6 billion for counternarcotic efforts since 2002, the area under opium-poppy cultivation continues to rise. The United Nations will release official cultivation and eradication results this winter but media stories and MCN officials report cultivation results will likely exceed 2016’s level of 201,000 hectares. As a part of the U.S. administration’s new strategy for South Asia, U.S. government agencies are finalizing a revised counternarcotics strategy, which had been postponed since 2015. The Kabul Compact gives short shrift

to counternarcotics, with only three counternarcotics benchmarks out of over 400 on security, governance, economics development, and peace and reconciliation.

The Department of Defense Inspector General examined DEA's counternarcotics program in Afghanistan between 2009 and 2016 and found that DOD possibly wasted over \$64 million during that period. The aircraft purchased and modified for counternarcotics operations were never used.

Cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$120.8 billion, as of September 30, 2017. Of the total cumulative amount appropriated for Afghanistan reconstruction, \$101.8 billion went to the seven major reconstruction funds featured in the Status of Funds subsection of this report. Approximately \$7.4 billion of this amount remained available for potential disbursement, as of September 30, 2017.

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STATUS OF FUNDS

STATUS OF FUNDS

This section details the status of U.S. funds appropriated, obligated, and disbursed for reconstruction activities in Afghanistan. As of September 30, 2017, the United States had appropriated approximately \$120.78 billion for relief and reconstruction in Afghanistan since FY 2002. This total has been allocated as follows:

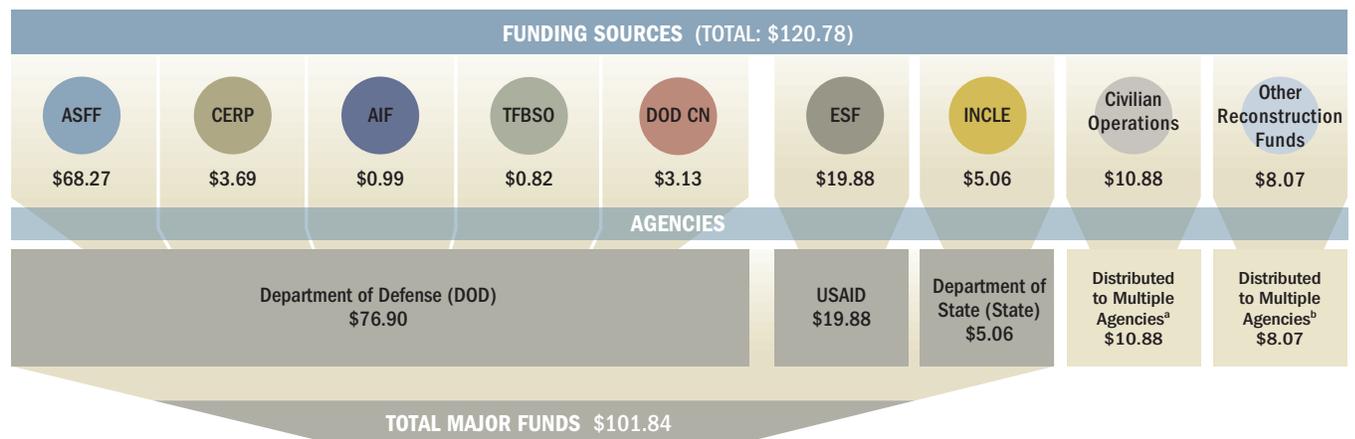
- \$73.53 billion for security (\$4.44 billion for counternarcotics initiatives)
- \$32.98 billion for governance and development (\$4.18 billion for counternarcotics initiatives)
- \$3.39 billion for humanitarian aid
- \$10.88 billion for civilian operations

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

- 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

FIGURE 3.1

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



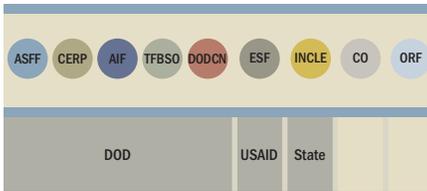
Note: Numbers have been rounded.

^a Includes: State, USAID, Broadcasting Board of Governors, SIGAR, USAID IG, and State IG.

^b Includes: USAID, State, DOD, DOJ, USDA, and Treasury.

Source: DOD, response to SIGAR data call, 10/18/2017, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 10/11/2017, 10/13/2017, 9/21/2017, 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, 7/10/2017; 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, 10/16/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 6/30/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (Draft)," 10/18/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

STATUS OF FUNDS



U.S. RECONSTRUCTION FUNDING FOR AFGHANISTAN

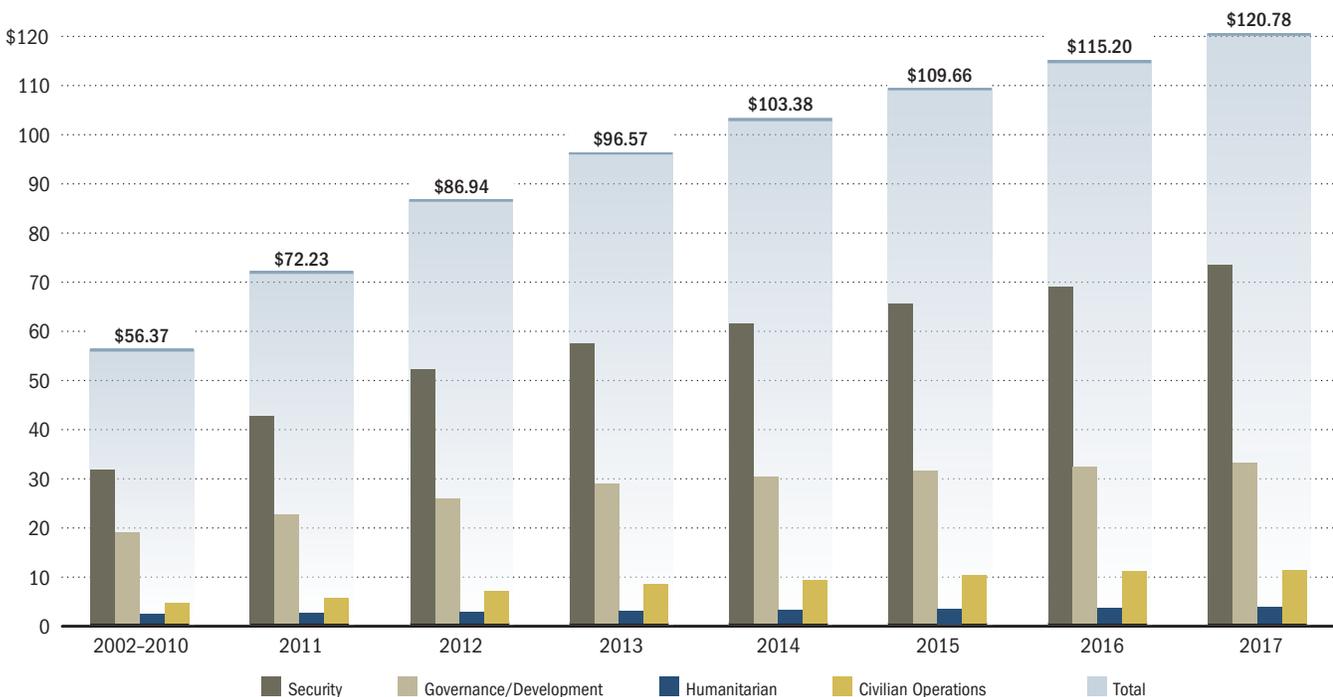
As of September 30, 2017, cumulative appropriations for relief and reconstruction in Afghanistan totaled approximately \$120.78 billion, as shown in Figure 3.2. This total can be divided into four major categories of reconstruction funding: security, governance and development, humanitarian, and oversight and operations. Approximately \$8.62 billion of these funds support counternarcotics initiatives which crosscut both the security (\$4.44 billion) and governance and development (\$4.18 billion) categories. For complete information regarding U.S. appropriations, see Appendix B.

This quarter, State and USAID transmitted to Congress the FY 2017 allocation report for foreign assistance accounts. For Afghanistan, State and USAID allocated \$650 million for the Economic Support Fund (ESF) and \$160 million for the International Narcotics Control and Law Enforcement (INCLE) account, bringing total funding for FY 2017 to nearly \$5.59 billion, as shown in Figure 3.3.¹⁶

The amount provided to the seven major U.S. funds represents more than 84.3% (over \$101.84 billion) of total reconstruction assistance in Afghanistan since FY 2002. Of this amount, nearly 93.9% (almost \$95.62 billion) has been obligated, and nearly 88.4% (over \$89.98 billion) has been disbursed. An estimated \$4.44 billion of the amount appropriated these funds has expired.

FIGURE 3.2

CUMULATIVE APPROPRIATIONS BY FUNDING CATEGORY, AS OF SEPTEMBER 30, 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. DOD reprogrammed \$230 million into FY 2015 ASFF. 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, \$400 million from FY 2015 in Pub. L. No. 114-113, and \$150 million from FY 2016 in Pub. L. No. 115-31. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID.

Source: DOD, response to SIGAR data call, 10/18/2017, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 10/11/2017, 10/13/2017, 9/21/2017, 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, 7/10/2017; 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, 10/16/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 6/30/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (Draft)," 10/18/2017; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

STATUS OF FUNDS

The United States is reviewing its previous policy aim of channelling at least 50% of its development assistance on-budget to the Government of Afghanistan.¹⁷ This assistance is provided either directly to Afghan government entities or via contributions to multilateral trust funds that also support the Afghan government's budget.¹⁸ Since 2002, the United States has provided nearly \$10.64 billion in on-budget assistance. This includes about \$5.69 billion to Afghan government ministries and institutions, and nearly \$4.95 billion to three multinational trust funds—the World Bank's Afghanistan Reconstruction Trust Fund (ARTF), the United Nations Development Programme's Law and Order Trust Fund (LOTFA), and the Asian Development Bank's Afghanistan Infrastructure Trust Fund (AITF). Table 3.1 shows U.S. on-budget assistance disbursed to the Afghan government and multilateral trust funds.

TABLE 3.1

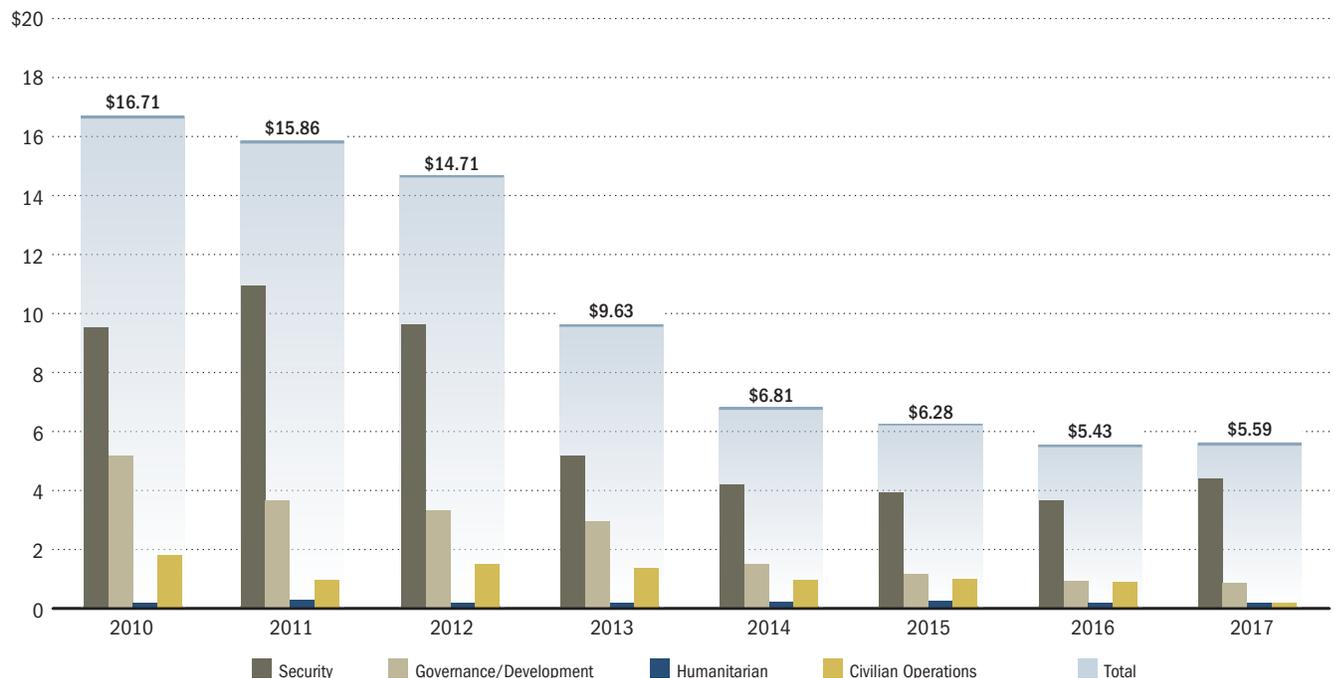
U.S. ON-BUDGET ASSISTANCE TO AFGHANISTAN, SINCE 2002 (\$ MILLIONS)	
Government-to-Government	
DOD	\$4,946
State	92
USAID	651
Multilateral Trust Funds	
LOTFA	\$1,667
ARTF	3,128
AITF	154

Note: Numbers have been rounded. Figures reflect amounts the United States has disbursed in on-budget assistance to Afghan government entities and multilateral trust funds. As of September 30, 2017, USAID had obligated approximately \$1.3 billion for government-to-government assistance.

Source: USAID, response to SIGAR data call, 10/15/2017; DOD, response to SIGAR data call, 6/25/2015; World Bank, ARTF: *Administrator's Report on Financial Status as of August 22, 2017 (end of 8th month of FY 1396)*, p. 4; UNDP, response to SIGAR data call, 10/15/2017.

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. DOD reprogrammed \$230 million into FY 2015 ASFF. 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, \$400 million from FY 2015 in Pub. L. No. 114-113, and \$150 million from FY 2016 in Pub. L. No. 115-31. DOD transferred \$101 million from FY 2011 AIF, \$179.5 million from FY 2013 AIF, and \$55 million from FY 2014 AIF to the ESF to fund infrastructure projects implemented by USAID.

Source: DOD, response to SIGAR data call, 10/18/2017, 10/12/2017, 10/22/2012, 10/14/2009, and 10/1/2009; State, response to SIGAR data call, 10/11/2017, 10/13/2017, 9/21/2017, 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, 7/10/2017; 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, 10/16/2017, 10/15/2010, 1/15/2010, and 10/9/2009; DOJ, response to SIGAR data call, 6/30/2017 and 7/7/2009; USDA, response to SIGAR data call, 4/2009; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (Draft)," 10/18/2017; OSD Comptroller, 16-22 PA Omnibus 2016 Prior Approval Request, 6/30/2016; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10, 111-212, 111-118.

STATUS OF FUNDS

AFGHANISTAN RECONSTRUCTION FUNDING PIPELINE

Since 2002, Congress has appropriated approximately \$120.78 billion for Afghanistan relief and reconstruction. Of this amount, \$101.84 billion (84.3%) was appropriated to the seven major reconstruction funds, as shown in Table 3.2.

FIGURE 3.4

CUMULATIVE AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



TABLE 3.2

CUMULATIVE AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED FY 2002–2017 (\$ BILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
Afghanistan Security Forces Fund (ASFF)	\$68.27	\$65.45	\$63.53	\$2.86
Commander's Emergency Response Program (CERP)	3.69	2.28	2.28	0.01
Afghanistan Infrastructure Fund (AIF)	0.99	0.77	0.69	0.08
Task Force for Business & Stability Operations (TFBSO)	0.82	0.75	0.65	0.11
DOD Drug Interdiction and Counter-drug Activities (DOD CN)	3.13	3.13	3.13	0
Economic Support Fund (ESF)	19.88	18.46	15.56	3.58
International Narcotics Control & Law Enforcement (INCLE)	5.06	4.76	4.14	0.78
Total Major Funds	\$101.84	\$95.62	\$89.98	\$7.42
Other Reconstruction Funds	8.07			
Civilian Operations	10.88			
Total	\$120.78			

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$4.4 billion that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/19/2017.

As of September 30, 2017, approximately \$7.42 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 pipeline total will rise if Congress approves the Administration's budget request. On May 23, President Trump released his FY 2018 budget request. The request, if approved, would provide an additional \$4.94 billion for the ASFF, an increase of \$674.8 million over the FY 2017 appropriation. The FY 2018 CERP request remained the same as the FY 2016 and 2017 appropriations at \$5 million.¹⁹

STATUS OF FUNDS

Congress appropriated nearly \$5.63 billion to the seven major reconstruction funds for FY 2014 and more than \$5.03 billion for FY 2015. Of the combined \$10.66 billion, more than \$1.51 billion remained for possible disbursement, as of September 30, 2017, as shown in Table 3.3 and Figure 3.5.

TABLE 3.3

FY 2014–2015 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$7,901.67	\$7,867.85	\$7,627.12	\$240.74
CERP	40.00	8.18	7.97	0.22
AIF	144.00	130.46	66.36	64.10
TFBSO	122.24	106.52	86.00	20.52
DOD CN	238.96	238.96	238.96	0
ESF	1,738.90	1,625.84	639.07	986.77
INCLE	475.00	474.66	274.60	200.06
Total Major Funds	\$10,660.77	\$10,452.47	\$8,940.07	\$1,512.40

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$179 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/19/2017.

Congress appropriated nearly \$4.49 billion to five of the seven major reconstruction funds for FY 2016. Of that amount, more than \$1.43 billion remained for possible disbursement, as of September 30, 2017, as shown in Table 3.4 and Figure 3.6.

TABLE 3.4

FY 2016 AMOUNTS APPROPRIATED, OBLIGATED, AND DISBURSED (\$ MILLIONS)				
	Appropriated	Obligated	Disbursed	Remaining
ASFF	\$3,502.26	\$3,502.55	\$2,857.19	\$645.36
CERP	5.00	2.98	2.75	0.23
DOD CN	138.76	138.76	138.76	0
ESF	633.27	599.68	0.81	598.87
INCLE	210.00	210.00	22.21	187.78
Total Major Funds	\$4,489.29	\$4,453.98	\$3,021.73	\$1,432.25

Note: Numbers have been rounded. Amount remaining reflects the total disbursement potential of the seven major reconstruction funds after deducting approximately \$35 million that expired before being obligated. Obligated and disbursed DOD CN funds reflect amounts transferred to the military services and defense agencies to be spent for Afghanistan. Figures reflect transfers, rescissions, and reprogramming activity to date.

Source: SIGAR, analysis of appropriating legislation and quarterly obligation and disbursement data provided by DOD, State, and USAID, 10/19/2017.

FIGURE 3.5

FY 2014–2015 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)

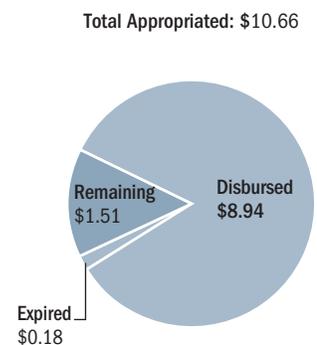
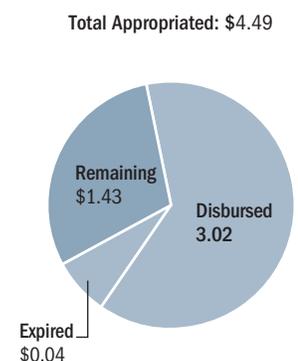
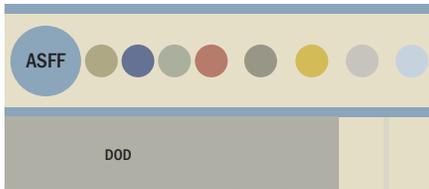


FIGURE 3.6

FY 2016 AMOUNT REMAINING TO BE DISBURSED (\$ BILLIONS)



STATUS OF FUNDS



ASFF FUNDS TERMINOLOGY

DOD reported ASFF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

AFGHANISTAN SECURITY FORCES FUND

The Congress created the Afghanistan Security Forces Fund (ASFF) to provide the ANDSF with equipment, supplies, services, training, and funding, as well as facility and infrastructure repair, renovation, and construction.²⁰ The primary organization responsible for building the ANDSF is the Combined Security Transition Command-Afghanistan (CSTC-A).²¹ A financial and activity plan must be approved by the Afghanistan Resources Oversight Council (AROC) before ASFF funds may be obligated.²²

The Consolidated Appropriations Act, 2017, appropriated more than \$4.26 billion for the ASFF for FY 2017 and rescinded \$150 million of FY 2016 funds, bringing cumulative funding to nearly \$68.27 billion, as shown in Figure 3.7.²³ As of September 30, 2017, more than \$65.45 billion had been obligated from the ASFF, of which over \$63.53 billion had been disbursed.²⁴ The President is requesting an additional \$4.94 billion for the ASFF for FY 2018.²⁵

DOD reported that cumulative obligations increased by more than \$1.96 billion over the quarter, and cumulative disbursements increased by more than \$967.85 million.²⁶ Figure 3.8 provides a cumulative comparison of amounts made available, obligated, and disbursed for the ASFF.

FIGURE 3.7

ASFF APPROPRIATED FUNDS BY FISCAL YEAR
(\$ BILLIONS)

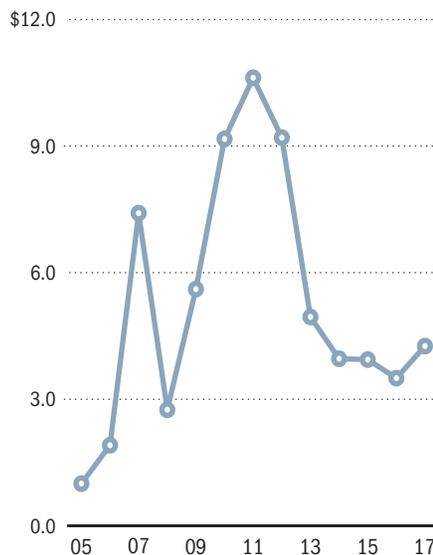
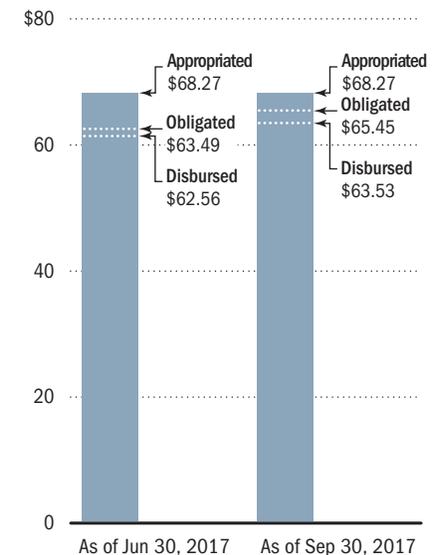


FIGURE 3.8

ASFF FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data reflects reprogramming actions and rescissions. DOD reprogrammed \$1 billion of FY 2011, \$1 billion of FY 2012, and \$178 million of FY 2013 out of the ASFF to fund other DOD requirements. DOD reprogrammed \$230 million into FY 2015 ASFF. Pub. L. No. 115-31 rescinded \$150 million from FY 2016. 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.

Source: DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (Draft)," 10/18/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, and 113-6; OSD Comptroller, 16-22 PA: Omnibus 2016 Prior Approval Request, 6/30/2016.

STATUS OF FUNDS

ASFF BUDGET ACTIVITIES

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

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

Funds for each **budget activity group** are further allocated to four **sub-activity groups**: Infrastructure, Equipment and Transportation, Training and Operations, and Sustainment.²⁷ The AROC must approve the requirement and acquisition plan for any service requirements in excess of \$50 million annually and any non-standard equipment requirement in excess of \$100 million.²⁸

As of September 30, 2017, DOD had disbursed more than \$63.38 billion for ANDSF initiatives. Of this amount, nearly \$43.32 billion was disbursed for the ANA, and nearly \$20.07 billion was disbursed for the ANP; the remaining \$393.59 million was directed to related activities such as detainee operations. The combined total—\$63.38 billion—is about \$243.90 million lower than the cumulative total disbursed due to an accounting adjustment which arises when there’s a difference between the amount of disbursements or collections reported to the Defense Finance and Accounting Service and the Department of the Treasury.²⁹

As shown in Figure 3.9, the largest portion of the funds disbursed for the ANA—more than \$20.35 billion—supported ANA troop sustainment. Of the funds disbursed for the ANP, the largest portion—nearly \$8.73 billion—also supported sustainment of ANP forces, as shown in Figure 3.10.³⁰

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

Sub-activity 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–SEP 30, 2017 (\$ BILLIONS)

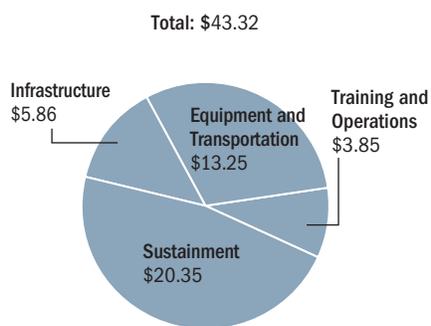
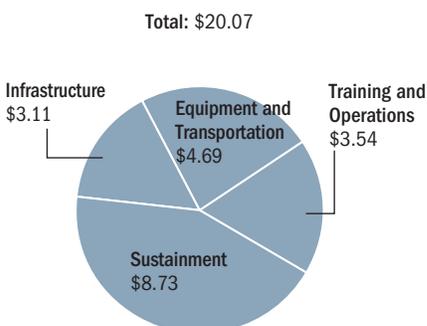


FIGURE 3.10

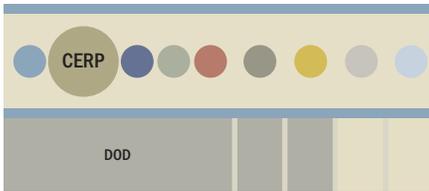
ASFF DISBURSEMENTS FOR THE ANP BY SUBACTIVITY GROUP, FY 2005–SEP 30, 2017 (\$ BILLIONS)



Note: Numbers have been rounded.

Source: DFAS, “AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (Draft),” 10/18/2017.

STATUS OF FUNDS



CERP FUNDS TERMINOLOGY

DOD reported CERP funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

COMMANDER'S EMERGENCY RESPONSE PROGRAM

The Commander's Emergency Response Program (CERP) enables U.S. commanders in Afghanistan to respond to urgent humanitarian relief and reconstruction requirements in their areas of responsibility by supporting programs that will immediately assist the local population. Funding under this program is intended for small projects that are estimated to cost less than \$500,000 each.³¹ CERP-funded projects may not exceed \$2 million each.³²

The Consolidated Appropriations Act, 2017, appropriated \$5 million for CERP for FY 2017. Figure 3.11 displays the amounts appropriated for CERP by fiscal year. As of September 30, 2017, total cumulative funding for CERP amounted to more than \$3.68 billion. Of this amount, more than \$2.28 billion had been obligated, of which nearly \$2.28 billion had been disbursed.³³

Over the quarter, DOD obligated \$573,538 and disbursed \$876,546 from CERP.³⁴ 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)

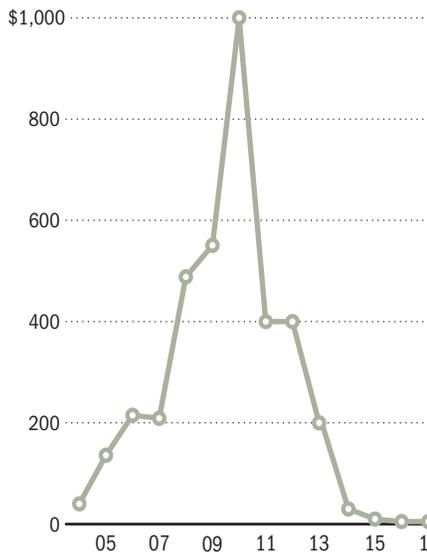
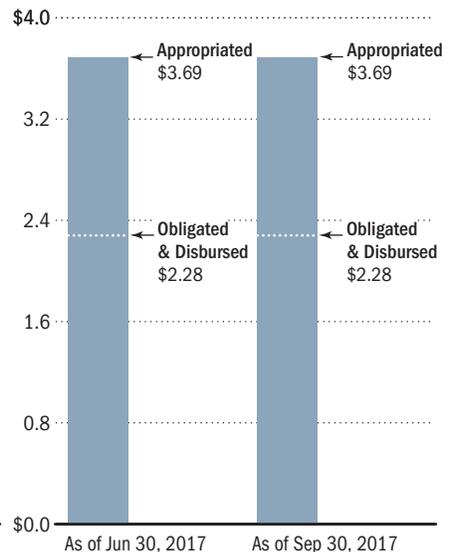


FIGURE 3.12

CERP FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers. Analysis includes data from a draft DOD financial report because the final version had not been completed when this report went to press.

Source: DOD, response to SIGAR data call, 10/18/2017 and 7/17/2017; OMB, response to SIGAR data call, 1/4/2013; Pub. L. Nos. 115-31, 114-113, 113-235, 113-76, 113-6, 112-74, 112-10.

STATUS OF FUNDS

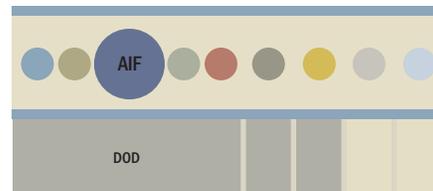
AFGHANISTAN INFRASTRUCTURE FUND

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.³⁵ 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.³⁶ On September 22, DOD notified Congress that up to \$8 million of the FY 2017 ASFF appropriation will be used to fund the completion of the Northeast Power System Arghandi to Gardez Phase I project.³⁷

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.³⁸ Figure 3.13 shows AIF appropriations by fiscal year.

As of September 30, 2017, more than \$773.30 million of total AIF funding had been obligated, and nearly \$693.21 million had been disbursed, as shown in Figure 3.14.³⁹



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)

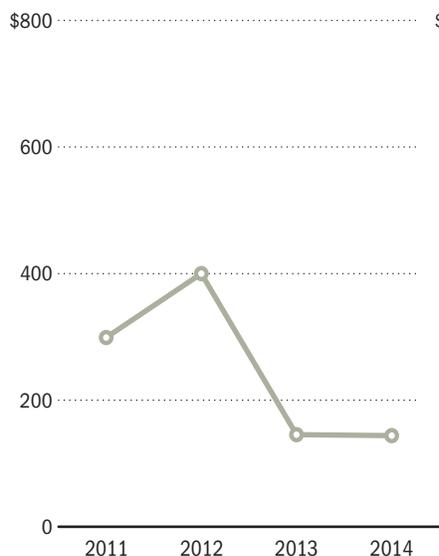
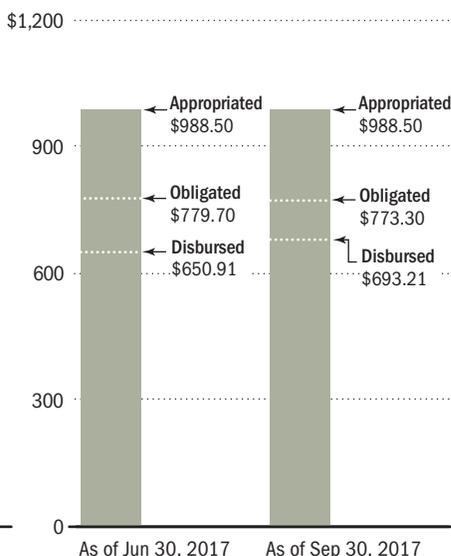


FIGURE 3.14

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 September 2017 (Draft)," 10/18/2017; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts June 2017," 7/18/2017; Pub. L. Nos. 113-76, 113-6, 112-74, and 112-10.

STATUS OF FUNDS



TFBSO FUNDS TERMINOLOGY

DOD reported TFBSO funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

TASK FORCE FOR BUSINESS AND STABILITY OPERATIONS

In 2010, the TFBSO began operations in Afghanistan aimed at stabilizing the country and countering economically motivated violence by decreasing unemployment and creating economic opportunities for Afghans. TFBSO authorities expired on December 31, 2014, and the TFBSO concluded its operations on March 31, 2015. TFBSO projects included activities intended to facilitate private investment, industrial development, banking and financial system development, agricultural diversification and revitalization, and energy development.⁴⁰

Through September 30, 2017, the TFBSO had been appropriated more than \$822.85 million since FY 2009. Of this amount, nearly \$754.43 million had been obligated and more than \$648.73 million had been disbursed.⁴¹ Figure 3.15 displays the amounts appropriated for the TFBSO by fiscal year, and Figure 3.16 provides a cumulative comparison of amounts appropriated, obligated, and disbursed for the TFBSO and its projects.

FIGURE 3.15

TFBSO APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)

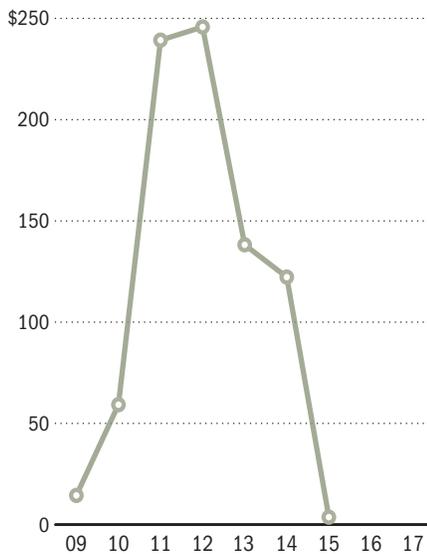
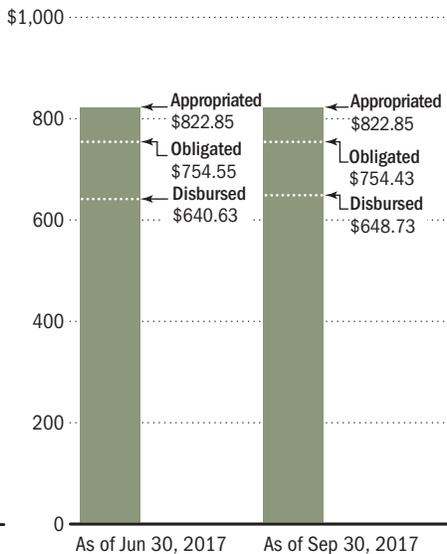


FIGURE 3.16

TFBSO FUNDS, CUMULATIVE COMPARISON
(\$ MILLIONS)



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

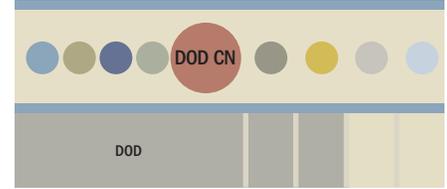
Source: DOD, response to SIGAR data call, 10/12/2017, 7/17/2017, and 10/4/2011; Pub. L. Nos. 113-76, 113-6, 112-74, 112-10.

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.⁴²

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.⁴³

DOD reported that DOD CN received nearly \$135.61 million for Afghanistan for FY 2017, bringing cumulative funding for DOD CN to more than \$3.13 billion since FY 2004, all of which had been transferred to the military services and defense agencies for DOD CN projects, as of September 30, 2017.⁴⁴ 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.

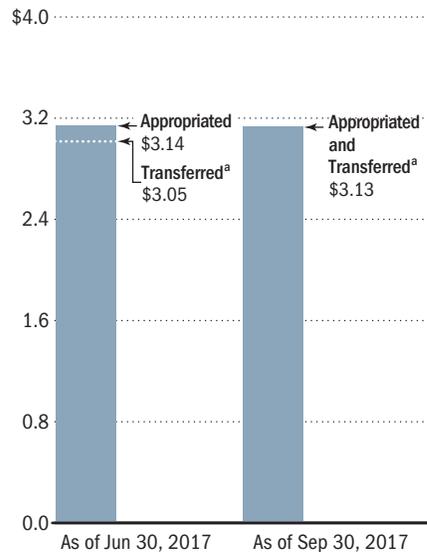
FIGURE 3.17

DOD CN APPROPRIATIONS BY FISCAL YEAR
(\$ MILLIONS)



FIGURE 3.18

DOD CN FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)

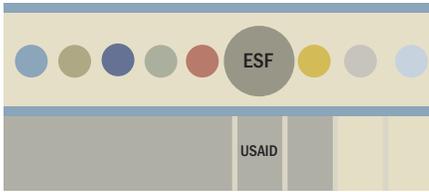


Note: Numbers have been rounded. Updated data resulted in a lower amount appropriated for FY 2017 than reported last quarter. DOD reprogrammed \$125.13 million out of FY 2015 DOD CN due to several requirements for the Afghanistan Special Mission Wing being funded from the ASFF instead of DOD CN.

⁴ DOD reprograms all DOD CN funds to the military services and defense agencies for obligation and disbursement.

Source: DOD, response to SIGAR data call, 10/18/2017 and 6/25/2017; OSD Comptroller, 15-23 PA: Omnibus 2015 Prior Approval Request, 6/30/2015, p. 42.

STATUS OF FUNDS



ESF FUNDS TERMINOLOGY

USAID reported ESF funds as appropriated, obligated, or disbursed

Appropriations: Total monies available for commitments

Obligations: Commitments to pay monies

Disbursements: Monies that have been expended

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

ECONOMIC SUPPORT FUND

Economic Support Fund (ESF) programs advance U.S. interests by helping countries meet short- and long-term political, economic, and security needs. ESF programs support counter-terrorism; bolster national economies; and assist in the development of effective, accessible, independent legal systems for a more transparent and accountable government.⁴⁵

The ESF was appropriated \$650 million for FY 2017, bringing cumulative funding for the ESF to more than \$19.88 billion, including amounts transferred from AIF to the ESF for USAID's power transmission lines projects. Of this amount, nearly \$18.46 billion had been obligated, of which more than \$15.56 billion had been disbursed.⁴⁶ Figure 3.19 shows ESF appropriations by fiscal year. Figure 3.20 shows ESF appropriations by fiscal year.

USAID reported that cumulative obligations as of September 30, 2017, increased by nearly \$594.67 million and cumulative disbursements increased by more than \$334.07 million from the amounts reported last quarter.⁴⁷ 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)

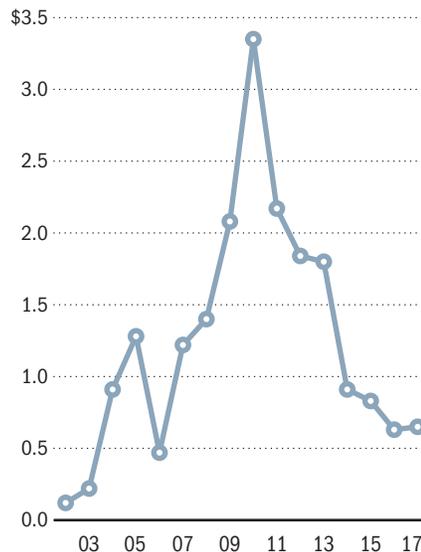
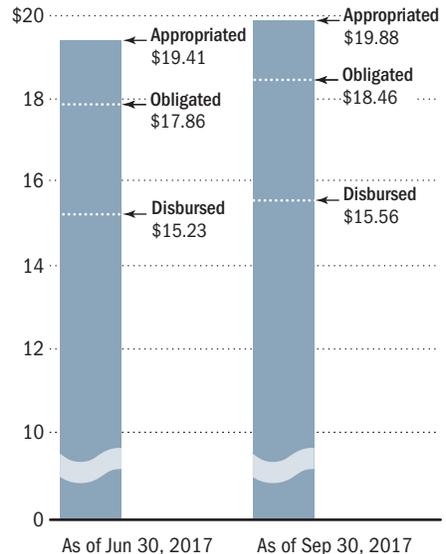


FIGURE 3.20

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. FY 2016 ESF for Afghanistan was reduced by \$179 million and put toward the U.S. commitment to the Green Climate Fund.

Source: USAID, response to SIGAR data call, 10/16/2017 and 7/10/2017; State, response to SIGAR data call, 10/11/2017, 5/4/2016, 10/20/2015, 4/15/2015 and 4/15/2014.

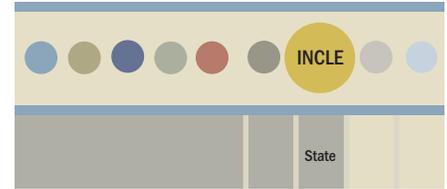
STATUS OF FUNDS

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.⁴⁸

State reported that INCLE was appropriated \$160 million for FY 2017, bringing cumulative funding to more than \$5.06 billion. Of this amount, more than \$4.76 billion had been obligated, of which nearly \$4.14 billion had been disbursed.⁴⁹ Figure 3.21 shows INCLE appropriations by fiscal year.

State reported that cumulative obligations as of September 30, 2017, increased by more than \$209.95 million and cumulative disbursements increased nearly \$191.92 million from the amounts reported last quarter.⁵⁰ 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)

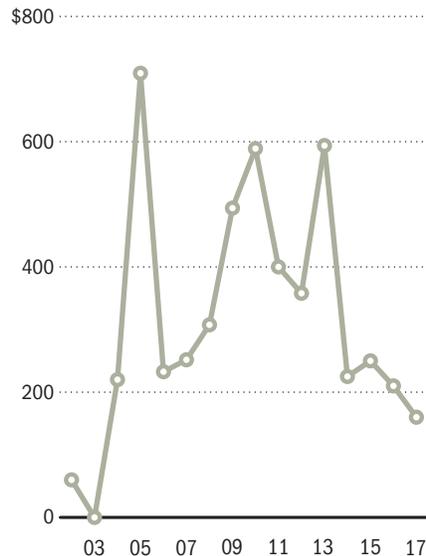
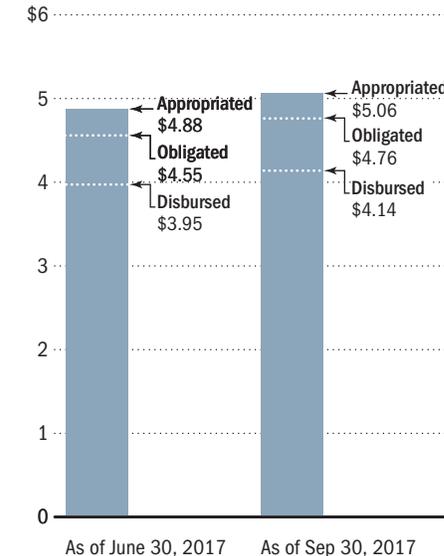


FIGURE 3.22

INCLE FUNDS, CUMULATIVE COMPARISON
(\$ BILLIONS)



Note: Numbers have been rounded. Data may include inter-agency transfers. An additional \$25 million of unallocated FY 2016 INCLE OCO funding was allocated for Afghanistan during FY 2017. Previous quarter's figures reflect an INL correction to the amount disbursed and differ from amounts reported last quarter.

Source: State, response to SIGAR data call, 10/13/2017, 10/10/2017, 7/10/2017, and 4/7/2016.

STATUS OF FUNDS

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).⁵¹

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 August 22, 2017, the World Bank reported that 34 donors had pledged nearly \$10.41 billion, of which nearly \$10.01 billion had been paid in.⁵² According to the World Bank, donors had pledged \$903.46 million to the ARTF for Afghan fiscal year 1396, which runs from December 22, 2016 to December 21, 2017.⁵³ Figure 3.23 shows the 11 largest donors to the ARTF for FY 1396.

As of August 22, 2017, the United States had pledged nearly \$3.22 billion and paid in almost \$3.13 billion since 2002.⁵⁴ The United States and the United Kingdom are the two biggest donors to the ARTF, together contributing 49% of its total funding, as shown in Figure 3.24.

FIGURE 3.23

ARTF CONTRIBUTIONS FOR FY 1396 BY DONOR, AS OF AUGUST 22, 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 August 22, 2017 (end of 8th month of FY1396)," p. 1.

STATUS OF FUNDS

Contributions to the ARTF are divided into two funding channels—the Recurrent Cost (RC) Window and the Investment Window.⁵⁵ As of August 22, 2017, according to the World Bank, nearly \$4.55 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.⁵⁶ 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.⁵⁷

The Investment Window supports the costs of development programs. As of August 22, 2017, according to the World Bank, nearly \$4.88 billion had been committed for projects funded through the Investment Window, of which nearly \$3.91 billion had been disbursed. The World Bank reported 30 active projects with a combined commitment value of nearly \$3.54 billion, of which nearly \$2.57 billion had been disbursed.⁵⁸

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).⁵⁹ Since 2002, donors have pledged nearly \$5.23 billion to the LOTFA, of which nearly \$5.01 billion had been paid in, as of October 12, 2017. The United States has committed and paid in nearly \$1.67 billion since the fund's inception.⁶⁰ Figure 3.25 shows the four largest donors to the LOTFA since 2002.

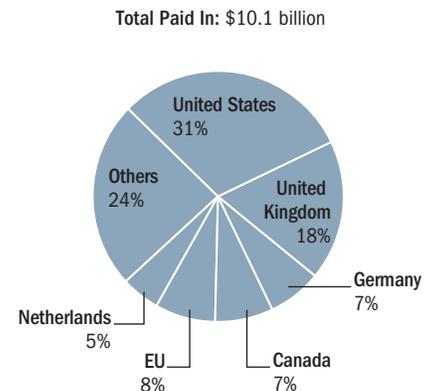
On December 18, 2016, the LOTFA Project Board extended the Support to Payroll Management (SPM) project through December 31, 2017 after assessments commissioned by UNDP revealed that the MOI had not yet met various critical donor conditions for the transition of payroll management. The board also approved a multi-year extension of the MOI and Police Development (MPD) project. The MPD project focuses on institutional development of the MOI and police professionalization of the ANP and will now run through December 31, 2020. The SPM and MPD projects were established at the start of the LOTFA's eighth phase on July 1, 2015, and were initially planned to run through December 31, 2016.⁶¹

After the extension, the SPM project's budget was raised from \$850.56 million to \$1.12 billion—the majority of which will be transferred from the UNDP Country Office to the Ministry of Finance (MOF) for ANP and Central Prison Directorate staff remunerations. The MPD project's budget was also increased from \$33 million to a new total of \$110.78 million.⁶²

From July 1, 2015, through June 30, 2017, UNDP had expended more than \$878.74 million on the SPM project. Of this amount, more than \$871.12 million was transferred to the MOF to pay for ANP and CPD staff. In addition, more than \$23.33 million was expended on the MPD project.⁶³

FIGURE 3.24

ARTF CONTRIBUTIONS PAID IN BY DONORS, 2002–AUGUST 22, 2017

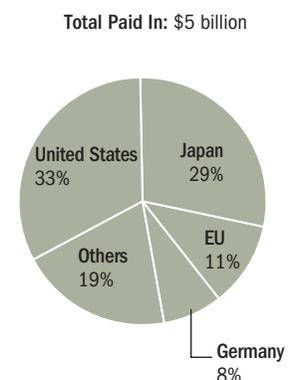


Note: Numbers have been rounded. “Others” includes 28 donors.

Source: World Bank, “ARTF: Administrator’s Report on Financial Status as of August 22, 2017 (end of 8th month of FY 1396),” p. 4.

FIGURE 3.25

DONOR CONTRIBUTIONS TO THE LOTFA SINCE 2002, AS OF OCTOBER 12, 2017



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

Source: UNDP, response to SIGAR data call, 10/15/2017.

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SECURITY

KEY ISSUES AND EVENTS

This quarter, President Donald Trump unveiled his Administration’s new strategy for the war in Afghanistan after a comprehensive review of the situation on the ground by officials in the Departments of Defense and State, and other U.S. agencies. In a speech at Fort Myer in Virginia on August 21, President Trump emphasized that the new approach to Afghanistan would be conditions-based, not built on “arbitrary timetables,” to break the stalemated conflict and avoid the unacceptable consequences of a hasty withdrawal.⁶⁴

As with previous administrations, President Trump underlined the importance of preventing the resurgence of terrorist safe havens in Afghanistan as the primary goal of the war. He also highlighted Pakistan’s role in offering safe havens for “agents of chaos, violence, and terror.” Finally, the President also announced increases for U.S. and NATO troop strength and funding, and expanded authorities for American commanders on the ground to better enable targeting terrorists and insurgents.⁶⁵

In a hearing before the House Armed Services Committee on October 3, Secretary Mattis testified that the new strategy will be “R four plus S,”



Secretary of Defense James Mattis and General Joseph F. Dunford Jr., chairman of the Joint Chiefs of Staff, testified before the Senate Armed Services Committee, October 3, 2017, on the political and security situation in Afghanistan. (DOD photo by U.S. Army Sgt. James K. McCann)

“Make no mistake, this is combat duty for our troops, but the Afghan forces remain in the lead for the fighting.”

—Secretary of Defense James Mattis

Source: Secretary of Defense James Mattis, Statement Before the House Committee on Armed Services, “U.S. Defense Strategy in South Asia,” 10/3/2017.

which stands for regionalize, realign, reinforce, and reconciliation, plus sustain. According to his testimony, “Regionalize” refers to considering the regional context at the outset when determining the Afghanistan strategy. “Realigning” signifies that the United States will shift its main effort to align more advisors at the Afghan National Defense and Security Forces (ANDSF) battalion and brigade levels that do not currently receive such support. “Reinforce” indicates the infusion of more U.S. troops on the ground to expand the advisory effort. “Reconciliation,” the ultimate goal of the military mission, will occur when the insurgency realizes it is faced with no other option but to reconcile with the Afghan government. Finally, “Sustain” points to the political, financial, and military sustainability that will be achieved by implementing the strategy alongside and through Afghan and NATO partners.⁶⁶

Efforts are already under way to implement the President’s strategy. Before determining new troop levels for Afghanistan, the Pentagon acknowledged in August that there are more than 11,000 U.S. personnel already on the ground, about 3,000 more than the 8,400 figure previously cited.⁶⁷ On August 31, Secretary Mattis signed new deployment orders to add over 3,000 troops in Afghanistan, which will bring the total to 14,000–15,000 personnel, not including civilians and contractors. The force increase is expected to expand the advising mission, increase training for Afghanistan’s special operations forces, and allow for increased U.S. air and artillery strikes in support of Afghan forces.⁶⁸ Addressing Congressional concerns that a conditions-based strategy lacks a clear timeline for troop withdrawal, Secretary Mattis said that the number of American forces in Afghanistan will decrease as the Afghan forces improve their capabilities.⁶⁹

Both NATO and Afghan leaders have expressed support for the Trump Administration’s new strategy in Afghanistan. Just days before the United Nations (UN) General Assembly, Afghan President Ashraf Ghani reiterated his position that U.S. troops should continue their mission to train, advise, and assist the ANDSF, but not return to a combat role in the country.⁷⁰

However, a sharp increase in American air strikes in Afghanistan in the last several months indicates U.S. forces are taking a more active combat role. According to NATO Resolute Support (RS), the United States has conducted 2,400 air strikes from January to September 2017, the most since 2014. The United States Air Force (USAF) Central Command Combined Air Operations Center also reported that the United States dropped 751 munitions against the Taliban and Islamic State-Khorasan (IS-K) targets in September 2017, a record high since 2012 and a 50% increase since August. In line with the Administration’s strategy to prevent safe havens and proactively target extremists that threaten Afghan security, the largest number of strikes occurred in IS-K strongholds in eastern Nangarhar Province and Taliban-held areas in southern Helmand Province.⁷¹ The USAF will continue to expand its operations in Afghanistan as part of its adjustment to a



F-16 fighters taxi at Bagram Airfield, Afghanistan, ready to provide close-air support for Coalition forces. (USAF photo by Staff Sgt. Benjamin Gonsier)

counterterrorism-focused strategy, as seen by the recent deployment of six F-16 fighter jets to Bagram Airfield and an increase in B-52 missions.⁷²

Though Secretary Mattis testified that in “recent months there have been fewer civilian casualties as a result of Coalition operations,” UNAMA reported a 52% increase in civilian casualties from pro-government (Coalition and Afghan) air operations in the first nine months of 2017 compared to the same period in 2016. United States Forces-Afghanistan (USFOR-A) noted that they strongly disagree with this assessment and UNAMA’s methodology. In two incidents in late August, UNAMA reported 28 civilians killed and 16 injured—all women and children—during air strikes targeting anti-government elements in Herat and Logar Provinces.⁷³ USFOR-A announced on August 30 that an official investigation has been launched into the Logar air strike, and that it “takes all allegations of civilian casualties seriously and is working with Afghan partners to determine the facts surrounding this incident.”⁷⁴

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

USFOR-A Classifies Key ANDSF Data

USFOR-A classified or otherwise restricted information this quarter that SIGAR has previously published concerning the ANDSF. Of 39 questions directed to USFOR-A in SIGAR’s data call, USFOR-A classified or restricted nine of its responses. The newly classified or restricted data include important measures of ANDSF performance such as casualties, personnel strength, attrition, and the operational readiness of equipment.

In Appendix E of this report, SIGAR has listed the questions it posed to USFOR-A, some of whose precise answers can no longer appear in the public report.

For the first time in eight years, USFOR-A restricted the public release of ANDSF assigned strength figures (the number of personnel actually serving in a force element at a given time) to approximate figures. Therefore, USFOR-A rounded the force strength figures published in this report. USFOR-A also classified authorized strength figures (the number of personnel authorized for a force element by the Afghan government) and the proportion of ANDSF assigned strength to authorized strength. Attrition data (the percentage of total personnel each force element has lost over the quarter) as well as ANDSF casualty figures have also been classified. Exact assigned strength, progress toward authorized strength, attrition, and casualty data are critical for understanding ANDSF performance, readiness, and mission success.⁷⁵

According to USFOR-A, a recent legal review determined that this ANDSF data belongs to the Afghan government and therefore USFOR-A must withhold, restrict, or classify the data as long as the Afghan government has classified it.⁷⁶

USFOR-A also classified information on the operational readiness of ANDSF equipment for the first time this quarter. SIGAR's reporting and analysis of ANDSF equipment operational readiness was intended as another metric for understanding overall force readiness. However, after having initially provided the data as unclassified and releasable to the public, USFOR-A retroactively classified the data specific to ANA and ANP equipment operational readiness. USFOR-A cited guidance from Annex I of the *RS Classification Guide* (not provided to SIGAR) that all materiel readiness data should be classified. However, USFOR-A clarified that this did not apply to the Afghan Air Force's (AAF) equipment operational readiness or its airframe inventory because the AAF has different standards than the ANA and ANP in the *RS Classification Guide*.⁷⁷

Finally, USFOR-A did not provide SIGAR with unclassified performance assessments of the Ministry of Defense (MOD) and Ministry of Interior (MOI), or the subordinate ANA and ANP headquarters assessments, as has been the standard in the past. This information has typically included unclassified assessments of the ministries' progress toward achieving Plan of Actions and Milestones (POAM) benchmarks that mark how they are performing across each of the eight essential functions on which the RS advisory effort is centered. See pages 112–116 for more information about the essential functions. When SIGAR inquired about the missing assessments, USFOR-A responded that it is “moving away from tracking POAMs to assess progress of Afghan institutions” and will instead assess the MOD and MOI on milestones laid out in the new, multiyear ANDSF Road Map.⁷⁸ The ANDSF Road Map is described as the Afghan government's strategy

to reform its security institutions. Further details about it are reported in SIGAR's July 2017, *Quarterly Report to the United States Congress*.⁷⁹

This is the second time the U.S. military has sought to classify information on ANDSF capabilities that was previously releasable to the public. In the first quarter of 2015, RS classified the answers to 31 of SIGAR's 38 questions, only to declassify the bulk of them a few days after SIGAR published its January 30, 2015, quarterly report. Since 2015, SIGAR has published a quarterly classified annex to report the classified information not releasable in its public reports.⁸⁰ The classified annex for this quarterly report will contain the new types of information described above that have now been classified. The classified annex is available upon request to Congress, DOD, and the Department of State.

UN: Armed Clashes at Record High in 2017

The UN Secretary-General conducted a strategic review of the UN's mission in Afghanistan this quarter. A key conclusion was that Afghanistan's declining security situation continues to hamper institution building and development, and threatens to erode what gains have been achieved. The review stated that in recent years the conflict has become an "eroding stalemate in which the Taliban have increased the territory they are able to contest and, in some areas, have begun to consolidate their hold." The report also emphasized that the emergence of the IS-K, the Islamic State affiliate operating in Afghanistan, has added a new, dangerous element to an already complicated and demanding security situation.⁸¹

The Secretary-General expanded this assessment in mid-September, reporting that security was "highly volatile" due to intensifying armed clashes between Afghan security forces and anti-government forces, and several high-profile attacks committed by insurgent and extremist groups. From June 15 through August 31, 2017, the UN recorded 5,532 **security incidents**, as reflected in Figure 3.26 on the following page. This quarter's figure represents an 11.5% decrease from last quarter, but a 3% increase from the same period last year.⁸² Armed clashes between security forces and the Taliban comprised 64% of recent security incidents, an increase of 5% since 2016.⁸³

This quarter's figures show a record level of armed clashes in 2017 compared to previous years of the conflict. According to the UN, there has been a shift in the conflict since the beginning of the year, away from asymmetric warfare, toward more traditional conflict characterized by armed clashes between government and anti-government forces. USFOR-A noted that an uptick in armed clashes can be partly attributed to increases in the ANDSF's offensive operations in an effort to take the initiative from the Taliban and IS-K.⁸⁴

The UN reported that the most unstable regions continue to be eastern and southern Afghanistan. Conflict has continued there due to the Afghan government's strategic decision, given Taliban gains in rural areas, to

Afghanistan is not in a post-conflict situation, where sufficient stability exists to focus on institution-building and development-oriented activities, but a country undergoing a conflict that shows few signs of abating.

That is not to say that progress has not occurred, only that it continues to be challenged by the effects of the ongoing conflict.

—Antonio Guterres,
UN Secretary-General

Source: UN, *Special report on the strategic review of the United Nations Assistance Mission in Afghanistan*, 8/10/2017, p. 3.

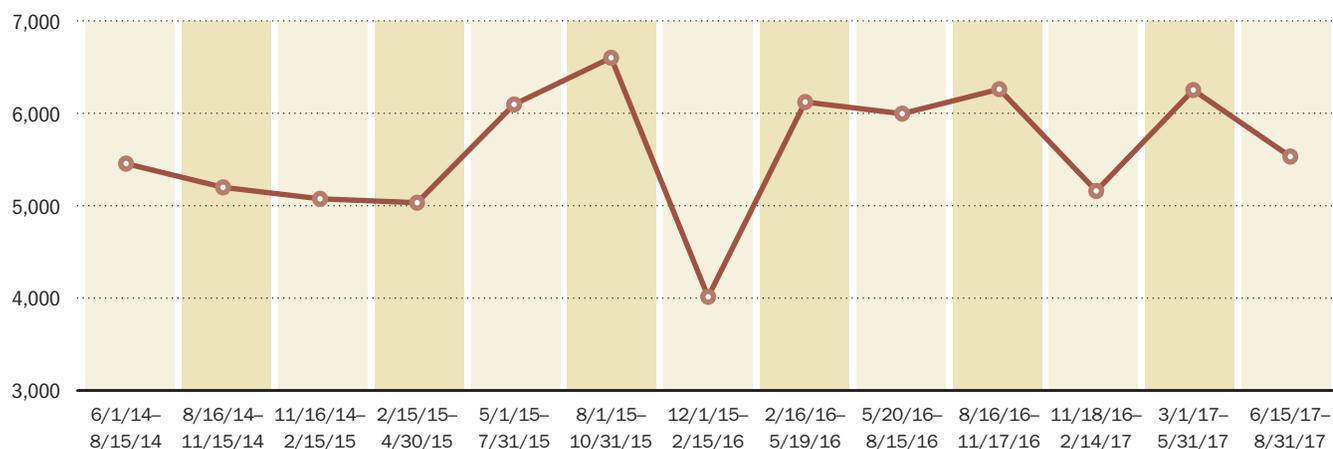
Security incidents: reported incidents that include armed clashes, improvised explosive devices, targeted killings, abductions, suicide attacks, criminal acts, and intimidation.

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

SECURITY

FIGURE 3.26

UN-REPORTED SECURITY INCIDENTS FOR THE LAST THREE YEARS



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

Source: UN, *The situation in Afghanistan and its implications for international peace and security*, reports of the Secretary-General, 9/9/2014, p. 6; 12/9/2014, p. 5; 2/27/2015, p. 4; 6/10/2015, p. 4; 9/1/2015, p. 4; 12/10/2015, p. 5; 3/7/2016, p. 6; 6/10/2016, p. 4; 9/7/2016, p. 5; 12/13/2016, p. 4; 3/3/2017, p. 4; 6/15/2017, p. 4; 9/15/2017, p. 4.

channel its resources towards defending highly populated areas and disrupt Taliban control in strategic areas. This has intensified the battle to control vital lines of communication and infrastructure. The Taliban's control of some rural areas has enabled insurgent forces to launch more frequent attacks in formerly less-targeted areas, mainly in northern Afghanistan.⁸⁵

According to the UN, the Taliban continued to contest territory across the country during the reporting period, forcing the Afghan government to use substantial resources to maintain the status quo. The Taliban made no major attempts to take a provincial capital since the beginning of its spring campaign in April, but they successfully captured and temporarily held several district centers, including Taywara in Ghor Province, Kohistan and Ghormach in Faryab Province, and Jani Khel in Paktiya Province. The ANDSF recaptured Kohistan and Taywara within a week, but control of Jani Khel changed three times over the reporting period. The Taliban also increased pressure on Qaramol, Dawlat Abad, Shirin Tagab and Khwajah Sabz Posh Districts in northern Afghanistan along the Maimana-Andkhoy highway in Faryab Province. In southern Afghanistan, the Taliban intensified attacks on the Kabul-Kandahar highway, as well as on districts next to the provincial capitals of Kandahar and Lashkar Gar.⁸⁶

Violence in eastern Afghanistan has stemmed from the ANDSF and Coalition forces' escalating campaign to defeat IS-K in its stronghold there.⁸⁷ While IS-K's operations are mainly limited to the east, according to the UN,

the group claimed responsibility for eight attacks throughout Afghanistan this quarter. Expanding from Nangarhar, the group has begun consolidating its presence in neighboring Kunar Province. Additionally, IS-K successfully reestablished operational control in areas of Nangarhar Province such as Tora Bora that had previously been cleared and held by Afghan security forces. The UN reported alleged IS-K activities in the northern provinces of Jowzjan and Sar-e Pul, as well as in the western provinces of Herat and Ghor, an indication that IS-K may be attracting affiliates and expanding its reach into new regions of the country.⁸⁸

Despite these developments, ANDSF and Coalition forces saw several key achievements this quarter against insurgent and extremist forces. On August 10, U.S. and Afghan forces killed the IS-K emir Abdul Rahman in a Kunar Province air strike.⁸⁹ They killed his two predecessors, Abu Sayed, in Kunar Province on July 11 and Sheikh Abdul Hasib, in Nangarhar Province on April 27.⁹⁰ U.S. air strikes also killed three senior Taliban leaders in Maidan Wardak near Kabul on September 9.⁹¹ Additionally, Afghan special forces killed at least three senior Haqqani network leaders in Logar Province on September 10, including the alleged mastermind of the April 2016 attack on the Ministry of Interior's VIP Protection Unit that killed 28 people and wounded more than 300.⁹²

UNAMA Reports Increase in Civilian Deaths and Air Strike Casualties Since 2016

The United Nations Assistance Mission in Afghanistan (UNAMA) documented 8,019 civilian casualties from January 1, 2017, through September 30, 2017, a 6% decrease overall from the same period in 2016. The casualties comprised 2,640 deaths (a 1% increase since 2016) and 5,379 injuries (a 9% decrease).⁹³

UNAMA attributed most of the 6% decline in civilian casualties to fewer Afghans injured by ground fighting between pro- and anti-government forces, which causes the majority of civilian casualties (35%). This is followed by suicide and **complex attacks** (20% of casualties), and improvised-explosive-devices (IEDs) (18%). Civilians living in Kabul, Helmand, Nangarhar, Kandahar, and Faryab Provinces have suffered the heaviest casualties thus far in 2017.⁹⁴

Anti-government elements, who often illegally target civilians, continued to be responsible for the majority (5,167, or 64%) of civilian casualties, down 1% from the same period in 2016. Of those, UNAMA attributed 66% to the Taliban, 10% to IS-K, and the remainder to unidentified anti-government elements. Pro-government forces were responsible for 1,578 civilian casualties (20%), a 19% decrease from 2016. Of the remaining casualties, 916 were jointly caused by anti- and pro-government forces (11%), while 358 (5%) were from "other" causes.⁹⁵

Complex Attack: A complex attack includes the following elements: two or more attackers, and two or more types of weapons with one of the weapons being a suicide IED, i.e. body-borne IED or vehicle-borne IED.

Source: UNAMA, *Afghanistan Protection of Civilians in Armed Conflict: Midyear Report 2017*, 7/2017, p. 4.

UNAMA reiterated its concern over the 52% increase in civilian casualties (466 casualties) caused by air strikes since the same period last year. More than two-thirds of these victims were reportedly women and children. Furthermore, UNAMA attributed 177 or 38% of all civilian casualties from air strikes to international military forces. According to UNAMA, air strikes account for roughly 6% of all civilian casualties.⁹⁶ In vetting comments, USFOR-A strongly disagreed with UNAMA's assessment and methodology, offering instead that it had confirmed 43 civilian casualties caused by international air strikes during this period.⁹⁷

UNAMA documented a 13% increase in deaths and injuries of women and a 5% increase in child deaths compared to the same period in 2016. Women and children continued to be increasingly harmed by suicide-, complex-, and aerial-attacks, and children remain increasingly vulnerable to IEDs.⁹⁸

High-Profile Insurgent and Terrorist Attacks

Several high-profile attacks this quarter further damaged public confidence in the Afghan government's ability to safeguard the population. The most severe incidents targeted Afghanistan's Shi'a minority. IS-K's targeting of that community has raised fears about increasing sectarian tension.⁹⁹ The terrorist group claimed responsibility for two deadly attacks on Shi'a mosques this quarter. An attack in Herat killed over 90 people on August 1, and another at Imam Zaman mosque in Kabul on August 25 killed at least 40 people and injured 90.¹⁰⁰ Six other IS-K attacks on Shi'a places of worship this year have left more than 80 dead.¹⁰¹

The Taliban conducted several significant attacks targeting the ANDSF in October. Two contemporaneous attacks occurred on October 17, one attack on the ANP provincial police headquarters in Gardez, Paktiya Province killed at least 21 ANP personnel and 20 civilians, and another in Ghazni killed 25 police officers and five civilians. On October 19, the Taliban decimated nearly an entire unit of ANA soldiers, killing 43 of 60 personnel based in an area of Maiwand District in Kandahar Province. Using a deadly new tactic, the Taliban packed vehicles captured from the ANDSF with explosives and drove them into the ANA's base.¹⁰²

Another high-profile incident targeting mainly Shi'a Afghans occurred during coordinated IS-K and Taliban attacks from August 3–5 in Mirza Olang village, Sayyad District of Sar-e Pul Province. UNAMA issued a special human-rights report on the incident after sending a fact-finding mission to the district.¹⁰³ The mission confirmed 36 people were killed and two injured during the attacks. Of the 36 killed, local sources confirmed that the dead included at least seven local militia, one Afghan Local Police (ALP) member, and one ANA soldier. UNAMA concluded that most of the remaining 27 fatalities were civilians, including one woman, four boys aged 13–17, and 13 men over 60 years old.¹⁰⁴ Both IS-K and the Taliban claimed the attack,

but the Taliban denied killing civilians and said that the commander was not IS-K, but one of their own.¹⁰⁵ However, UNAMA reported that “the cooperation and coordination between Taliban and local, self-identified Daesh [IS-K] has been observed for some time in Sayyad District, and is believed to be based upon family and tribal connections,” as the local IS-K commander and the Taliban shadow provincial governor are related. USFOR-A said it disagreed with UNAMA’s finding about Taliban and IS-K coordination, and knows of no evidence to support that claim.¹⁰⁶

Two significant attacks against U.S. and Coalition forces at Bagram Airfield occurred this quarter. On September 6 an explosion outside an entry-control point wounded six Coalition service members, including three Americans. On September 11, an RS mission convoy was targeted by a suicide bomber outside of the base. The second attack resulted in five U.S. and one Coalition personnel wounded, but none of the injuries were life-threatening. It was unclear who was responsible for either attack.¹⁰⁷

U.S. RECONSTRUCTION FUNDING FOR SECURITY

As of September 30, 2017, the U.S. Congress had appropriated more than \$73.5 billion to support the ANDSF. This accounts for 61% of all U.S. reconstruction funding for Afghanistan since FY 2002.¹⁰⁸

In 2005, Congress established the Afghan Security Forces Fund (ASFF) to build, equip, train, and sustain the ANDSF, which includes all security forces under the Ministry of Defense (MOD) and Ministry of Interior (MOI). Additionally, ASFF supports the 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, the majority of ASFF funds are executed using DOD contracts to equip and sustain the ANDSF. The rest are transferred to Da Afghanistan Bank, Afghanistan’s central bank, to pay salaries of Afghan army and personnel costs for ALP to support a limited number of Afghan contracts approved by CSTC-A. The Ministry of Finance then sends treasury checks to fund the MOD and MOI based on submitted funding requests.¹⁰⁹ Of the \$68.3 billion appropriated for the ASFF, \$65.5 billion had been obligated and \$63.5 billion disbursed as of September 30, 2017.¹¹⁰

In a hearing on the Administration’s South Asia strategy on October 3 before the House Armed Services Committee, General Joseph Dunford Jr., Chairman of the Joint Chiefs of Staff, said CSTC-A administers roughly 75% of the U.S. funds obligated for Afghan security. He added that the remaining 25% that the Afghan government administers is subjected to “rigorous conditionality to make sure that [the United States] has transparency” over how the funds are used.¹¹¹

“My military assessment is that we drew down our advisory effort and combat support for the Afghan forces too far and too fast. As a result, the Taliban expanded territorial and population control and inflicted significant casualties on the Afghan army and police, while the campaign lost momentum.”

—General Joseph F. Dunford Jr.,
Chairman of the
Joint Chiefs of Staff

Source: General Joseph F. Dunford Jr., Chairman of the Joint Chiefs of Staff, Statement Before the House Committee on Armed Services, “U.S. Defense Strategy in South Asia,” 10/3/2017.

AFGHAN GOVERNMENT CONTROL DECLINES

The Afghan government’s district and population control deteriorated to its lowest level since SIGAR began analyzing district-control data in December 2015 and population-control data in September 2016.¹¹²

According to USFOR-A, approximately 56.8% of the country’s 407 districts are under Afghan government control or influence as of August 24, 2017, a one-point decline over the last six months and a more than six-point decline from the same period last year.¹¹³ As reflected in Table 3.5, of the 407 districts of Afghanistan’s 34 provinces, 231 districts were under government control (74 districts) or influence (157 districts).¹¹⁴ For more information on how USFOR-A assesses control, please see SIGAR’s April 2016 *Quarterly Report to the United States Congress*.¹¹⁵

TABLE 3.5

DISTRICT, POPULATION, AND AREA CONTROL WITHIN AFGHANISTAN'S 34 PROVINCES, AS OF AUGUST 28, 2017						
Control Status	Districts		Population		Area	
	Number	%	In millions	%	Sq Km	%
GIROA						
Control	74	18.2%	11.1	34.2%	104,000	16.2%
Influence	157	38.6	9.6	29.5	273,000	42.5
CONTESTED	122	30.0	8.1	24.9	138,000	21.5
INSURGENT						
Control	13	3.2	0.7	2.2	41,000	6.4
Influence	41	10.1	3.0	9.2	87,000	13.5
Total	407	100%	32.5	100%	644,000	100%

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

Source: USFOR-A, response to SIGAR data call, 8/24/2017.

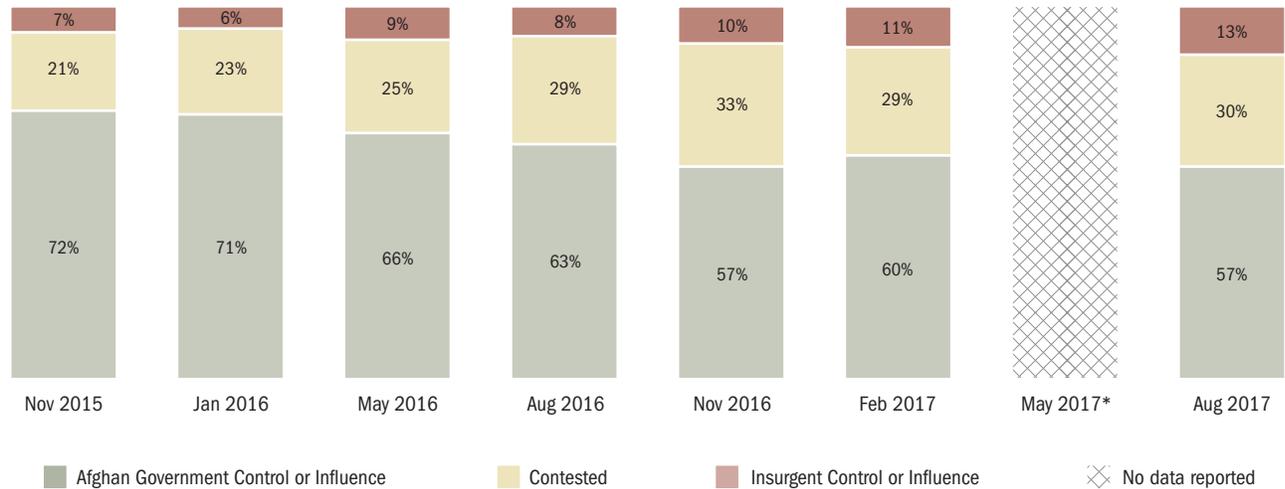
As of August 2017, there were 54 districts under insurgent control (13) or influence (41), an increase of nine districts over the last six months. Therefore, 13.3% of the country’s total districts are now under insurgent control or influence, a more than a two percentage-point increase over the last six months, and a five-point increase from the same period in 2016.¹¹⁶ A historical record of district control is shown in Figure 3.27.

The number of contested districts (122) remained mostly unchanged and represents 30% of Afghanistan’s districts. It was not clear whether these districts are at risk or if neither the insurgency nor the Afghan government exercises any significant control over these areas, as USFOR-A previously described.¹¹⁷

USFOR-A reported this quarter that 3.7 million Afghans (11.4% of the population) live in districts under insurgent control or influence. This is a 700,000-person increase over the last six months. As reflected in Table 3.5, of the 32.5 million people living in Afghanistan, USFOR-A determined that

FIGURE 3.27

HISTORICAL DISTRICT CONTROL OF AFGHANISTAN'S 407 DISTRICTS, AS OF AUGUST 28, 2017



Note: * There is no district control data for May 2017. Per USFOR-A vetting, the USFOR-A-provided data published last quarter was inaccurate and will be updated next quarter.
 Source: USFOR-A, response to SIGAR data call, 11/27/2015, 1/29/2016, 5/28/2016, 8/28/2016, 11/15/2016, 2/20/2017, 5/15/2017, and 8/28/2017; USFOR-A, response to SIGAR vetting, 10/16/2017.

the majority, 20.7 million (63.7%), still live in areas controlled or influenced by the government, while another 8.1 million people (24.9%) live in areas that are contested.¹¹⁸

USFOR-A identified the provinces with the largest percentage of insurgent-controlled or -influenced districts as Uruzgan Province, with five of its six districts under insurgent control or influence, Kunduz Province (five of seven districts), and Helmand Province (nine of 14 districts).¹¹⁹ Therefore, the region with the most districts under insurgent control or influence is centered on northeastern Helmand Province and Uruzgan Province, and includes the Helmand/Kandahar border area and northwestern Zabul. USFOR-A also noted that the provincial centers of all of Afghanistan's provinces are under Afghan government control or influence.¹²⁰

In his testimony before the House Armed Services Committee in October, Joint Chiefs Chairman Joseph Dunford concluded that lack of Coalition advisors at the lower levels of the Afghan combat forces as well as reduced Coalition aviation and intelligence support to the ANDSF were the primary causes for the insurgency's recent successes and Afghan forces' failures. However, he noted that the Administration's new strategy for the war seeks to reverse these shortfalls to enable the ANDSF to conduct more offensive operations, better defend critical terrain, and reduce Afghan casualties.¹²¹ USFOR-A reported this quarter that improvements in the ANDSF's fighting

capabilities, a key component of President Ghani's ANDSF Road Map, intend to reverse the negative trends in district and population control.¹²²

The Afghan government began implementing its ANDSF Road Map earlier this year, the main goal of which is to expand the Afghan government's control over population centers, eventually to include 80% of the population. The initiative is an overhaul of significant elements of Afghanistan's security sector and seeks to improve leadership development, double the size and combat power of the Afghan Special Security Forces (ASSF), bolster the capabilities of the AAF, improve resource management, create a unity of command and effort, reduce corruption, and shift the ANP away from combat operations to civilian policing.¹²³ For more information, see SIGAR's July 2017 *Quarterly Report to the United States Congress*.¹²⁴

U.S. FORCES IN AFGHANISTAN

Before determining new U.S. troop levels for Afghanistan, the Pentagon acknowledged this quarter that there were more than 11,000 personnel already on the ground, about 3,000 more than the 8,400 figure previously reported. This figure was confirmed by USFOR-A, as of September 10, 2017. It does not include the 15,000 U.S. civilian contractors in Afghanistan, which would bring the current total of U.S. personnel to roughly 26,000.¹²⁵ That number is expected to rise as part of the President's new strategy for Afghanistan.

Secretary of Defense James Mattis signed new deployment orders on August 31 for over 3,000 more troops, which will bring the total to 14,000–15,000 personnel, not including civilians and contractors, as part of 30,000 total U.S. personnel in country. The force increase will primarily provide additional advisors and supporting personnel to advise down to the battalion level of the ANA's conventional forces, increase training for training for the ASSF, and allow for increased U.S. air and artillery strikes in support of Afghan forces.¹²⁶

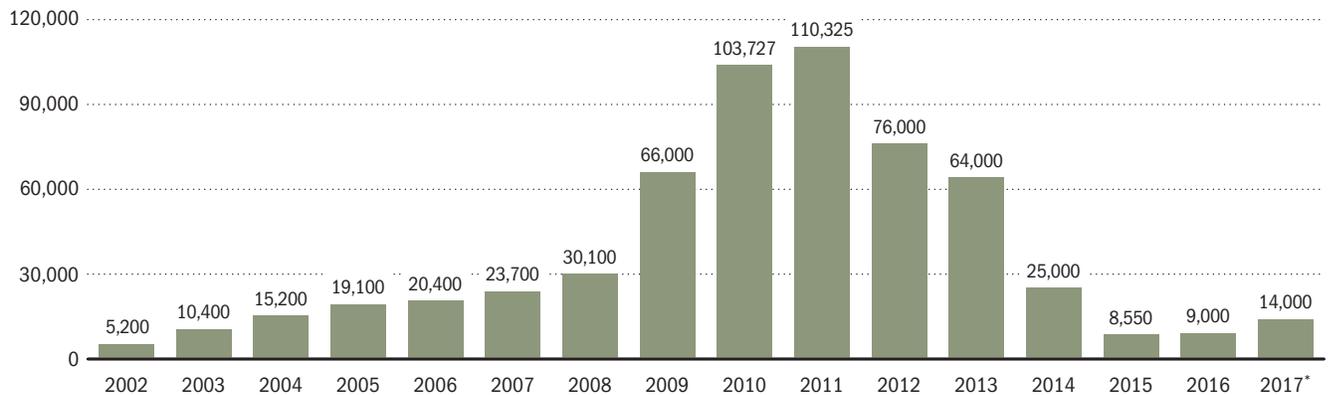
Of the 11,000 U.S. military personnel currently serving in Afghanistan as part of Operation Freedom's Sentinel (OFS), approximately 5,000 are assigned to the NATO Resolute Support (RS) mission to train, advise, and assist Afghan security forces.¹²⁷ The RS mission also includes roughly 7,000 military personnel from 39 NATO allies and non-NATO partner nations, about 500 more than the number reported last quarter. The remaining U.S. military personnel in Afghanistan support the OFS mission through air operations, training the ASSF, and conducting counterterrorism operations.¹²⁸

For a historical record of U.S. troop levels in Afghanistan since 2002, please see Figure 3.28.

As the U.S. troop commitment increases, American combat casualties are also rising. From January 1 through August 23, 2017, 10 U.S. military personnel were killed in Afghanistan, and 48 were wounded. This is an

FIGURE 3.28

U.S. TROOP LEVELS IN AFGHANISTAN, 2002-2017



Note: * Projected, based on Defense Secretary James Mattis's testimony to Congress on 10/3/2017.

Source: CRS, *Troop Levels in the Afghan and Iraq Wars, FY2002-FY2012*, 7/2/2009; DOD, *Report on Progress toward Security and Stability in Afghanistan*, 10/2009, p. 18; SIGAR, *Quarterly Report to the United States Congress*, 10/30/2010, p. 73; 7/30/2011, p. 71; 10/30/2012, p. 95; 10/30/2013, p. 87; 10/30/2014, p. 91; 10/30/2015, p. 92; OSD, response to SIGAR data call, 6/30/2016 and 12/27/2016; USFOR-A, response to SIGAR data call, 9/10/2017; General James Mattis, U.S. Marine Corps, U.S. Secretary of Defense, Statement Before the House Committee on Armed Services, "U.S. Defense Strategy in South Asia," 10/3/2017.

increase of seven personnel killed in action, and 22 wounded in action since last quarter, and double the personnel killed in action when compared to the same periods in 2015 and 2016. USFOR-A also reported that one civilian contractor was wounded in action since last quarter.¹²⁹

Changes to the U.S. contribution to RS's advising mission is a key element of the Administration's new strategy for Afghanistan. The number of U.S. military personnel assigned to advisory roles is set to increase. Most of 3,000 troops being sent as reinforcements will be conventional (U.S. Army and Marine Corps) personnel who can fill advisory roles in which Special Operations Forces (SOF) personnel have been placed, partly to enable the expansion of the ANDSF advisory effort but also to make SOF available for missions better suited to their capabilities. This is in line with both Chairman Dunford and General Nicholson's conclusion that the U.S. counterterrorism mission is adequately manned, but that its advisory mission is not. Chairman Dunford emphasized that the incoming advisors will be "the most mature, most competent, most experienced individuals we have."¹³⁰

Another aspect of the new strategy includes expanded authorities regarding U.S. advisors and the rules of engagement. DOD previously only had the authority to deploy advisors to the corps level, equivalent to the general officer level, which is not actually engaged in the fight every day. Chairman Dunford describes the shift to the battalion and brigade level as "two levels down below, [which] is where the decisive action is taking place, and [where] we didn't have any advisors." This will provide what is



U.S. 3rd Infantry Division soldiers board a plane to deploy to Afghanistan on a nine-month mission supporting Operation Freedom's Sentinel. (U.S. Army photo by Staff Sgt. Candace Mundt)

called “persistent embedded” advisors—those who live, eat, and fight alongside the ANDSF forces they are supporting—a model that has proven very successful in U.S. advising of the Afghan special forces.¹³¹ Rules of engagement will also expand in the “assist” element of the advisory mission as well as in the U.S. counterterrorism mission. During the previous administration, American forces could only engage enemy forces if they were in close proximity, or “basically ... in contact with that enemy,” according to Secretary Mattis. Now, wherever any individual or group is found that presents a threat to the U.S., Coalition, or Afghan forces or the mission, that enemy can be targeted.¹³²

Insider Attacks

Since responsibility for security transitioned to the Afghans in January 2015, “green-on-green” insider attacks when ANDSF personnel are attacked from within their own ranks, often by an insurgent infiltrator, have become a severe problem for the ANDSF.¹³³ This quarter, there was a sharp increase in insider attacks targeting both U.S. and ANDSF personnel. According to USFOR-A, from January 1 to August 15, 2017, there have been 54 reported insider attacks: 48 green-on-green and six “green-on-blue” attacks, when ANDSF personnel turned against their Coalition counterparts. This is an increase of 22 green-on-green and four green-on-blue attacks from last quarter.¹³⁴ Insider attacks this year are trending to exceed the 60 recorded for 2016—56 green-on-green and four green-on-blue.¹³⁵

Unlike other ANDSF casualty figures this quarter, USFOR-A did not classify ANDSF casualties as a result of insider attacks. The ANDSF experienced a decrease in casualties from insider attacks since last year. This quarter, 97 ANDSF personnel were killed and 50 wounded from insider attacks, a decrease of 23 personnel killed and 20 wounded compared to the same period last year.¹³⁶

However, American casualties from insider attacks have increased. As of August 15, three U.S. military personnel were killed and 10 wounded in five of the six green-on-blue attacks that occurred in 2017.¹³⁷ Secretary Mattis described green-on-blue attacks as “probably one of the most difficult aspects of this war” as they pose a great challenge to U.S. forces’ sense of commitment to the mission. He said the Afghan government is providing “very strong support” to ensure that insider threats do not erode American and Coalition willingness to continue their support.¹³⁸

According to USFOR-A, RS has taken several steps this quarter to help the ANDSF develop capabilities to counter insider threats. As part of a wider effort to improve accountability within the security institutions, RS worked with the Afghan government to include security commitments in the Kabul Compact, which outlines tangible reforms for governance, the economy, peace and reconciliation, and security. The security aspects of the compact include improving screening and vetting for security forces, improving security in Kabul, and developing force-protection policies, all of which hope to curb insider attacks. As part of this effort, the Ministry of Defense (MOD) formulated its force-protection and insider-threat policy on September 8, 2017; the MOI is currently developing its own policy.¹³⁹ For more information about the compact, see pages 150–151.

USFOR-A also reported that both MOD and MOI have launched independent insider attack commissions, separate from the usual chain of command and from one another, which are free to come to different conclusions regarding attacks. These commissions are supported by RS, and they have requested RS aid in initiating force-protection seminars. RS has continued to liaise with and advise senior ANA counterintelligence (CI) officials in order to help MOD develop adequate CI infrastructure and policies. To that end, RS created a Coalition insider-threat advisor position, which works under the Coalition’s intelligence advisory (see the following section for more information). This advisor is the lead for training and advising missions to identify and expel ANDSF personnel who pose a potential threat to Coalition or Afghan security forces.¹⁴⁰

To counter green-on-blue attacks, RS also has several internal measures in place. RS has implemented standard operating procedures to cover force protection and insider-threat and -attack mitigation. These efforts include mandatory “guardian angel” security-force training for all deploying U.S. forces as well as in-country training for RS personnel. RS also created leadership teams to address insider attacks: the Joint Casualty Assessment

Team investigates all insider attacks, while the Force Protection General Officer Steering Committee provides guidance for its Force Protection Working Group to implement. Finally, RS tracks all threats to Coalition forces and has implemented target-avoidance measures through tactics, techniques, and procedures and the removal of threats from Afghan security institutions.¹⁴¹

Additional information on insider attacks will be reported in the classified annex to this report.

Updates on Developing Essential Functions of ANDSF, MOD, and MOI

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

- **EF-1 (Multi-Year Budgeting and Execution):** EF-1 produced a potential annual savings of \$50 million by convincing 16 Law and Order Trust Fund Afghanistan (LOTFA) donor nations to use the Personal Asset Inventory (PAI),¹⁴² a process that verifies whether personnel on the payroll are actually assigned to units and present for duty, as the basis for providing MOI payroll funds rather than funding the authorized number of personnel. LOTFA donors have notionally accepted the standardization of pay initiatives with MOD, which would allow for MOI's first pay raise in eight years. Under a July 2017 memorandum, the ALP will be funded through the end of FY 2017, and CTSC-A has budgeted for ALP salaries and operational costs for FY 2018. Additionally, the Ministry of Finance and the Afghan Revenue Department agreed to stop unlawful taxation on 31 large companies working for the U.S. and NATO in Afghanistan.¹⁴³
- **EF-2 (Transparency, Accountability, and Oversight):** EF-2 assisted the MOD in developing its Ministerial Internal Control Program (MICP), an oversight mechanism to minimize fraud and ensure efficiency, which is being implemented at the ministry, ANA-corps and ANP-zone levels. FY 2017 is the first year in which MICP Statements of Assurance (SOA), outlining risk areas MOD leadership is addressing, have been submitted to MOD as required. The SOAs will inform the FY 2018 Annual Inspection Plan (AIP), which outlines all planned inspections for the year across the ministries and is the primary tool through which Inspector Generals (IGs) prevent and detect fraud and abuse in the ministries' programs and operations. For the MOI, EF-2 reported that MOI IGs successfully trained one police zone on the MICP; three more zones are scheduled to complete training by the end of September. EF-2 advisors assisted MOI IG with developing focus areas as part of the ANDSF Road Map. MOI has also reportedly achieved an efficient asset-collection process in coordination with the High Office of Oversight

and Anti-Corruption, having collected approximately 95% of asset declarations from current and new personnel. The MOI's zone IGs are mostly in place, with positions in only one zone, Helmand, entirely unfilled. Of the 126 MOD and MOI IG positions throughout the country, roughly 50% are filled with trained IGs. USFOR-A noted that another 43 IGs recently completed their training course. As previously reported, some zone commanders continue to infringe upon the independence of the Zone IGs.¹⁴⁴

- **EF-3 (Civilian Governance of Afghan Security Institutions):** The Major Crimes Task Force (MCTF), an elite MOI unit focused on corruption, organized crime, kidnapping, and other serious crimes, initiated over 40 corruption cases this quarter. The Anti-Corruption Justice Center (ACJC) tried seven major cases in three weeks between July and August 2017, bringing its total to 21 primary court trials since its inception in October 2016. Former ANA 215th Corps Commander Lieutenant General Moeen Faqir and oil company CEO Abdul Ghafar Dawi were convicted this quarter. Additionally, the ACJC moved from Camp Falcon to permanent facilities at Camp Heath. With the arrival of

MOD's Investigation into the Attack on Camp Shaheen

This quarter, CSTC-A reported the outcome of MOD's investigation into the high-casualty attack that occurred at the ANA's 209th Corps' Camp Shaheen on April 21, 2017. A delegation of senior MOD Inspection Directorate officials investigating the incident made a site visit on April 23, 2017. They inspected all towers, sentries, and other locations relevant to the attack.¹⁴⁵ The investigation determined that it was not an insider attack, as had been widely reported. Though Taliban attackers impersonated ANA personnel, there was no evidence that active 209th Corps personnel cooperated with the attackers. However, several 209th Corps personnel involved in the response to the attack were placed under observation by Afghan authorities.¹⁴⁶

The MOD report points to a great deal of planning by the attacking insurgents given the highly sophisticated tactics used. The insurgents assumed specific identities of ANA personnel by utilizing stolen ANA uniforms, ID cards, weapons, and vehicles that the investigators traced back to battlefield losses during clashes in the Kohistanat District of Sar-e Pul Province in 2015.¹⁴⁷ The attack was possible in part because the insurgents impersonating ANA soldiers claimed, when driving an ANA vehicle through the compounds' sentries, that they were carrying a gravely wounded ANA soldier. This enabled them to advance past two checkpoints. At the third checkpoint, an interior location where personnel turn in weapons, the insurgents began firing.¹⁴⁸ The final casualty toll for the attack included 138 corps personnel killed and 60 wounded. A key

reason for the high number of casualties was the surprise element of the attack: in addition to killing sentry guards, insurgents massacred a congregation of corps personnel as they were exiting the camp's mosque after prayers.¹⁴⁹

The investigation also found that responsibility for the failure to prevent the attack lay directly in the "negligence" and "carelessness" of 209th Corps leaders who did little to ensure that pre-determined security measures were in place and operational. These include: insufficient record keeping and manning of observation towers, inactive radio communications in most observation towers, lack of armor and technical and tactical skill of tower watchmen, unexplained absence of 209th Corps personnel from assigned posts, and generally low combat-alert level of 209th Corps personnel due to deficiencies in their training and procedural and command-order awareness. Additionally, the investigators identified two other issues problematic for securing Camp Shaheen: there were no security cameras in the compound and there were many adjacent lots of vacant land, on which enemies could stage attacks.¹⁵⁰

In vetting comments, USFOR-A noted that immediately following the attack, the 209th Corps commander and several other senior leaders were removed from their posts and "replaced by new, younger, and more effective leaders." Additionally, in June, 34 former corps personnel were convicted of negligence in a military court and sentenced to prison terms ranging from one to three years.¹⁵¹



A senior U.S. advisor congratulates an Afghan Border Police officer on his promotion to brigadier general. (U.S. Army photo by Sgt. First Class Randall Pike)

an additional MOI legal advisor this quarter, EF-3 is beginning to expand beyond its focus on Gross Violations of Human Rights (GVHR) to also provide legal advising on countercorruption at MOI. Four additional law-enforcement advisors have also been added, two each for MOD and MOI. No new GVHR incidents committed by MOD or MOI personnel were reported this quarter. As of late August, four closure letters were being prepared, reducing the number of open GVHR cases from 26 to 22.¹⁵²

- **EF-4 (Force Generation):** EF-4 reported on improvements in ANA kandak (battalion) commanders' attendance of Pre-Command Course (PCC) training, which increased 40%, from 20 students in the first quarter to 28 in the second quarter. The PCC is intended to establish standards for operational and tactical level leadership. RS, in partnership with the ANA, has developed a functioning career path for officers and NCOs that will increase merit-based promotion and provide opportunities for professional military education. The Command and Staff Academy is expanding the role of air-to-ground integration in planning exercises for senior leadership in order to increase the effectiveness of aircraft in combined-arms operations. As of August 31, 2017, EF-4 reported that 3.7% of ANP personnel were untrained, up from 2.4% in April 2017.¹⁵³
- **EF-5 (Sustainment):** The Afghan MOD and MOI provided CSTC-A with fuel orders in accordance with agreed timelines allowing CSTC-A to provide the information to the U.S. contractor in a timely manner. Four new ASFF-funded DOD contracts are in place, reducing the

opportunities for corruption compared to using Afghan government contracts. Separate DOD fuel contracts are in place to support MOD, MOI, and the AAF. The fourth contract provides independent quality assurance to validate the quality of fuel being provided by the other three contractors. EF-5 reported that President Ghani's directive to transfer the Afghan Border Police (ABP) and Afghan National Civil Order Police (ANCOP) to the MOD will commence on October 31, 2017, and be completed by January 1, 2018. They also noted that there is currently a void in senior leadership for logistics and maintenance: the MOD deputy minister for support was promoted this quarter and not yet replaced. Additionally, USFOR-A noted that every ANA corps has had at least three visits by expeditionary sustainment advisory teams (eSAT), which assess logistics capabilities. The eSAT program will conduct these assessments continuously in the future.¹⁵⁴

- **EF-6 (Strategy and Policy, Planning, Resourcing, and Execution):** Most ANDSF efforts during the past three months were dedicated to executing Operation Khalid, the 2017 operational plan. As reported last quarter, the ANDSF demonstrated moderate improvement and increased independence in their planning processes, with RS reporting mixed and inconsistent training results between the corps and zones.¹⁵⁵
- **EF-7 (Intelligence):** In the third quarter of 2017, the ANA's ScanEagle unmanned aerial system became operational with the 215th Corps in Helmand and the 209th Corps in Kunduz. The 215th's ScanEagle detachment enabled six successful strikes by A-29 and MD-530 aircraft in a 45-day period between July and August. Training and site surveys are under way to expand ScanEagle capability, with the next cadre of 20 students from the 201st Corps due to graduate at the end of November 2017. A new, Afghan-developed display portal for intelligence, surveillance, and reconnaissance information has been implemented at ANDSF operations centers to enable leaders to view live feeds from Afghan ScanEagle and Aerostat systems. The MOI has developed a new Counter Threat Finance (CTF) Section, part of the Network Targeting and Exploitation Center, to better analyze the nexus between crime, corruption, and the insurgency. The CTF achieved initial operating capability on September 21, 2017.¹⁵⁶
- **EF-8 (Strategic Communications):** EF-8 reported that the Afghan government has significantly increased its use of the Government Media and Information Center (GMIC) compared to earlier in the year. The GMIC is used primarily to distribute key events and other important information about the ANDSF to the public. However, the GMIC relies heavily on advisors to be effective due to difficulties in hiring qualified local employees.¹⁵⁷
- **Gender Office:** The Gender Occupational Opportunity Development (GOOD) program, a literacy, English, computer-skills, and

office-administration training program for women, began in May 2017 and has expanded to include a class of 41 women at MOD headquarters and 40 women at the ANA Sewing Factory at Camp Scorpion. There are currently 191 ANA women working towards bachelor's degrees in law and political science, business administration, or computer science as part of the program. The RS Gender Officer reported this quarter that Police Family Response Units are adding more female police to existing units to improve their ability to deal with domestic and sexual-abuse cases.¹⁵⁸

AFGHAN SECURITY MINISTRIES AND THE ANDSF

U.S. and Afghan Governments Initiate Kabul Compact

This quarter, the U.S. and Afghan governments announced the launch of the Kabul Compact, an Afghan-led initiative designed to demonstrate the government's commitment to reforms. The Kabul Compact process consists of four U.S.- and Afghan-chaired working groups covering governance, economic, peace and reconciliation, and security issues.¹⁵⁹ For more information about the compact, see pages 150–151 of this report.

In his October 3 testimony to the House Armed Services Committee, Defense Secretary James Mattis said the compact is intended to quantify the degree to which the U.S. and Afghan government are making progress on their shared goals of combatting corruption and accelerating institutional reform in the security sector.¹⁶⁰

The security portion of the compact outlines the 257 benchmarks across 37 action areas as commitments to which the Afghan government has agreed for improving the ANDSF. Most of these commitments apply to either the entire ANDSF, or both the MOD and MOI or their main components (ANA and ANP).¹⁶¹ Together they lay out a comprehensive U.S.-Afghan plan to reform and upgrade the capabilities of ANDSF over the next few years.

The first action item is the one “critical” security item slated for immediate implementation: the ANDSF's eradication of insider threats to Coalition and Afghan forces and increased protection of the Kabul “green zone.”¹⁶²

Other action items concern the growth and capability improvements of different components within the ANDSF. One details the projected growth of the ASSF, with the main aim being to increase the ANDSF's offensive fighting capability by expanding ANA Special Operations Command capabilities and by developing the special police capacity within General Command Police Special Units (GCPSU). The desired goal is to develop “a maneuverable, cohesive and coordinated ASSF [that can] support the ANDSF to defeat and disrupt threat groups and contribute to security reform efforts.”¹⁶³

The compact outlines a large expansion and several improvements for the ANDSF's intelligence capabilities. By creating a national intelligence



Afghan National Police and Afghan National Army leaders celebrate successful joint operations in Ghazni Province. (U.S. Army photo)

system and defining intelligence-sharing procedures between MOD, MOI, and NDS, Afghan security institutions and the ANDSF intend to gain the ability to plan and execute special, conventional, and police operations using Afghan-derived intelligence to deter current and future threats.¹⁶⁴

Over the next couple of years, the Afghan government has committed to developing a National Joint Command and complementary Regional Joint Commands as part of the compact. The establishment of these commands will increase the ANDSF's unity of command and effort while achieving better coordinated security operations with clear lines of responsibility and authority. This will develop an ANDSF command-and-control structure capable of directing security operations and promoting rule-of-law activities at every level.¹⁶⁵

In another effort to improve force unity, the compact seeks to implement a Unified Training System and a Unified Training Command in order to support leadership and ministry development. A unified training system and command enable is expected to establish well-coordinated and efficiently structured professional training and education options in combination with human resources management from recruitment until retirement. The system and command will also include a centrally-managed, merit-based process for leader selection, promotions, assignments, and for selecting individuals to attend professional training and educational programs.¹⁶⁶ Secretary Mattis recently remarked that these processes will go a long way toward addressing the “strategic vulnerability” presented by corruption in ANDSF personnel practices.¹⁶⁷

As mentioned, the transfer of the Afghan Border Police (ABP) and the Afghan National Civil Order Police (ANCOP) from MOI to MOD is also an

action item that is expected to commence in October 2017 and finish by January 2018. The stated goal of the transfer is to improve unity of command by combining ANA and ANP combat forces under one command structure. The transfer also aims to reduce corruption and ministerial complexity within the MOI, enabling it to focus on civil policing and promotion of the rule of law.¹⁶⁸

Strategic communications is another focus area. The compact includes the creation of an integrated ANDSF communications strategy that ensures both internal and external audiences remain informed of and confident in the ongoing efforts to increase the capability of ANDSF to provide security for the Afghan people.¹⁶⁹

The compact also details efforts to build ANDSF counter-corruption capabilities by creating policies and procedures to prevent corruption and properly conduct corruption investigations free of undue political influence. It is hoped that this will significantly reduce ANDSF corruption and patronage networks and foster an improved perception of governance amongst the population. Boosting personnel transparency is part of this effort. The compact stipulates that the ANDSF work toward achieving fully automated personnel management systems of record (AHRIMS, APPS, etc.) down to the kandak level to ensure sufficiently accurate and complete personnel records.¹⁷⁰

The MOD was assigned several action areas in the compact that are only relevant for their institutions and combat elements. The first is that the ANA will be responsible for the development and deployment of a new Territorial Army (TA), which will serve as a force that will “hold” territory against enemy recapture of lands seized and cleared by the ANA and ASSF. It will serve under ANA command, with one branch established in southern



Afghan Border Police personnel participate in a training exercise in July. (RS photo by Cpl. Fletcher King)

Nangarhar Province and another branch covering Khowst, Paktika, and Paktiya Provinces. The goal for the TA is to reach a total strength of 6,000 personnel and to be fully operational by February 2018 and April 2018 for the Nangarhar and Khowst branches respectively.¹⁷¹

The AAF is also a focal point of the Kabul Compact, which calls for improved Afghan close-air-support and airlift capabilities through bolstering and reorganizing AAF. This is intended to create a more professional, credible, and sustainable AAF that is capable of supporting ANDSF joint operations, especially with the ASSF. With increased focus on the AAF, the compact outlines another action item for an effective training system for the ANA in air-to-ground integration. With proper training, the ANA should be able to sustain, without Coalition support, a sufficient number and quality of ANA tactical air coordinator personnel to meet the ANA's operational requirements.¹⁷²

The compact includes specific guidance for overall ANA readiness, as well as personnel, equipment, and training readiness benchmarks and reporting requirements that are to be implemented and achieved from December 2017 through December 2020. The ultimate aims are to improve the accuracy of ANA readiness reporting and, eventually, the force's performance in personnel and equipment sustainment, and training proficiency.¹⁷³

Finally, there are several other "aspirational" action areas for implementation across ANDSF elements on issues such as budget formulation, payroll execution, health and medical standards, cybersecurity implementation, and supply-chain management. These are included in the compact but do not have established milestone commitments. The compact notes that these aspirational areas will be further discussed and refined by the Compact Committee "as larger conditions within the government of Afghanistan develop and resource availability become clearer."¹⁷⁴

Cybersecurity for MOD and MOI

For the first time this quarter, SIGAR requested information from CSTC-A about its training and advising efforts toward developing a sustainable cybersecurity infrastructure for MOD and MOI's computer networks.

According to CSTC-A, Coalition advisors have advocated that the Afghan security ministries implement a uniform application of cybersecurity policies and processes. They attend weekly MOD and MOI working groups that include IT providers supporting each respective ministry. Although both ministries' networks are centrally managed, the implementation of a "train the trainer" approach targeting network end-users complements the decentralization of services outside Kabul and allows the ANA and ANP to provide in-person training in remote locations.¹⁷⁵

Advisors are currently focused on developing secure standards for network configuration and implementing a compliance checklist through use of a risk-management framework. Other focus areas include creating an

incident-response unit with procedures focused on cyberthreat detection, containment, and incident resolution. CSTC-A indicated that MOD and MOI IT officials are competent but still need technical and nontechnical guidance on all cybersecurity matters, including incident management.¹⁷⁶

As with other technical capabilities, CSTC-A notes that there is a significant difference in maturity between the MOD and MOI cybersecurity posture. While MOD is much more advanced in implementing policies and processes, both ministries continue to struggle to improve user and senior-leader understanding and acceptance of the need for cybersecurity measures. CSTC-A advisors are also continuing to work with their Afghan counterparts to gain authorization for civilian cybersecurity positions to advance related sustainment goals.¹⁷⁷

CSTC-A reported that cybersecurity sustainment initiatives include efforts to build course curricula at the Unified ANDSF School that are specifically focused on IT governance and cybersecurity. Additionally, discussions recently took place with the President Ghani's chief IT advisor to finalize and formally adopt the Afghanistan National Cyber Security Strategy. In the meantime, implementation has begun within the ministries where possible. The purpose of the strategy is twofold: first, execute the chief of security positions within the ministries, a step that would also require developing guidelines that convey the ministries' cybersecurity program; second, create a plan to develop a cybersecurity-focused workforce for the ministries that leverages Afghan university students. The goal would be to create a pipeline of potential applicants that could fulfill the ministries' cybersecurity personnel needs.¹⁷⁸

The challenges that CSTC-A identified in implementing a secure and fully functional cybersecurity apparatus for the Afghan security ministries included the lack of a foundational technical security-requirements policy, which means there is no method of assessment for implementing security controls. CSTC-A said that there are currently no performance metrics or implementation guidance for assessing procedures. Although the Afghan National Cyber Security Strategy requires International Standards Organization security-management systems standards, which are applicable to all institutions' systems, they have not yet been implemented. The ministries' adherence to this security-management systems standard and the build up of a cybersecurity workforce are the key areas of focus for both security ministries.¹⁷⁹

The United States has spent roughly \$6.7 million on the hardware and software necessary for MOD and MOI cybersecurity measures, according to CSTC-A. This includes about \$5 million for MOI and \$1.5 million for MOD, and \$240,000 for the U.S. program for MOD advising. CSTC-A said that the cost estimates may vary from the figures provided because some components, such as routers, have more than just a cybersecurity function.¹⁸⁰

ANDSF Strength Declines

This quarter, USFOR-A classified ANDSF authorized strength figures and exact assigned strength figures across each force element. As such, assigned strength figures reported here are approximations. The questions SIGAR asked about ANDSF strength can be found in Appendix E of this report. SIGAR will report on the authorized and assigned strength figures in its classified annex.

ANDSF assigned force strength declined this quarter. According to USFOR-A, as of August 28, 2017, ANDSF assigned strength was approximately 320,000, a roughly 9,000-person decrease from last quarter. This includes the AAF but does not include ANA or AAF civilians.¹⁸¹ However, this strength figure reflects an increase of roughly 3,500 personnel from the same period last year.¹⁸²

This quarter, there were about 4,450 civilian personnel in the ANDSF, about 4,200 in the ANA and 250 in the AAF. This is a roughly 1,300-person decrease in ANA civilians and a 150-person decrease in AAF civilians since last quarter.¹⁸³

As reflected in Table 3.6 on the following page, both the ANA and the ANP saw a several-thousand-person decrease in force strength, negating the force growth seen earlier this year. Compared to last quarter, the ANA, including Afghan Air Force but not civilians, decreased by roughly 4,000 personnel and the ANP by roughly 5,000 personnel.¹⁸⁴ However, compared to this time last year, this quarter's strength is an approximately 2,700-person increase for the ANP and a roughly 750-person increase for the ANA.¹⁸⁵

ANDSF Casualties

USFOR-A classified ANDSF casualty data this quarter, which SIGAR has consistently reported since 2015. The questions SIGAR asked about ANDSF casualties can be found in Appendix E of this report. SIGAR will report on ANDSF casualties in the classified annex to this report.

AHRIMS and APPS

The MOD and MOI, with RS assistance, are 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.¹⁸⁶

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

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TABLE 3.6

ANDSF ASSIGNED FORCE STRENGTH WITH CIVILIANS, FEB 2014–AUG 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	4/2017	8/2017*	
ANA including AAF	177,711	180,031	174,450	
ANP ^e	153,997	156,011	150,000	
Total ANDSF^f	331,708	336,042	324,450	

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. ANA, ANP, and Total ANDSF figures do not include “standby” personnel, generally reservists.

^a Total “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.

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

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

^{*} The exact force-strength figures for this quarter were classified. These are USFOR-A-provided approximations.

Source: CSTC-A, response to SIGAR data call, 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, 1/20/2017, 4/19/2017, 5/20/2017, and 8/28/2017; USFOR-A, response to SIGAR vetting, 10/16/2017.

payroll amounts.¹⁸⁷ APPS reached initial operational capability in July 2017 and is expected to be fully operational by May 2018.¹⁸⁸

CSTC-A is overseeing the transition from AHRIMS to APPS to ensure interoperability. The process of verification of AHRIMS data also includes a personnel asset inventory (PAI) that physically accounts for ANA and ANP personnel so that they can be issued biometrically linked identification cards. APPS will generate payroll information and bank-account information for accounted-for personnel. According to CSTC-A, this structure will reduce the potential for nonexistent personnel to be entered into APPS, although it will not completely eliminate the risk of paying 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.¹⁸⁹ The biometric cards will also, once implemented, be used to access all human-resources information for personnel, including identity, pay, and APPS data, promotions, assignments, killed/wounded/absent-without-leave information, and other documents.¹⁹⁰

As USFOR-A has reported previously, there are three ongoing efforts to ensure that accurate personnel data exist in AHRIMS to support the migration to APPS: (1) “slotting” or matching a person to an authorized position; (2) “data cleansing” or correcting and completing key personnel data; and (3) a Personnel Asset Inventory (PAI) to correct the employment status of personnel retired, separated, or killed in action.¹⁹¹

This quarter, USFOR-A reported that the MOD’s PAI is nearly finished, with an anticipated completion date of late November 2017: phase one, which included Kabul-area ANA and ANP units, has been completed; phase two, for the ANA’s 203rd and 215th Corps, has been completed; phase three, for the 201st and 207th Corps, has been recently completed; and only phase four, for the 205th and 209th Corps, remains incomplete. The last portion of the PAI will take place in October and November as PAI teams re-visit selected ANA units that had lower registration turnout in order to provide those personnel unable to reach a PAI center previously a last chance to enroll. According to USFOR-A, among the ANA units processed as of late August, 94% of personnel claimed to exist by MOD in monthly reports have been physically verified by biometric identification. This a six-point increase from the 88% reported last quarter.¹⁹² However, the AHRIMS enrollments, which include 22 fields of personal information, remain error-prone, with only 55% completed without inaccuracies.¹⁹³

The main phase of the MOI’s PAI process ended in late May. As with MOD, PAI teams are currently revisiting lower enrollment ANP and ALP units in order to collect last-chance enrollments. Among the units processed through August 2017, the AHRIMS enrollment rate is 72% for ANP, up two points since last quarter, and 55% for ALP.¹⁹⁴

The MOD and MOI personnel records now completed in AHRIMS have been transferred to the APPS. According to USFOR-A, as of late August, 96% of MOD, 43% of ANP, and 66% of ALP personnel are slotted into authorized positions in the payroll system in APPS.¹⁹⁵ USFOR-A projected that PAIs and the transition to APPS for both the MOI and MOD would occur before the end of 2017.¹⁹⁶

“Unaccounted for” or “Ghost” Personnel

As a result of increased attention in early 2017 to the possible inclusion of many “ghost” or nonexistent personnel within the ANDSF rolls, U.S. officials confirmed that as of January 1, 2017, salaries will be paid only to MOD and MOI personnel who are correctly registered in AHRIMS.¹⁹⁷ USFOR-A has since described the situation involving ghost personnel and what

actions are being taken by the U.S. and Afghan officials to address the issue. Defense Secretary James Mattis said on October 3 that continuing to ensure that all Afghan forces are biometrically enrolled is one of the key ways U.S. forces will “make certain there are no more ghost soldiers.”¹⁹⁸

As of late August 2017, USFOR-A estimated that 10,000 MOD personnel remain “unaccounted for” in AHRIMS, roughly 2,100 less than last quarter. While USFOR-A did not provide a corps-level distribution of unaccounted-for ANA personnel this quarter, they indicated that of the four corps that have completed the PAI process, the 201st Corps has the highest percentage of unaccounted-for personnel against their reported end strength. For MOI, approximately 41,000 ANP and 13,000 ALP personnel remain unaccounted for; and there is currently no police zone-level accounting of these personnel. USFOR-A noted that unaccounted-for personnel either have yet to be validated biometrically or simply do not exist.¹⁹⁹

The U.S. government continues to disburse funds only to those ANDSF personnel it is confident are properly accounted for. USFOR-A reported approximately \$44.6 million in cost avoidance by not paying unaccounted-for and suspected ghost personnel from January to August 2017, up \$26.1 million from last quarter. The command advised that this amount will continue to change as the MOD and MOI increase the validation of the remaining soldiers and police through the ongoing PAI process.²⁰⁰

Afghan Local Police

ALP 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.²⁰¹ While the ANP is paid via the UN Development Programme’s multilateral Law and Order Trust Fund for Afghanistan (LOTFA) which is funded by the international community, the ALP is paid with U.S. funds provided directly to the Afghan government.²⁰² Although the ALP is overseen by the MOI, it is not counted toward the ANDSF’s authorized end strength.²⁰³

As of August 19, 2017, the NATO Special Operations Component Command-Afghanistan (NSOCC-A) reported that according to the ALP Staff Directorate, the ALP has roughly 30,000 guardians, about 25,000 of whom are trained, 4,000 untrained, and 100 in training.²⁰⁴ These figures indicate an increase of 75 ALP personnel overall, a 127-person decrease in trained personnel, and an increase of 308 untrained personnel since last quarter.²⁰⁵ The MOI’s 1396 (2017) Bilateral Financial Commitment Letter obligates the MOI to have no more than 5% of the on-hand ALP force untrained, but currently 14% of the force is untrained, a slight increase from last quarter.²⁰⁶

This quarter, NSOCC-A reported continuing efforts to enroll ALP personnel in AHRIMS 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.²⁰⁷ As mentioned, PAI

teams are in the final stages of collecting AHRIMS enrollments from lower-enrolled ALP units. According to USFOR-A, among the units processed through August 2017, the AHRIMS enrollment rate was 55% for ALP, a 22-point decrease since last quarter.²⁰⁸ Additionally, 66% of ALP personnel are slotted into authorized positions in the payroll system in APPS, down 13 points since last quarter.²⁰⁹

The current figures indicate that the ALP still has not reached its enrollment goals. The MOI's 1395 (2016) Bilateral Financial Commitment Letter laid out clear goals for completing 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, 2016.²¹⁰ The 1396 (2017) Commitment Letter calls for 100% of the ALP to be registered into AHRIMS, though it is unclear by what date. It also stipulates that guardians will receive their biometric IDs, be slotted into AHRIMS and APPS (when APPS is implemented), and enrolled in EFT during training.²¹¹ NSOCC-A pointed to the difficulties in meeting the MOI Bilateral Financial Commitment Letter's goals for the ALP because its personnel are mostly located in very rural areas. According to NSOCC-A, some districts do not have the infrastructure needed to complete AHRIMS enrollment, and travelling to PAI locations to perform AHRIMS enrollment can be a life-threatening task for some ALP personnel.²¹²

As with the ANA and ANP, CSTC-A will fund salaries only for ALP guardians who are actively slotted in AHRIMS. NSOCC-A reported a reduction in their estimated U.S. funding for the ALP from \$93 million annually in early 2017 to an estimated \$85–91 million for the rest of the fiscal year, depending on how many additional ALP are successfully enrolled in AHRIMS. NSOCC-A has previously noted that they suspect the reduction of funding will incentivize the MOI to account for those ALP not registered in AHRIMS in order to recoup lost U.S. funding.²¹³ NSOCC-A says that CSTC-A reviews validated personnel numbers every three months and provides updated funding based on validated AHRIMS personnel numbers.²¹⁴

This quarter, NSOCC-A provided an update on the status of reforming the ALP. Several efforts are under way to assess ALP reform, including personnel and equipment reforms, addressing powerbrokers' sway over the ALP, and the establishment of ALP Zone shuras. ALP Zone shuras to assess the ALP reform process were projected to occur in September and October 2017. NSOCC-A noted that once the shuras are complete, additional reform assessment findings will be available. According to NSOCC-A, personnel reforms remained stagnated during the reporting period due to intense fighting in the majority of the districts where ALP personnel are located. Annual equipment inventories have been submitted by district with an 83% completion rate since the Afghan fiscal year began in late December 2016.²¹⁵

The ALP's Coalition advisors submitted a report on the influence of powerbrokers in the ALP in September. The report found that the number

of ALP personnel under powerbroker influence increased from 124 guardians in March 2017 to 395 in August. This is considerably lower than the 1,395 reported to be under powerbroker influence in early 2016. USFOR-A noted that the increased reporting may indicate increased transparency and declining corruption. The main powerbrokers influencing ALP personnel continue to be parliamentarians, provincial councils, provincial governors, and district and provincial chiefs of police.²¹⁶

AFGHAN NATIONAL ARMY

As of September 30, 2017, the United States had obligated \$44.4 billion and disbursed \$43.3 billion of ASFF funds to build, train, equip, and sustain the ANA.²¹⁷

ANA Strength Declines

This quarter, USFOR-A classified ANA authorized strength figures as well as the exact figures for assigned strength. Assigned strength figures reported here are therefore approximations. The questions SIGAR asked on ANA strength figures can be found in Appendix E of this report. SIGAR will report on ANA authorized strength figures in its classified annex.

As of August 28, 2017, the overall assigned strength of the ANA, including the AAF but not including civilians, was roughly 170,000 personnel.²¹⁸ ANA strength (including the AAF but not civilians) decreased by more than 4,000 personnel since last quarter, reversing the positive trends in force strength earlier in 2017.²¹⁹ Despite this decline, ANA and AAF overall strength still saw a roughly 750-person increase from the same period last year. The ANA had about 77,000 enlisted personnel, 60,000 noncommissioned officers, and 33,000 officers. The largest increase in personnel since last quarter occurred in the officer ranks (about 150 more officers), and the biggest decrease among enlisted ranks (about 3,300 fewer soldiers).²²⁰

There were about 4,200 civilian personnel in the ANA and 250 in the AAF this quarter. This is a roughly 1,300-person decrease in ANA civilians and a 150-person decrease in AAF civilians since last quarter. This brings the total ANA strength with AAF and civilians to roughly 174,450, as shown in Table 3.6 on page 122.²²¹

According to USFOR-A, possible ghost personnel are not subtracted from these strength figures because ghosts are estimated using the AHRIMS (personnel management) and APPS (payment) systems, both still undergoing improvements, while a different reporting system currently calculates manpower.²²² This quarter, there were approximately 10,000 unaccounted-for MOD personnel.²²³ For more information on AHRIMS, APPS, and ghost personnel, please see pages 121–124.

ANA Attrition

This quarter USFOR-A classified ANA attrition data. The questions SIGAR asked about ANA attrition can be found in Appendix E of this report. SIGAR will report on ANA attrition in the classified annex to this report.

ANA Sustainment

As of September 30, 2017, the United States had obligated \$21.1 billion and disbursed \$20.4 billion of ASFF for ANA sustainment.²²⁴

CSTC-A reported the total amount expended for all payroll and nonpayroll sustainment requirements in Afghan FY 1396 (2017) was \$400.3 million through August 21, 2017, a \$52.4 million increase compared to the same period last year.²²⁵ While the majority of sustainment funding goes toward ANA salaries and incentive payments, aside from these, the largest uses of sustainment funding were for equipment and supplies, mainly vehicle fuel, (\$22.6 million) and uniforms (\$3.4 million).²²⁶

ANA Salaries and Incentives

Of the total amount spent on ANA sustainment in Afghan FY 1396 through August 21, 2017, \$145.4 million was spent on salaries and \$220.6 million on incentive pay for ANA officers, noncommissioned officers and soldiers, civilians, and contractors.²²⁷ Funding for ANA salaries increased by \$24.5 million since this period last year, while incentive pay increased by about \$51.9 million.²²⁸

CSTC-A reported that the funding required for ANA base salaries, bonuses, and incentives for this year and the next three years will average \$610.2 million annually, a decrease from last quarter's estimate of \$627.1 million, but a considerable increase from last year's estimate of \$545.8 million annually through 2021.²²⁹ DOD previously noted that the increase in cost was mainly due to the transfer of 40,000 ANP personnel to the ANA as part of the ANDSF Road Map plan to move certain paramilitary police elements (Afghan Border Police and Afghan National Civil Order Police) from MOI to MOD authority.²³⁰ DOD also stated that forecasted salary and incentives figures 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.²³¹

ANA Equipment and Transportation

As of September 30, 2017, the United States had obligated and disbursed \$13.3 billion of ASFF for ANA equipment and transportation, as shown in Figure 3.29 on the following page.²³²

FIGURE 3.29

ANA EQUIPMENT AND TRANSPORTATION FUNDS OBLIGATED (\$ BILLIONS)



Source: DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (draft), 10/18/2017; DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016, 10/19/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2015," 10/19/2015; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2014," 10/16/2014; DOD, response to SIGAR data call, 10/9/2013; DOD, response to SIGAR data call, 10/18/2012; DOD, response to SIGAR data call, 10/17/2011.

ANA Equipment Operational Readiness

This quarter USFOR-A classified data concerning the ANA's equipment readiness. The questions SIGAR asked about ANA equipment readiness can be found in Appendix E of this report. SIGAR will report on ANA equipment readiness in its classified annex.

Core Information Management System

The Core Information Management System (CoreIMS) is part of the solution to address capability gaps in the Afghan logistical supply chain to ensure that the ANDSF are properly equipped. Since 2012, efforts have been under way to develop and implement an automated system within both MOD and MOI to replace a paper-based process in order to better monitor Afghan- and U.S.-purchased ANDSF equipment and supplies.²³³

CoreIMS is an inventory-management system that electronically tracks basic items like vehicles, weapons, night-vision devices, and repair parts. The system helps allocate materiel and analyze its usage to predict future item and budget requirements while reducing opportunities for fraud.²³⁴ The goal for the system is to improve Afghan sustainment processes by providing managers and decision makers with a real-time status of assets.²³⁵ 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—to save time and resources of ANDSF procurement personnel, decrease human error, and significantly improve order and asset visibility.²³⁶

As of March 1, 2017, the web-based CoreIMS became available and fully functional at MOD and MOI national logistic locations, forward supply depots, and regional supply logistic centers.²³⁷ According to CSTC-A, the remaining challenge with CoreIMS is that once materiel is distributed below the regional level to the local forward supply depots or units, CoreIMS loses visibility. CSTC-A notes that plans are under way to integrate CoreIMS down to the brigade level (ANA) and the provincial-headquarters level (ANP) in the next four years. This will also include the ALP, which are supported through the MOI's supply chain.²³⁸ CSTC-A continues to provide advanced CoreIMS training for Afghan logistic specialists to train, mentor, and assist other ANA and ANP personnel in logistics operations and CoreIMS functionality.²³⁹

This quarter, CSTC-A reported that a maintenance module is currently being tested for CoreIMS, with its rollout planned for February 2018. The main goal of the module is to better facilitate accurate equipment-readiness and maintenance reporting by utilizing the digital records for equipment in CoreIMS. The module will begin with vehicle maintenance, and once the ANA's mentoring on its use for vehicles is complete, CSTC-A anticipates the expansion of the module to other fleets of equipment.²⁴⁰

ANA Infrastructure

The United States had obligated \$6.1 billion and disbursed \$5.9 billion of ASFF for ANA infrastructure projects as of September 30, 2017.²⁴¹ As with last quarter, ANA sustainment costs for FY 2017, covering all ANA facility and generator requirements, are roughly \$74.2 million, \$17.5 million of which is funded through the NATO ANA Trust Fund, while the remaining \$56.7 million is U.S. funded through the ASFF.²⁴²

According to CSTC-A, as of August 28, 2017, the United States has completed 417 infrastructure projects in Afghanistan valued at \$5.3 billion, an increase of nine projects completed since last quarter, with another 34 ongoing projects valued at \$166.3 million.²⁴³

The largest ongoing ANA infrastructure projects are the same as last quarter: the second phase of the Marshal Fahim National Defense University in Kabul (costing an estimated \$73.5 million, a nearly \$1 million cost increase since last quarter) to be completed in December 2017, a Northern Electrical Interconnect (NEI) substation project in Balkh Province (\$27.7 million), slated for completion in October 2019, and an NEI substation in Kunduz (\$9.5 million), due to be completed in February 2019.²⁴⁴

Nine ANA infrastructure contracts with a total value of \$12.5 million were awarded this quarter. The largest of these include: infrastructure

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 their membership in the ANSDF.

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

security improvements for MOD headquarters (\$5.8 million), the initial operating capacity infrastructure (includes utilities, barracks, dining facility, and other essential infrastructure) for Camp Pratt in Mazar-e Sharif (\$3.3 million), and a bakery and medical warehouse at Kabul National Military Hospital (\$699,151).²⁴⁵

An additional 45 infrastructure projects valued at \$265.8 million are being considered including: five Kabul National Military Hospital projects (\$66.8 million), four Afghan Electrical Interconnect projects (\$71.5 million), nine ANASOC projects (\$68.9 million), and four AAF projects (\$10.5 million). The remaining 23 projects, valued at around \$48.1 million, comprise other ANA infrastructure and sustainment projects supporting the new MOD headquarters, the **Women's Participation Program**, and other security facilities.²⁴⁶

This quarter, CSTC-A reported a significant increase in projects to develop facilities for female personnel in the ANA and ANP as part of the Women's Participation Program (WPP). One project was completed this quarter, and there were 18 ongoing WPP projects, an increase of 16 projects since last quarter. In August, the compound at the ANA's regional training center in Jalalabad (costing roughly \$7.8 million), was completed. It includes a barracks, laundry, training facility, day care, playground, and gym. The largest project in development is a women's compound with similar facilities for phase two of Kabul Police Academy (\$6.5 million) with an estimated completion date of June 2019.²⁴⁷

CSTC-A reported several updates this quarter on infrastructure-related train, advise, and assist activities. CSTC-A has multiple advisors responsible for mentoring the Construction and Property Management Department (CPMD), which supervises and provides engineering and facility maintenance for MOD. CPMD and CSTC-A advisors also train and advise ANA facility engineers (FE) and facility-sustainment staff to increase their capacity to operate, maintain, and sustain the ANA's infrastructure.²⁴⁸ This quarter, advisors provided significant training and mentorship to the CPMD leadership and FEs during three to four advising engagements per week focused on operations and maintenance, sustainment, and construction program-management issues.²⁴⁹

CSTC-A is executing a facility-maintenance training program, under the National Operations and Maintenance Contract, to train FEs and other personnel in the trades and skills needed to operate and maintain power plants, HVAC systems, water-treatment plants, and waste-water treatment plants, as well as to perform quality control and quality assurance over their work. Training courses are offered for MOD and MOI personnel at their respective headquarters. In the past three months, this program trained 304 ANSDF facility personnel.²⁵⁰

According to CSTC-A, following several years of investment from Germany and other Coalition partners, the ANA Engineer School at Camp

Shaheen in Mazar-e Sharif has become a “stable feature” of the ANA’s training institutions. The goal is for the ANDSF to eventually sustain an infrastructure portfolio worth over \$10 billion. The school conducts several basic and high-level engineer courses regularly, which include training in IED detection and defeat, combat engineer, and other technical specialties. CSTC-A has mentored ANA engineer instructors to teach some of these courses to both MOD and MOI facility-sustainment staff.²⁵¹

ANA and MOD Training and Operations

As of September 30, 2017, the United States had obligated and disbursed \$3.9 billion of ASFF for ANA, AAF, and MOD training and operations.²⁵²

According to CSTC-A, ASFF training funds are used to send ANA and AAF students to vocational training and professional military education opportunities abroad, including aviation training, special forces training, basic officer-leadership courses, captain’s career courses, war-college programs, seminars, and conferences. The funds are also used to contract advisors and mentors for the ANDSF to advise, train, and mentor them in undertaking essential functions.²⁵³

As of August 28, 2017, CSTC-A reported 11 ongoing U.S.-funded training programs for the ANA and AAF. The largest of these are multiyear contracts that include a \$41.9 million project for out-of-country training for AAF pilots, a \$37.3 million project to train the ASSF, and a \$14.7 million counter-IED training program for the ANA.²⁵⁴

This quarter, SIGAR received updated information about the basic training process for ANA personnel. According to USFOR-A, the current basic training program, called Basic Warrior Training (BWT), is nine weeks long, comprising eight courses that total 251 hours of scheduled training. This model has been approved by the MOD as the standard for training all recruits, and it is currently implemented at both the Kabul Military Training Center (KMTC) and the Regional Maneuver Training Centers (RMTC) elsewhere in Afghanistan. USFOR-A noted that ANA senior leaders are currently weighing the benefits of increasing the BWT to 12 weeks, a move that the Chief of General Staff and some ANA leaders support. USFOR-A does not know the type or quantity of equipment provided to new recruits and soldiers for the BWT at either the KMTC or the RMTCS.²⁵⁵

DOD officials consistently stress the importance of adequate training for the ANDSF, but USFOR-A reports wide variation in Coalition advisors present to oversee and assist in the training of Afghan officers, noncommissioned officers, or soldiers at the 18 Afghan training institutions.²⁵⁶ Advisor presence has increased since June, but of the 18 schools and academies (including basic training centers), only seven currently have persistent advisor presence. CSTC-A said advisor presence in these institutions has resulted in improved resources, curricula, instructors, and facility repairs. However, advisors still noted the difficulty of applying



Afghan President Ashraf Ghani inaugurates the addition of U.S.-provided UH-60 Black Hawk helicopters to the Afghan Air Force fleet. (USAF photo by Staff Sgt. Benjamin Gonsier)

standardized performance requirements to trainees at the schools, and the absence of adequate mechanisms to determine and ensure the quality of the training instructors.²⁵⁷

Afghan Air Force

This quarter, USFOR-A classified AAF authorized strength figures as well as the exact figures for assigned strength. Assigned-strength figures reported are therefore approximations. The questions SIGAR asked on strength figures can be found in Appendix E of this report. SIGAR will report on AAF authorized strength figures in its classified annex.

As of August 28, 2017, there were more than 8,000 personnel in the AAF, a roughly 100-person increase since last quarter. In addition, the AAF has approximately 250 civilian personnel.²⁵⁸

The AAF saw key developments this quarter on the path to expanded capabilities as part of the ANDSF Road Map and the Kabul Compact. On September 18, the AAF received its first shipment of two U.S.-made UH-60 Black Hawk helicopters, an important part of the seven-year Afghan Aviation Transition Plan (AATP) to replace the AAF's aging, Russian-made Mi-17 fleet.²⁵⁹ SIGAR's Inspector General John Sopko and other senior leaders traveled to Kandahar Airfield for the ceremony inaugurating the new airframe into the AAF's inventory. Additionally, U.S. Joint Chiefs of Staff Chairman Dunford noted in October the importance of the expanded U.S. advisory effort to lower levels of the AAF so that it can be more effective in integrating crucial air support for ANA operations.²⁶⁰

There was no change this quarter in the funding data for the AAF. As of August 23, 2017, the United States has appropriated approximately



The first UH-60 helicopter provided to the Afghan Air Force is offloaded at Kandahar Airfield, Afghanistan. (USAF photo by Staff Sgt. Trevor T. McBride)

\$5.2 billion to support and develop the AAF since FY 2010, with roughly \$1.5 billion requested in FY 2017. Of the total amount since 2010, roughly \$2.5 billion was obligated for the Special Mission Wing, the special-operations branch of the AAF.²⁶¹ CSTC-A noted that the FY 2017 figure includes DOD's November 2016 request to Congress for \$814.5 million to fund the AATP.²⁶²

Since FY 2010, nearly \$3.4 billion has been obligated for the AAF, with roughly \$252 million of FY 2017 funds obligated as of May 18, 2017.²⁶³ The majority of the funding obligated since FY 2010 has been designated for sustainment items, which account for 48.9% of obligated funds, followed by equipment and aircraft at 31.5%, a percentage that will increase as funding for the AATP continues to be obligated.²⁶⁴

The AAF's current inventory of aircraft includes:²⁶⁵

- 4 Mi-35 helicopters
- 46 Mi-17 helicopters (19 unavailable)
- 25 MD-530 helicopters (one unavailable)
- 24 C-208 utility airplanes
- 4 C-130 transport airplanes (two unavailable)
- 19 A-29 light attack airplanes
- 2 UH-60 utility helicopters (added in September 2017)²⁶⁶

As of August 31, 2017, six of the 19 unavailable Mi-17s are in overhaul, four are in heavy repair, three are awaiting extraction and assessment, and six have expired, meaning they will be reused once they are overhauled. One unavailable MD-530 is damaged due to a hard landing during a training mission and two unavailable C-130s are going through routine depot-level

maintenance.²⁶⁷ Of the 19 A-29 aircraft, 12 are currently in Afghanistan and seven are at Moody Air Force Base in the United States supporting AAF pilot training, weapons operational testing, and cockpit upgrades. When the A-29 training program at Moody concludes, the remaining U.S.-based A-29s will be moved to Afghanistan.²⁶⁸

As part of the AATP, the AAF is scheduled to receive an additional 12 Afghan-owned UH-60s in FY 2018, with deliveries of two per month beginning from January 2018 through June 2018. The AAF is also scheduled to receive 10 additional MD-530 helicopters in July 2018, with deliveries of five additional aircraft per quarter beginning the third quarter of FY 2018.²⁶⁹ Over the next several years, the AAF will continue to receive a significant number of new or refurbished airframes to grow its inventory. USFOR-A provided a snapshot of the expected end state of the AAF's aircraft inventory by the end of FY 2023, which will include: 61 UH-60s, 58 Fixed Forward Firing UH-60s, 55 MD-530s, 24 C-208s, four C-130s, 25 A-29s, and 32 AC-208s.²⁷⁰

AAF Operational Readiness

The AAF saw some decline in operational readiness over the reporting period with two of five airframes (C-208 and A-29) falling short of operational readiness goals and two of five airframes significantly exceeding their recommended flight hours (C-130 and Mi-17).²⁷¹

This quarter, USFOR-A indicated that a change was made to AAF operational reporting as of June 2017. The number of sorties (defined as one takeoff and one landing) is no longer being used for reporting, but rather the number of "missions" (a single operation, which may include multiple sorties) is now being used. According to USFOR-A, the AAF flew 2,448 missions from May 1 through July 31, 2017 at an average of 816 per month, with the most missions (1,031) flown in May 2017. Unlike previous quarters, the C-208 airframe flew the greatest number of missions (695), followed closely by the Mi-17 (667).²⁷² However, the Mi-17 continued to fly the most hours of any airframe, an average of 986 hours per month this reporting period, followed by the MD-530 at 767 average hours. This was a considerable increase compared to the Mi-17's 786-hour average and the MD-530's 614-hour average reported last quarter.²⁷³ All AAF airframes flew roughly 1.5 times more hours per month on average than last quarter.²⁷⁴

Personnel Capability

USFOR-A provided the following information on how many fully mission-qualified, or certified mission-ready (CMR) crew members the AAF has for each of its airframes. For more information about the specific training involved for crew members attaining CMR status, please see SIGAR's April 2017 *Quarterly Report to the United States Congress*.²⁷⁵ According to USFOR-A, this quarter:²⁷⁶

- **C-130:** 12 total pilots, including five mission pilots, three instructor pilots, and four copilots, five flight engineers, and nine loadmasters (down one from last quarter) are CMR.
- **C-208:** 33 total pilots, including 14 mission pilots, 10 instructor pilots, and 9 co-pilots are CMR (down nine from last quarter).
- **A-29:** 12 total pilots, including eight mission pilots (two of which are instructor pilots) and four wingmen, are CMR (up one from last quarter).
- **MD-530:** 59 total pilots, including 47 mission pilots (up 12 from last quarter) and seven instructor pilots, are CMR. The five remaining personnel are not yet CMR.
- **Mi-17:** 82 total pilots, including 32 aircraft commanders, 39 co-pilots, and 11 instructor pilots, 27 flight engineers, and 53 gunners are CMR (same as last quarter).
- **Mi-35:** 10 pilots are CMR (same as last quarter).

The Special Mission Wing

The Special Mission Wing 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. According to DOD, the SMW is the only ANDSF force with night-vision, rotary-wing air assault, and fixed-wing intelligence, surveillance and reconnaissance capabilities. The SMW's four squadrons include two in Kabul, one at Kandahar Airfield, and one at Mazar-e Sharif Airfield, and provide the ASSF with operational reach across Afghanistan.²⁷⁷

As of June 2017, the SMW had 788 personnel—87% of its authorized strength, slightly lower than Afghanistan's other force elements. DOD notes that because the SMW's recruiting standards are higher than those of the AAF and other ANDSF elements, the SMW struggles to find qualified personnel for pilot and maintenance positions.²⁷⁸

The two main funding sources for the SMW are the ASFF and the DOD Counternarcotics (DOD-CN) fund.²⁷⁹ According to NSOCC-A, from FY 2010 to August 22, 2017, approximately \$2.2 billion has been obligated for the SMW from both funds, a roughly \$71 million decrease since last quarter. However, NSOCC-A reported that it is requesting \$305.5 million for the SMW for FY 2018, over \$100 million more than the funds obligated for FY 2017. The vast majority of the funding obligated since FY 2010 has been designated for equipment and aircraft (46%) and sustainment items (45.6%) with the rest going toward training and infrastructure costs.²⁸⁰ According to NSOCC-A, of the \$200.7 million obligated for the SMW from the ASSF and DOD-CN funds for FY 2017, about \$184.5 million has already been spent.²⁸¹

This quarter, NSOCC-A reported that the SMW successfully conducted an increased number of counternarcotics and counterterror missions for the

ASSF and the ANA as part of the summer 2017 campaign. Some of the missions in support of the ANA drew enemy fire that damaged some aircraft.²⁸²

NSOCC-A said SMW leadership has placed more focus on recruitment efforts in recent months ahead of the ASSF expansion and increased SMW requirements. Leadership has also improved efforts to train lower enlisted and junior ranking officers, partly by ensuring all available soldiers attend literacy training, and by mandating that junior officers gain English-language proficiency through English-as-a-second-language courses.²⁸³

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

AFGHAN NATIONAL POLICE

As of September 30, 2017, the United States had obligated \$20.6 billion and disbursed \$20.1 billion of ASFF funds to build, train, equip, and sustain the ANP.²⁸⁴

ANP Strength Declines

This quarter, USFOR-A classified ANP authorized strength and the exact figures for assigned strength. Assigned strength figures reported here are therefor approximations. The questions SIGAR asked about authorized and assigned ANP strength can be found in Appendix E of this report. SIGAR will report on ANP authorized and assigned strength in its classified annex.

As of August 28, 2017, USFOR-A reported that the assigned 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 approximately 150,000.²⁸⁵ ANP strength decreased by about 4,800 personnel since last quarter, the majority of whom were trainees, according to USFOR-A.²⁸⁶ See Table 3.6 on page 122 for historical ANP strength data.

Patrolmen continue to represent the largest component of the ANP this quarter with roughly 71,000 personnel; noncommissioned officers numbered about 50,000, while officer ranks stood at roughly 30,000. Compared to last quarter, the largest increase in personnel occurred within the patrolmen ranks (nearly 100 new personnel) and largest decrease was within the noncommissioned officer ranks (about 750 fewer officers).²⁸⁷

ANP Attrition

This quarter USFOR-A classified ANP attrition data. The questions SIGAR asked about ANP attrition can be found in Appendix E of this report. SIGAR will report on ANP attrition in the classified annex to this report.

ANP Sustainment

As of September 30, 2017, the United States had obligated \$9.1 billion and disbursed \$8.7 billion of ASFF for ANP sustainment.²⁸⁸

According to CSTC-A, as of August 21, 2017, the United States has spent \$513.2 million for ANP sustainment, including payroll and non-payroll expenditures, for Afghan fiscal year 1396 (2017). Of that amount, \$39.7 million was expended on ANP payroll as of August 28.²⁸⁹ The payroll funds included \$20.8 million, contributed by the United States on-budget (through ASFF) to LOTFA to pay for ANP salaries.²⁹⁰

In addition to LOTFA, CSTC-A has provided ASFF funds for ALP salaries (\$17.6 million) and incentives (\$7 million) since the beginning of Afghan fiscal year 1396 in December 2016. The total estimated ALP salary and incentive costs are \$73.8 million per year for the next two years, including the U.S. contribution to LOTFA.²⁹¹

CSTC-A reported that aside from payroll expenses, the majority of ASFF ANP sustainment funding for Afghan FY 1396, the greatest expenditures for the funds have been for fuel (\$9.8 million) and electricity (\$5.1 million).²⁹²

ANP Equipment and Transportation

As of September 30, 2017, the United States had obligated and disbursed \$4.7 billion of ASFF for ANP equipment and transportation, as shown in Figure 3.30.²⁹³

FIGURE 3.30

ANP EQUIPMENT AND TRANSPORTATION FUNDS OBLIGATED (\$ BILLIONS)



Source: DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2017 (draft), 10/18/2017; DFAS, AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2016, 10/19/2016; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2015," 10/19/2015; DFAS, "AR(M) 1002 Appropriation Status by FY Program and Subaccounts September 2014," 10/16/2014; DOD, response to SIGAR data call, 10/9/2013; DOD, response to SIGAR data call, 10/18/2012; DOD, response to SIGAR data call, 10/17/2011.



U.S. Marine advisors train ANP personnel to reassemble M16A2 assault rifles in Helmand Province. (U.S. Marine Corps photo by Sgt. Justin Updegraff)

CSTC-A reported the major equipment provided to the ANP from April 1 through June 30, 2017. During that period, the ANP received 3,000 M16A4 rifles, the U.S. Marines' standard-issue assault rifle, and 93 expanded-capacity armament and personnel-carrier Humvees.²⁹⁴

Equipment Operational Readiness

This quarter USFOR-A classified data on the ANP's equipment readiness. The questions SIGAR asked about ANP equipment readiness can be found in Appendix E of this report. SIGAR will report on ANP equipment readiness in its classified annex.

ANP Infrastructure

As of September 30, 2017, the United States had obligated \$3.2 billion and disbursed \$3.1 billion of ASFF for ANP infrastructure.²⁹⁵

According to CSTC-A, as of August 28, 2017, the United States had completed a total of 745 infrastructure projects in Afghanistan valued at \$3.6 billion. This quarter, CSTC-A reported 20 ongoing projects valued at roughly \$64.3 million.²⁹⁶ Thirteen infrastructure projects in the planning phase will cost nearly \$112 million; the majority are WPP and ASSF projects.²⁹⁷

The largest ongoing ANP infrastructure project this quarter continues to be the installation of an IT server at the MOI Headquarters Network Operations Center in Kabul, which is estimated to be completed in January 2018. The cost of this project is \$43.5 million, a nearly \$10 million cost

increase since last quarter. This is followed by two WPP projects: compounds for women at the Kabul Police Academy (\$6.7 million) and the Police Central Training Command in Kabul (\$6.5 million), both of which are slated for completion in June 2019.²⁹⁸

CSTC-A reported that several other WPP projects are under way. The largest ongoing project is a women's compound including a gym, dining facility and conference center at Marshal Fahim National Defense University in Kabul (\$4.4 million). The largest project being considered is a women's barracks at the Pohantoon-e-Hawayee AAF training academy in Kabul (\$2 million).²⁹⁹

Three ANP infrastructure contracts with a total value of \$2.9 million were awarded this quarter. These include: the construction of ANP checkpoints at Bagram Airfield (\$1 million), culvert and storm-water management system repairs at the Joint Readiness Afghan National Defense Center in Kandahar (\$1 million), and renovations to GCPSU training facilities in Logar Province (\$562,289).³⁰⁰ CSTC-A projects that the U.S. government would need to spend approximately \$48.1 million toward future ANP infrastructure costs to cover ANP facility and generator sustainment requirements. This figure includes the \$42.3 million in ASFF provided to the Afghan government to spend on ANP sustainment costs. This projection may change with development of U.S. contracts for facility maintenance and the expansion of the Afghan power grid with the transition of ANP bases to commercial power. There is also a projected requirement for \$8.1 million in funding to support the expansion the ASSF.³⁰¹

CSTC-A provided an update on its infrastructure-related training and advisory role with MOI's Facilities Department (FD) engineers. This quarter, CSTC-A advisors held at least two formal meetings per week to advise on solutions for all aspects of facility engineering and program management including regional- and national-level budget planning, contract reviews, project planning and development, and facility-repair task orders. CSTC-A augmented these efforts with a U.S. Army Corps of Engineers generator-overhaul contract to rapidly provide maintenance to critical, large ANP generators, repairing one MOI generator this quarter.³⁰²

CSTC-A has contracted Afghan subject-matter experts (SMEs) with technical skills matched to requirements, to assist MOI FD in meeting daily operation requirements, train MOI facility engineers, and complete other technical tasks. As of August 28, 2017, there are currently 18 SME engineers working at MOI FD, with one working at CSTC-A as a WPP manager. CSTC-A reported that 60 of 72 authorized SMEs have been hired for use throughout Afghanistan (the 19 aforementioned included). Of the 60, 42 are located within the provinces, six are at the pillars (ABP, ANCOP, etc.) and the remaining 12 are at MOI headquarters. CSTC-A CJ-ENG expects all positions to be filled by December 31, 2017.³⁰³

ANP Training and Operations

As of September 30, 2017, the United States had obligated \$3.7 billion and disbursed \$3.5 billion of ASFF for ANP and MOI training and operations.³⁰⁴

According to CSTC-A, ASFF training funds for the ANP are used for professional military education, travel, living allowances, and medical expenses for MOI, ANP, and GCPSU personnel to attend law-enforcement and military training in the United States. Some training courses include Command and General Staff College, Sergeant Major Academy, and the Captain's Career Course. The goal of the U.S.-based military training is to increase technical skills and to enhance knowledge and leadership at all levels. CSTC-A says that the program allows the U.S. military to have a lasting influence on ANP development.³⁰⁵

Additionally, CSTC-A uses ASFF funding to recruit and hire Afghan logistics specialists who train, advise, and assist the ANP in a wide array of ANDSF logistic skills, including English translation, computer skills, equipment accountability and tracking, inventory management and warehousing, modern business skills, and other logistic functions. ASFF is also used to contract advisors and mentors who advise, train, and mentor the ANP to increase their overall capabilities in essential functions such as finance, internal controls, governance, force generation, training and sustainment of the force, logistics, sustainment, planning, executing security operations, and intelligence.³⁰⁶

As of August 31, 2017, roughly 5,000 ANP personnel were untrained, about 4% of the force. While this is more than a one-point increase in untrained ANP personnel since last quarter, the ANP is still maintaining better training readiness than the 5% untrained-personnel threshold mandated by the MOI's *Bilateral Financial Commitment Letter*.³⁰⁷

The MOI's largest ongoing training ASFF-funded contracts include an \$18.3 million contract to train ANP personnel, an \$11 million contract for training MOI advisors and mentors, and a \$4.5 million contract to provide counter-improvised-explosive-device and explosive-ordnance-disposal training. An additional \$1.1 million of ASFF funds is allocated for ANP professional military education, which includes training ANP personnel in the United States and abroad.³⁰⁸

WOMEN COMPRISE 1.4% OF ANDSF PERSONNEL

This quarter, USFOR-A classified the exact figures for assigned strength of female personnel in the ANDSF. Assigned-strength figures reported here will therefore be approximations. The questions SIGAR asked about women in the ANDSF can be found in Appendix E of this report. SIGAR will report on the exact assigned strength of female personnel in its classified annex.

According to the RS Gender Affairs Office, as of August 28, 2017, there were roughly 4,500 women serving in the ANDSF, an increase of nearly



ANP policewomen participate in the opening ceremony of a newly completed Women Participation Program Compound in Kabul. (USACE photo)

300 personnel since last quarter. The ANP continued to have the highest percentage of female personnel, at roughly 2% of its entire force strength. The percentage of female personnel in the ANDSF rose slightly from last quarter's 1.3% to 1.4% this quarter.³⁰⁹

Of the total female personnel in the ANDSF, around 3,200 were in the ANP, 1,200 were in the ANA, 120 were in the ASSF, and about 100 were in the AAF. Of the women in the ANP, ANA, ASSF, and AAF, there were roughly 1,500 officers, 1,700 noncommissioned officers, 1,300 enlisted personnel, and 120 cadets. The largest increase in female personnel occurred within the ANP, which added about 260 personnel this quarter. The ASSF saw the greatest decrease in female personnel, losing around 20 since last quarter.³¹⁰

RS noted this quarter that female attrition in the ANDSF is an ongoing concern. According to RS, overall perceptions of a security deterioration and concern over the safety of women serving in the security sector are the main factors driving attrition. Efforts to reduce female attrition include construction of secure women's facilities across the ANDSF, the payment of incentives for female servicemembers, and continued RS advising on the implementation of the newly developed sexual harassment and assault policy.³¹¹

ANDSF MEDICAL AND HEALTH CARE

This quarter, USFOR-A classified the exact figures for assigned strength of medical personnel in the ANDSF. Assigned-strength figures reported here will therefore be approximations. The questions SIGAR asked about

ANDSF medical personnel can be found in Appendix E of this report. SIGAR will report on the exact assigned strength of medical personnel in its classified annex.

As of August 21, 2017, there were around 1,000 physicians (a roughly 60-person increase from last quarter) and about 3,000 other staff (a roughly 30-person increase) within the ANDSF healthcare system. Many positions remain vacant, including about 250 physician positions and nearly 450 other medical positions, according to CSTC-A.³¹²

The U.S. government did not field any new medical equipment for ANDSF this quarter. The first deliveries of equipment are expected in late October 2017. CTSC-A projects that it will spend \$23.5 million for medical equipment procurements in 2017.³¹³

This quarter, the MOI Office of the Surgeon General (OTSG), the ANA Medical Command (MEDCOM) Commander and the ANA Deputy Minister of Defense for Health Affairs signed the Combat Casualty and Disease Non-Battle Injury Committee Charter. According to RS, this charter sets the course for ANDSF medical leaders to better collaborate and make data-backed decisions to enhance ANDSF medical support for force preservation.³¹⁴

For the first time in over two years, the Surgeon General assessed that MOI has sufficient medical supplies to fully support both routine and contingency operations.³¹⁵ Additionally, according to CSTC-A, the ANA has capable surgeons and medical doctors, but they are concentrated in Kabul, and it is difficult to retain physicians in remote or insecure regions. MEDCOM has had to send physicians from Kabul on temporary-duty assignments to other regions. Presently, seven doctors and medical staff are sent from Kabul to Helmand and six to Kunduz on a monthly basis.³¹⁶ ANA regional hospitals have reportedly demonstrated the ability to effectively triage and treat mass casualties, and have adequate standards of surgical care, however post-operative care is less than optimal. Inadequate hygiene standards remain a concern throughout the ANA medical community.³¹⁷

CSTC-A reports that MEDCOM's biggest challenge continues to be managing medical commodities.³¹⁸ MEDCOM is to implement a new medical-pharmaceutical reporting process to improve the medical-supply logistics process and retention of related information.³¹⁹ Revised logistics rules will transition the logistics process from a "push" system to a demand-based "pull" system to prevent waste and mismanagement.³²⁰

TAAC-Air focused on improving its medical-evacuation (MEDEVAC) capability in June 2017 following reports of casualties in the field that could not be evacuated by ground transport due to insurgent activity, resulting in preventable deaths.³²¹ The ANDSF MEDEVAC system transported an increased number of casualties compared to the previous quarter, however, transport is still limited to stable patients only, and there are no AAF



U.S. Army Engineers inspect a recently constructed American MEDEVAC facility at Bagram Airfield. (DOD photo by Jet Fabara)

aircraft dedicated specifically for MEDEVAC.³²² There are currently 114 MEDEVAC-trained personnel, with an additional 16 expected to begin training in November once the increase in strength is approved. All of the current flight medics are capable of carrying out routine MEDEVACs on C-130, C-208, and Mi-17 aircraft without daily advising, although TAAC-Air advisors still occasionally fly with them to observe. USFOR-A clarified in vetting that the ANDSF are responsible for their own MEDEVAC on Afghan missions and that U.S. MEDEVAC support is only provided to urgent patients on joint U.S.-Afghan missions.³²³

As scheduled, the first two units of the AAF's new UH-60 Black Hawk helicopters were delivered to Kandahar Airfield on September 18, 2017.³²⁴ CSTC-A reported that nonmedical AAF crews will undergo a Combat Lifesaver Course and that the UH-60s will be equipped with combat lifesaver kits to enable them to perform casualty evacuation (CASEVAC) missions even if medical personnel are not available to perform en route MEDEVAC care. There is currently no plan to dedicate any of the UH-60s solely to a MEDEVAC role. Instead, the intention is to have a multi-role fleet with the ability to switch quickly between non-medical and MEDEVAC/CASEVAC roles.³²⁵

REMOVING UNEXPLODED ORDNANCE

The Department of State's (State) Bureau of Political-Military Affairs' Office of Weapons Removal and Abatement (PM/WRA) manages the

SECURITY

TABLE 3.7

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**	24,787,163	3,648	26,580	78,555	1,158,886	583,600,000
TOTAL	229,641,469	67,316	1,908,856	5,935,849	83,620,528	583,600,000

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.

**Results through 6/30/2017.

Source: PM/WRA, response to SIGAR data call, 9/21/2017.

conventional-weapons destruction program in Afghanistan. Since FY 2002, State has provided \$350 million in weapons-destruction and humanitarian mine-action assistance to Afghanistan. PM/WRA has funding which must be obligated within two fiscal years before it expires (and is no longer available). PM/WRA has obligated approximately \$20 million of FY 2016 funds and \$1.6 million in FY 2017 funds, representing no change from last quarter.³²⁶

State directly funds six Afghan nongovernmental organizations (NGOs), three international NGOs, and one U.S. government contractor. These funds enable the clearing of areas contaminated by explosive remnants of war (ERW) and support clearing conventional weapons used by insurgents to construct roadside bombs and other improvised-explosive devices. As of June 30, 2017, State-funded implementing partners have cleared more than 229.6 square kilometers of land (approximately 88.7 square miles) and removed or destroyed approximately 7.9 million landmines and other ERW such as unexploded ordnance (UXO), abandoned ordnance (AO), stock-piled munitions, and homemade explosives since FY 2010 (see Table 3.7).³²⁷

The estimated total area of contaminated land continues to fluctuate as clearance activities reduce hazardous areas, while ongoing surveillance find new contaminated land. At the beginning of this quarter, there were 592 square kilometers (229 square miles) of contaminated minefields and battlefields. During the quarter, eight square kilometers (three square miles) were cleared, bringing the known contaminated area to 584 square kilometers (225.3 square miles) by the end of June 30, 2017. PM/WRA defines a

minefield as the area contaminated by landmines, whereas a contaminated area can include both landmines and other ERW.³²⁸

USAID, in partnership with the United Nations Mine Action Service (UNMAS), provides services for victims and survivors of mines and ERW, as well as for civilians affected by conflict and persons with disabilities, through the \$19.6 million Afghan Civilian Assistance Program (ACAP) III. ACAP III aims to mitigate the short- and long-term impact of conflict on civilians by enhancing the government's capacity to better deliver services to the families of martyrs and disabled persons in Afghanistan. Program activities are expected to continue through February 2018.³²⁹

ACAP III quickly responded to the Kabul vehicle-borne suicide attack on May 31. Of the 150 fatalities and 400 injuries reported, ACAP distributed assistance to 486 families.³³⁰

According to the UN, nearly 16,290 security incidents took place between January and the end of August 2017, and over 5,500 between June 15 and August 31, 2017. Asymmetric attacks, such as detonations of improvised explosive devices, suicide attacks, assassinations, and abductions, remained the main cause of civilian casualties.³³¹ The United Nations urged all parties to begin clearing and marking all ERW in areas under their control. To mitigate civilian casualties from ERW, the Afghan government ratified Protocol V of the international Convention on Certain Conventional Weapons in February 2016.³³² According to UNMAS, 20 Afghan communities were declared mine-free between June 1 and July 31, 2017. The average monthly mine-incident rate of 182 victims from January to June 2017 represents an increase compared to the monthly average of 164 recorded over the same period in 2016.³³³

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GOVERNANCE

KEY ISSUES AND EVENTS

On August 21, President Donald Trump announced the Administration's strategy for Afghanistan and South Asia. President Trump said a "fundamental pillar of our new strategy is the integration of all instruments of American power—diplomatic, economic, and military—toward a successful outcome" in Afghanistan. He acknowledged that "nobody knows if or when" a political settlement with the Taliban might occur. Additionally, President Trump described a new approach to Pakistan, saying "we can no longer be silent about Pakistan's safe havens for terrorist organizations, the Taliban, and other groups that pose a threat to the region and beyond." President Trump also announced that the U.S. will further develop its strategic partnership with India. While President Trump said that "conditions on the ground—not arbitrary timetables—will guide our strategy from now on," he also called on the Afghan government to produce "real reforms, real progress, and real results," saying "our commitment is not unlimited, and our support is not a blank check."³³⁴

During testimony on October 3, the Chairman of the Joint Chiefs of Staff, General Joseph F. Dunford Jr., indicated that the DOD has intelligence showing that the Taliban faces a greater challenge in motivating their fighters following the U.S. move from a time-based to conditions-based strategy for Afghanistan. General Dunford acknowledged, however, that he does not know whether it is sufficient to prompt Taliban peace negotiations.³³⁵

Several emerging opposition movements confronted the Afghan government this quarter. According to the United Nations (UN) Secretary-General, a variety of Afghan political figures were increasingly vocal in their opposition to the national unity government and have been more active in mobilizing supporters following the announcement of 2018 parliamentary elections. These coalitions coalesced around criticism of the government and the deteriorating security and economic situation, as well as perceptions of a growing concentration of power within the presidential palace. The UN Secretary-General noted a marked rift in the relationship between President Ashraf Ghani and key members of the Jamiat-e Islami party. Jamiat-e Islami—one of the oldest and largest political parties in Afghanistan—backed one of its key members, current Chief Executive Abdullah Abdullah, when he was the runner-up in the 2014 presidential election.³³⁶

In late June, First Vice President Abdul Rashid Dostum, Balkh Province Governor Atta Noor, and Second Deputy Chief Executive Mohammad Mohaqiq announced the creation of a new political coalition (the “Council for the Salvation of Afghanistan”) and accused President Ghani of monopolizing power. According to the UN Secretary-General, this coalition is notable for the cooperation between the Jamiat and Junbish political parties that have had a long and occasionally violent rivalry. The coalition has mobilized its northern support base of Tajik, Uzbek, and Hazara communities while attempting to forge links with other opposition figures. In August, Balkh Governor Noor—who is also the chief executive of the Jamiat-e Islami party—led a rally in Mazar-e Sharif, which was attended by some 3,000 people. Other Jamiat-e Islami figures, such as Chief Executive Abdullah and Foreign Minister Salahuddin Rabbani, did not attend the rally. The UN Secretary-General observed the creation of other opposition coalitions this quarter, including one featuring a number of cabinet ministers from the former Karzai administration.³³⁷

On August 14, there was a shoot-out in Mazar-e Sharif between forces loyal to Balkh Governor Noor and armed Hezb-e Islami affiliates, who supported Asif Momand (a member of the Balkh provincial council reportedly suspended for excessive absence). Following the shoot-out, Momand was transferred to the custody of the National Directorate of Security, where he remained until his release on August 17. A few days before the incident, Momand had held a press conference in which he accused Governor Noor of embezzling tens of millions of dollars. A spokesman for the Attorney General’s Office (AGO) announced that President Ghani had ordered an investigation of Momand’s arrest. Relations also remained tense between President Ghani and the Junbish-e Milli party, whose leader, First Vice President Dostum, remains under indictment for the alleged arbitrary detention and sexual assault of a political rival in November 2016.³³⁸

In mid-September, Chief Executive Abdullah traveled to Mazar-e Sharif for a martyr’s celebration and met with Governor Noor for the first time in months since Noor claimed to have cut all ties with his fellow Jamiat-e Islami party member. Governor Noor met Chief Executive Abdullah at the airport in Balkh Province before the two held closed-door talks. Afterwards, Chief Executive Abdullah called the recently created Council for the Salvation of Afghanistan legal and suggested that the government and opposition hold talks. Governor Noor, meanwhile, claimed that a monopolization of political power is paving the way for “tyranny” in Afghanistan.³³⁹ President Ghani has rejected accusations that he is monopolizing power.³⁴⁰

Despite high-level political challenges, the UN Secretary-General reports President Ghani appears to have consolidated some of his authority within the National Unity Government. President Ghani and Chief Executive Abdullah—a Jamiat-e Islami member and President Ghani’s partner in the National Unity Government—reached a consensus on high-level

appointments, which had previously been a source of contention between the two leaders.³⁴¹

On October 5, the Afghan government, international community, and representatives from Afghanistan's civil society and private sector met to discuss progress and achievements in Afghanistan's reform agenda, and to reaffirm their partnership and commitment to Afghanistan's long-term development. The Senior Officials Meeting was held one year after the October 2016 Brussels Conference on Afghanistan.³⁴²

U.S. RECONSTRUCTION FUNDING FOR GOVERNANCE

As of September 30, 2017, the United States had provided nearly \$33 billion to support governance and economic development in Afghanistan. Most of this funding, nearly \$19.9 billion, was appropriated to the Economic Support Fund (ESF) administered by the State Department (State) and the U.S. Agency for International Development (USAID).

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.³⁴³ The UN Secretary-General said this quarter that holding credible parliamentary and presidential elections as scheduled—in 2018 and 2019 respectively—is important for Afghan political cohesion.³⁴⁴ As the deputy special representative of the UN Secretary-General said this quarter:

If elections do not take place [as scheduled], you go back to square one and you're asking, how do you actually do the division of political power? [...] It's to drive that longer term agenda that the international community is so absolutely focused on the electoral agenda.³⁴⁵

This quarter, State reported that the Independent Elections Commission (IEC) has committed to registering voters using a polling-center-based registration process. This process seeks to reduce ballot stuffing by limiting the number of blank ballots delivered to each polling station. According to State, they are encouraging the IEC use a paper-based voter registration process, rather than a full biometric voter-registration (BVR) system.³⁴⁶

Also this quarter, the IEC conducted a polling-center assessment that involved procuring electronic tablets, developing an application to describe



Participants raise their hands during the October 5 Senior Officials Meeting. (UNAMA photo by Fardin Waezi)

U.S. AND AFGHAN GOVERNMENTS LAUNCH THE KABUL COMPACT

This quarter, the U.S. and Afghan governments announced the launch of the “Kabul Compact,” an Afghan-led initiative designed to demonstrate the government’s commitment to reforms. The Compact specifically delineates Afghanistan’s existing commitments under the Strategic Partnership Agreement (SPA), said State. According to State, the development of the compact and its ultimate implementation by the Afghan government were important considerations in the development of the U.S. government’s new South Asia strategy.³⁴⁷

The Kabul Compact process consists of four U.S.- and Afghan-chaired working groups covering governance, economic development, peace and reconciliation, and security issues. Each working group has a matrix of benchmarks to chart reform progress for the next three years.³⁴⁸ The four Kabul Compact matrices contain 82 governance benchmarks, 64 economic benchmarks, 17 peace and reconciliation benchmarks, and 257 security-related milestones across 37 action areas.³⁴⁹ According to State, these benchmarks are not ranked by importance, but many benchmarks have different time-frames. A number of benchmarks are sequential.³⁵⁰

The Kabul Compact was officially launched in August. However, State reports that President Ghani and Chief Executive Abdullah consider these matrices to be “living documents” subject to amendment by the working groups. These bilateral working groups will meet on a regular basis (every few weeks, according to State) to review progress and make adjustments as necessary. The Executive Committee—including Embassy Kabul and USFOR-A—will meet on a quarterly basis to receive reports from the working groups.³⁵¹

According to State, the U.S. government will better be able to hold the Afghans accountable and better calibrate U.S. diplomatic and assistance efforts by tracking Afghan government progress in implementing the Kabul Compact reforms. Additionally, State reports that



President Ashraf Ghani signing the decree launching the Kabul Compact in August. (Khaama Press photo)

a number of benchmarks are tied to global standards of good governance put forward by the World Bank and other leading institutions.³⁵²

Unlike the August 2015 New Development Partnership (NDP), the Kabul Compact is not a signed or legally binding bilateral agreement. According to State, the Kabul Compact reflects a series of commitments to which the Afghans are holding themselves. Additionally, no foreign assistance monies are directly tied to the Kabul Compact, unlike the NDP which tied \$20 million in USAID assistance to each of the 40 development results.³⁵³

The Kabul Compact shares some commonalities with previous multilateral agreements between the Afghan government and international community such as the July 2012 Tokyo Mutual Accountability Framework (TMAF), the September 2015 Self-Reliance through Mutual Accountability Framework (SMAF), and the October 2016 “SMART” (Specific, Measurable,

Achievable, Realistic, and Time-bound) SMAF agreements. According to State, while the Kabul Compact benchmarks are intended to align with other commitments—such as SMAF and NDP—the Kabul Compact comprises far more benchmarks than those other frameworks. The TMAF, SMAF, and SMART SMAF agreements articulated a number of Afghan government reform targets, but did not define financial consequences for failing to meet these goals. For example, when asked about the practical consequences of Afghan government noncompliance with the reform targets outlined in the TMAF and its successor the SMAF, USAID responded that Afghan government noncompliance could erode donor confidence and potentially impact donor contributions. No specific donor funds were identified, however.³⁵⁴

Some of the Kabul Compact benchmarks are similar to previous reform targets. According to State, this is, in many cases, by design as the Afghan government subsumed previously agreed-upon reform benchmarks into the Kabul Compact's four focus areas.³⁵⁵ For example, one of the Kabul Compact governance benchmarks requires the Afghan government to “institute reforms to restore the credibility of the electoral system, reduce opportunities for fraud and manipulation, and provide transparency, openness and inclusiveness.”³⁵⁶ This appears similar to the 2012 TMAF requirement to

“ensure that a robust electoral architecture is developed in a secure, participatory and transparent manner to enable successful and timely elections,” the 2015 SMAF requirement that the Afghan government implement electoral reforms “to ensure that future elections in Afghanistan are fully inclusive, transparent and credible,” and the 2016 SMART SMAF commitment to “ensure continued emphasis on democratic governance, leading to free, fair, transparent and participative elections.”³⁵⁷

The need for elections reform was highlighted this quarter when the UN Secretary-General's Special Representative for Afghanistan, Tadamichi Yamamoto, reported that “many Afghan politicians and citizens across the country told me repeatedly that the country could not endure another election like that of 2014.”³⁵⁸

Similarly, the Kabul Compact calls for the Afghan government to pass and implement the subnational governance policy and provincial budgeting policy by May 2018. Similar goals existed in the TMAF (enact a legal framework to clarify roles and responsibilities of government agencies at the national, provincial, and district levels in line with the 2010 subnational governance policy) and the SMAF (cabinet approval of a subnational governance policy by March 2016 and cabinet approval of a provincial budgeting policy by the first half of 2016).³⁵⁹

and inventory the polling centers, and hiring and training temporary IEC workers. State reports that the IEC was able to access and assess 93% of the planned polling center locations, with the remaining centers deemed too dangerous to assess.³⁶⁰ The IEC reported they are in discussions with local elders to convince armed opposition groups to allow IEC staff access to those centers.³⁶¹

The IEC still appears to have plans to use BVR in future elections, but has not made much progress. The IEC requested the National Procurement Authority (NPA) issue a tender for BVR kits in August. The NPA issued a limited tender to 13 companies, but received only one bid. After a preliminary assessment in September, the IEC voted four to three to subject the bid to a technical review.³⁶² In October, the IEC announced that the bidder was not capable of handling the contract. As a result, the contract will now be released as a public tender.³⁶³

On September 20, the IEC hosted a National Elections Forum, attended by IEC and Elections Complaint Commission (ECC) leadership, political party leaders, ethnic and tribal council representatives, civil society organizations, and members of the diplomatic community. Event participants raised concerns on election preparations, asked questions of the IEC, and made suggestions for better coordination.³⁶⁴

Also in September, the MOD ordered all of its personnel “to cut off all [of their] political linkages.” This order was in response to a presidential decree and referenced Article 153 of the Afghanistan Constitution which prohibits judges, attorneys, officers of the armed forces, police, and national-security officials from becoming members of political parties during their term of office.³⁶⁵

In October, a group representing several Afghan political parties and civil society organizations called for the Afghan government to remove the current heads and commissioners of the electoral commissions, claiming that these members were too aligned with the Afghan government. The protesting group said they may boycott the next election if their demands are not met.³⁶⁶

The U.S. government is supporting election reforms through a grant of up to \$30 million to a legacy election-support project implemented by the United Nations Development Program (UNDP). This project was originally meant to support the planned 2015 parliamentary elections.³⁶⁷ However, the parliamentary elections were delayed until 2018.³⁶⁸

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.³⁶⁹ However, according to the UN Secretary-General, there was no discernible progress on peace talks between the Afghan

government and the Taliban this quarter. State also reports that there have been no new developments in the Taliban's position on reconciliation.³⁷⁰

In late August, Associated Press reporter Kathy Gannon reported reviewing documents offered by a "senior Afghan security official" that allegedly covered conversations between Afghan government officials and Taliban leadership. According to the Associated Press, these documents described Taliban demands for peace including gender segregation in schools (while accepting female education at all levels), prohibitions on females serving in the supreme court or as president (while accepting female employment in all fields), the creation of special courts to review illegal land seizures since 2001, and the holding of elections after an interim government is established. The Taliban reportedly said that all sides should keep the areas they currently control until after the elections. Following the publication of the article, the Afghan national security adviser and the National Directorate of Security denied having contacts with the Taliban, who denied talking to Afghan government representatives.³⁷¹

In an August interview with the *Washington Post*, General John W. Nicholson Jr., U.S. commander in Afghanistan, described reconciliation being, in large part, a function of expanding Afghan government control to at least 80% of the country. He said this would facilitate reconciliation as insurgents become increasingly marginalized and "either die or reconcile."³⁷² According to the bilateral U.S. and Afghanistan compact, the Afghan government should engage in outreach and peace talks with Afghan armed opposition groups by January 2018.³⁷³ In an October interview with NPR, General Nicholson acknowledged that there are on-going discussions regarding the future of the Taliban's office in Qatar, which opened in 2013 to facilitate peace talks. According to General Nicholson, the Taliban office is not being used for the peace process. Instead, "it's being used for fundraising for the Taliban inside the Gulf, and again, they've not been advancing the peace process."³⁷⁴

In an October statement posted on their website, the Taliban said that "all channels of finding a peaceful solution for Afghan dilemma will be blocked" if the Taliban's office in Qatar is closed.³⁷⁵

In October, the deputy head of the High Peace Council (HPC) reported that the Afghan government is trying to determine whether the Taliban are willing to operate as a political party. If the Taliban are amenable to becoming a political party, the HPC will facilitate that.³⁷⁶

In September 2016, the Afghan government finalized a peace agreement with Gulbuddin Hekmatyar's Hezb-e Islami Gulbuddin (HIG) insurgent group.³⁷⁷ When the peace deal with HIG was announced, some expressed hope that reconciling with Hekmatyar could facilitate a broader peace. President Ghani, for example, said on signing the agreement, "This day starts the subsiding of war in Afghanistan and the beginning of rebuilding it."³⁷⁸

According to State, however, the peace agreement with HIG thus far has had no definitive impact on the reconciliation calculations of other resistance groups, including the Taliban. Nevertheless, State considers the peace agreement with HIG as an important precedent that will influence other armed groups.³⁷⁹

The UN Secretary-General has previously reported that certain Afghan political actors are concerned by the prospect of Hezb-e Islami becoming Afghanistan's largest political party should the two factions of Hezb-e Islami unite. In July, Hekmatyar announced the unification of these two factions. He also stated that the new party would continue to support the political system.³⁸⁰

In late August, Afghan media quoted Balkh Governor Noor lashing out at the presidential palace (warning the central government not to conspire against him) and at Hekmatyar, labeling him a “puppet.” Noor also predicted that his party, Jamiat-e Islami, will win the next elections.³⁸¹ Noor's comments were reportedly in response to Hekmatyar's critique of the Coalition for the Salvation of Afghanistan political coalition.³⁸²

In September, the U.S. Special Chargé d'Affaires Ambassador Hugo Llorens met with Hekmatyar. Ambassador Llorens reiterated the U.S. government's support for the success and continuing implementation of the peace agreement between the Afghan government and HIG. Additionally, Ambassador Llorens and Hekmatyar agreed that credible, inclusive, and transparent elections are crucial for peace in Afghanistan.³⁸³

Regional Challenges to Peace

This quarter, the UN Secretary-General said that the international consensus on Afghanistan is fraying. He noted with particular concern that despite numerous public pronouncements on the need for regional cooperation, regional actors are engaged in Afghanistan on behalf of their particular interests rather than the common interest in stability.³⁸⁴

During meetings at the UN this quarter, the Afghan and Pakistani governments offered their positions on the nature and primary causes of the conflict in Afghanistan. In his only direct reference to Pakistan during his comments to the UN General Assembly in September, President Ghani called on Pakistan to engage with Afghanistan on a comprehensive state-to-state dialogue on peace, security, and regional cooperation. President Ghani also said it was wrong to think of the war in Afghanistan as a civil war. Instead, he said “this war is not within our soil, it is over our soil.”³⁸⁵ Pakistani Prime Minister Shahid Khaqan Abbasi used his appearance at the UN General Assembly to say that Pakistan is not going to fight the Afghan war on Pakistan's soil, saying Pakistan refuses to be “anyone's scapegoat.”³⁸⁶ A few days later, during a UN Security Council meeting, Afghan Foreign Minister Rabbani made a thinly veiled reference to Pakistan, saying the war in Afghanistan is “the product of a long-standing policy by a neighboring

State to keep Afghanistan unstable.” The Pakistani representative rejected Rabbani’s “insinuations” and claimed the “fundamental sources of insecurity in Afghanistan lie inside the country, not outside.”³⁸⁷

In an unusual interview with the *Financial Times*, Pakistani Prime Minister Abbasi reportedly acknowledged that those involved in a May attack in Kabul that killed 90 people possibly came from Pakistan, saying that Pakistan does not have full control of its border areas. After the interview was published, a Pakistani government press release rejected the media report as “simply baseless.”³⁸⁸ A few days later, Prime Minister Abbasi told the *New York Times* that Pakistan had regained control of the areas bordering Afghanistan, stating “there are no sanctuaries anymore [...] none at all.”³⁸⁹

In July, Afghanistan and Pakistan agreed to conduct coordinated, complementary security operations along their border. Later that month, however, an Afghan MOD spokesman criticized Pakistan for not providing information on their operations. The Pakistan government rejected the critique, saying information on a recent military operation had been shared with Afghan and Coalition forces.³⁹⁰

On October 1, President Ghani met with Pakistan’s Chief of Army Staff, General Qamar Javed Bajwa, in Kabul. According to an Afghan government statement, Ghani viewed the meeting as representing a new season in the Afghanistan-Pakistan relations. The two discussed regional security, anti-terror efforts, business and transit relationships, and mid- to long-term bilateral relationships. Pakistan reportedly agreed to cooperate with Afghanistan in counterterrorism efforts, recognizing the joint threat posed by terrorism, and added that they support the Afghan-owned and Afghan-led peace process. Both sides said they should forget the past and work toward a better future.³⁹¹ According to a Pakistani statement, General Bajwa also offered to provide training and capacity-building support to the Afghan security forces.³⁹² A spokesman for Chief Executive Abdullah announced that Afghanistan and Pakistan will restart bilateral talks.³⁹³

Pakistani Foreign Minister Khawaja Asif claimed that while Pakistan has some influence over the Taliban, this influence has decreased following the 2016 U.S. drone strike that killed Taliban leader Mullah Akhtar Mansour. He said that the Pakistan government faces a trust deficit with both the U.S. and Taliban.³⁹⁴

On October 12, President Trump said that Pakistan’s cooperation in securing the release of a U.S.-Canadian couple and their children who had been held by the Taliban-linked Haqqani network signaled a new respect for the United States by Islamabad. The Pakistani government “worked very hard on this and I believe they are starting to respect the United States again,” President Trump said.³⁹⁵

The Afghan Ministry of Foreign Affairs (MOFA) announced plans for a quadrilateral meeting involving representatives from Afghanistan, Pakistan,

China, and the United States. They met on October 16 in Oman. The participants planned to discuss counterterrorism and Pakistan's progress in fulfilling its promises.³⁹⁶ Shortly thereafter, the Russian and Afghan governments co-hosted a contact group meeting on Afghanistan for members of the Shanghai Cooperation Organization (SCO). Afghan's proposal to receive full SCO membership was unanimously supported by the SCO members, which include Russia, China, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India, and Pakistan. Afghanistan also requested that SCO member-states use their leverage and influence over militant groups to bring these groups to peace talks.³⁹⁷

Meanwhile, the Afghan and India governments issued a joint statement this quarter, saying “we remain united in overcoming the challenges posed by cross border terrorism and safe havens and sanctuaries to both our countries.”³⁹⁸ In an interview with Indian media, Chief Executive Abdullah said that Afghanistan will continue to discuss Indian support for Afghanistan's security needs.³⁹⁹

Also this quarter, the leaders of the emerging market BRICS countries—Brazil, Russia, India, China, and South Africa—condemned the Taliban and other BRICS-designated terrorist groups operating in the region, stating that “those responsible for committing, organizing, or supporting terrorist acts must be held accountable.”⁴⁰⁰ In reacting to the BRICS statement, Pakistani Defense Minister Khurram Dastagir Khan claimed “no terrorist organization has any complete safe havens” in Pakistan.⁴⁰¹ The Afghan Ambassador to the United States, Hamdullah Mohib, reacted to the BRICS statement, saying “it is a clear indication those [Afghan] diplomatic efforts are working” as countries “come to the realization that Pakistan has been harboring terrorists, providing sanctuaries, providing [training] facilities and helping them raise funds.”⁴⁰²

When asked about Russian and Iranian support for the Taliban this quarter, Secretary of Defense Jim Mattis responded that it would be “extremely unwise to think that [Russia and Iran] can somehow support terrorists in another country and not have it come back to haunt them.” However, Secretary Mattis declined to offer any details on Russian or Iranian support for the Taliban.⁴⁰³

The Successor to the 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.⁴⁰⁴ The APRP was an Afghan-led program to reintegrate low-level insurgent fighters and their commanders into Afghan civil society.⁴⁰⁵ 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.⁴⁰⁶

The Afghan government launched a successor to the APRP in the form of the Peace and Reconciliation in Afghanistan (PRA) strategy. According to State, the PRA strategy was formally announced in June and unanimously approved by the HPC on July 17. The PRA strategy 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, according to State.⁴⁰⁷

This quarter, State obligated \$3.9 million to support the PRA strategy through a UNDP-managed pilot that launched in September. Up to \$2.5 million of these funds will be used to support a three-and-a-half-month UNDP-managed PRA pilot that will last through the end of 2017. The remaining funds are intended for future PRA strategy implementation, pending a post-pilot accountability review and the development of a UNDP project.⁴⁰⁸ While State had intended to disburse the \$3.9 million in early 2017, this did not occur since the ANPR strategy was not yet finalized and approved by the Afghan government.⁴⁰⁹

According to State, the UNDP-managed pilot provides support for the Afghan government's High Peace Council (HPC) to initiate activities that will begin to build consensus for peace throughout the country and develop Afghanistan's institutional capacity to facilitate reconciliation. Through the UNDP-managed funding, the HPC, its 34 Provincial Peace Committees (PPC), and a supporting technical Secretariat will be staffed and begin outreach activities to assess social attitudes toward reconciliation, document challenges, mobilize support for reconciliation, and develop the capacity to facilitate this process.⁴¹⁰

State hopes that the HPC and PPCs will have generated sufficient baseline information by the end of 2017 to determine whether continued activities and funding are justified. If so, State—in coordination with donor countries and supporting actors including UNDP and UNAMA—intends to use the 2017 data to develop a detailed, longer-term PRA implementation plan. The UNDP-managed pilot will focus only on two of the five PRA strategic objectives, namely PRA objective 2 (develop a national consensus and public mobilization to garner support for Afghan-led solutions) and objective 5 (institutionalize and reinforce Afghan capacities for peace). The remaining PRA strategic objectives—(1) reconciling armed oppositions to a peaceful political and social life through inter-Afghan dialogue and negotiations, (3) enhancing community security and stabilization through community-based peace and stability initiatives, and (4) implementing peace agreements with armed opposition groups after negotiated settlements—are not covered by the UNDP-managed pilot.⁴¹¹

This quarter, the HPC added six women as members, bringing the total number of women on the HPC to 13 out of 52 members (25%). Also this quarter, the Joint Executive Commission, responsible for the

implementation of the peace agreement between the Afghan government and Hezb-e Islami Gulbuddin, has been integrated into the HPC.⁴¹²

U.S. ASSISTANCE TO THE AFGHAN GOVERNMENT BUDGET

State and USAID are currently reviewing its assistance portfolio to ensure alignment with President Trump's South Asia Strategy. According to USAID, future levels of U.S. government on-budget assistance will be determined based on what is most appropriate to advance the U.S. government strategy in Afghanistan.

Source: USAID, OAPA, response to SIGAR vetting, 10/20/2017.

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

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

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

Summary of Assistance Agreements

According to recent World Bank estimates, the Afghan government is projected to increase its revenue collection to 12% of gross domestic product (GDP) by 2020. Even with this level of revenue, however, the Afghan government would only be able to cover 40% of budgeted expenditures. The Afghan government will require the equivalent of 18% of GDP in non-security, on-budget assistance to fund basic social services and development programs.⁴¹³ This quarter, the UN Secretary-General's Special Representative for Afghanistan called for Afghanistan to "demonstrate to its donors that it has taken not just steps, but *strides* towards self-sufficiency."⁴¹⁴

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.⁴¹⁵ 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 2020.⁴¹⁶

In several conferences since the 2010 Kabul Conference, the United States and other international donors have supported an increase to 50% in 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.⁴¹⁷ As of October, USAID said future levels of on-budget assistance will be reviewed.⁴¹⁸ In October, however, the Afghan government reported that on-budget assistance provided by all donors in 2016 represents more than 65% of total development aid, noting a significant increase over the past two years.⁴¹⁹

As shown in Table 3.8, USAID expects to spend \$726 million on active, direct bilateral-assistance programs. It also expects to contribute \$2.7 billion to the Afghanistan Reconstruction Trust Fund (ARTF) through 2020 that includes the \$800 million New Development Partnership, 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).⁴²⁰

For fiscal year (FY) 2017, Congress appropriated \$4.26 billion for the Afghanistan Security Forces Fund (ASFF) to support the requirements of the Afghanistan National Defense and Security Forces (ANDSF). The White House 2018 budget request includes \$4.94 billion for ASFF. According to DOD, approximately \$1.01 billion of the FY 2017 ASFF will be provided

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TABLE 3.8

USAID ON-BUDGET PROGRAMS							
Project/Trust Fund Title	Afghan Government On-Budget Partner	Special Bank Account?	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)	
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	\$154,270,363	
Strategic Communication Support to the Palace (SCSP)	Ministry of Finance (MOF)	Unknown	7/18/2016	7/31/2017	627,833	427,877	
Multi-Donor Trust Funds							
Afghanistan Reconstruction Trust Fund (ARTF) (current award)*	Multiple	No	3/31/2012	7/31/2019	2,700,000,000	1,755,686,333	
Afghanistan Infrastructure Trust Fund (AITF)	Multiple	No	3/7/2013	3/6/2018	153,670,184	153,670,184	

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 is currently \$3,127,677,528.

Source: USAID, response to SIGAR data call, 10/15/2017.

directly to the Afghan government (\$796.5 million for the Ministry of Defense [MOD] and \$212.5 million for the MOI) to fund salaries and incentive pay, equipment being procured on Combined Security Transition Command-Afghanistan (CSTC-A) approved Afghan contracts, and facilities maintenance. The other \$3.25 billion of the FY 2017 ASFF will be executed by DOD. The remaining \$1.46 billion of ANDSF costs will be funded by international donors (\$152 million for Afghan National Police salaries, information technology, aviation training and maintenance, uniforms, and medical supplies) and the Afghan government (\$544 million, primarily for food and subsistence).⁴²¹

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.⁴²² At the September 2014 Wales Summit, NATO allies and partners reaffirmed their commitment to financial sustainment of the ANDSF through the end of 2017. Non-U.S. donors pledged an additional amount of almost €1 billion, or approximately \$1.29 billion, annually to sustain the ANDSF for 2015 through the end of 2017.⁴²³

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 the then-current levels. According to DOD, the average combined financial contribution of NATO member states and Coalition partners (excluding the United States) is approximately \$900 million per year in 2018, 2019, and 2020.⁴²⁴

DOD has not yet finalized the agreements governing its Afghan FY 1396 (FY 1396 runs from December 22, 2016, to December 21, 2017) direct on-budget contributions to MOD or MOI.⁴²⁵

Civilian On-Budget Assistance

USAID provides on-budget civilian assistance through (1) bilateral agreements with Afghan government entities and (2) contributions to two multidonor trust funds, the ARTF and the AITF.⁴²⁶ According to USAID, all bilateral-assistance funds are deposited in separate bank accounts established by the Ministry of Finance (MOF) for each program.⁴²⁷

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.⁴²⁸ The AITF, a multidonor trust fund administered by the Asian Development Bank, coordinates donor assistance for infrastructure projects in Afghanistan.⁴²⁹ 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.⁴³⁰

As of August, the United States remains the largest donor to the ARTF (31.1% of actual contributions) with the next largest donor being the United Kingdom (17.4% of actual contributions).⁴³¹ According to the World Bank, the ARTF is the largest single source of support for the Afghan government budget, cumulatively providing \$9.1 billion as of September 2016.⁴³² 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.⁴³³ As of August, the ARTF recurrent-cost window has cumulatively provided the Afghan government \$2.6 billion for wages, \$600 million for operations and maintenance costs, \$819 million in incentive program funds, and \$553 million for ad hoc payments since 2002.⁴³⁴

The World Bank recently commissioned an external review of the ARTF, the fourth such review since the fund's inception in 2002. The review will consider the role of the ARTF in supporting the Afghan government goals expressed in the Afghanistan National Peace and Development Framework (ANPDF), national priority programs (NPPs), and SMAF indicators. Additionally, the review will assess and make recommendations on ways to address World Bank-identified challenges. According to the World Bank, these challenges include weak Afghan government discretion over all the ARTF funds due to donor preferencing, lower donor contributions to the ARTF, minimum programmatic and sectorial approaches to development, lower budget execution, poor performance within some of ARTF-financed projects, weak Afghan government ownership in governing the ARTF, and complex designs of projects for a fragile environment.⁴³⁵

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 is assessing 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.

For the previous external review of the ARTF in 2012, the same firm that is conducting the present external review concluded that the “overall structure and functioning of the ARTF is seen as very good” and that “the ARTF remains the mechanism of choice for on-budget funding, with low overhead/transaction costs, excellent transparency and high accountability, and provides a well-functioning arena for policy debate and consensus creation.”⁴³⁶

In August, USAID OIG issued an audit that assessed USAID’s practices related to (1) policy, criteria, and plans to guide the use of ARTF contributions; (2) data collection and reporting on ARTF’s performance; and (3) oversight of ARTF-funded activities. The audit found that USAID lacked adequate guidance and plans for making ARTF contributions. USAID did not have policies and procedures for verifying that ad hoc payments were used for their intended purposes, increasing the risk of funds being disbursed without prudent safeguards. USAID used an outdated and less rigorous planning process than the current one to guide ARTF contributions. Also, USAID has not adequately measured or reported how ARTF assists in achieving development objectives, despite requirements for each mission to collect, maintain, and review performance results. In short, USAID OIG concluded, USAID has not defined, measured, or linked ARTF performance results to its development objectives, limiting the mission’s ability to assess progress in meeting its objectives, identify and examine performance trends, and establish reasonable expectations for succeeding years.⁴³⁷

While USAID’s agreement with the World Bank stipulates that any donor may review or evaluate activities financed by ARTF, the audit found that USAID has not formally evaluated ARTF activities (unlike other top ARTF donors). According to USAID OIG, USAID considered merely giving funds to ARTF as accomplishing a significant purpose of the award, while regulation made monitoring and performance reporting inapplicable after disbursement. USAID officials did not meet essential oversight responsibilities, such as monitoring the progress of investment window projects and maintaining adequate files.⁴³⁸

As reported in the July 2015 *Quarterly Report to the United States Congress*, USAID was already aware two years ago of monitoring challenges and the loss of control over pooled U.S. on-budget funds delivered via multidonor trust funds like the ARTF. USAID said a benefit of using multidonor trust funds is that this reduces the burden on USAID staff and transfers financial and programmatic risk to the public international organization (such as the World Bank in the case of ARTF).⁴³⁹

On-Budget Assistance to the ANDSF

More than 60% of total U.S. on-budget assistance goes toward Afghan security forces’ requirements.⁴⁴⁰ DOD provides on-budget assistance to the

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Afghan government through (1) direct contributions from the ASFF to the Afghan government to fund MOD and MOI requirements, and (2) ASFF contributions to the multidonor Law and Order Trust Fund for Afghanistan (LOTFA).⁴⁴¹ Administered by the UN Development Program (UNDP), LOTFA primarily funds Afghan National Police salaries and incentives.⁴⁴² Direct-contribution funding is provided to the MOF, which allots it incrementally to the MOD and MOI, as required.⁴⁴³

CSTC-A monitors and formally audits the execution of those funds to assess ministerial capability and ensure proper controls and compliance with documented accounting procedures and provisions of the annual commitment letters.⁴⁴⁴

For Afghan fiscal year 1396 (December 2016–December 2017), DOD plans to provide the equivalent of \$801 million and \$216 million directly to the Afghan government to support the MOD and MOI respectively.⁴⁴⁵ As part of efforts to reduce corruption, DOD is currently reviewing the on-budget funds being provided to the Afghan government and considering alternatives. Such alternatives include relying on U.S. contracts to providing the resources required by the Afghan security forces. As an example, U.S.-managed contracts are now being used to provide fuel to the Afghan security forces.⁴⁴⁶

Despite the Afghan fiscal year's beginning in December 2016, CSTC-A's commitment letters for the current Afghan fiscal year have not yet been signed by all parties. Therefore, the conditions defined by CSTC-A for FY 1396 are not being enforced. CSTC-A continues to enforce the previous year's conditions, however.⁴⁴⁷

For the current Afghan fiscal year, as of August, CSTC-A has provided the Afghan government the equivalent of \$395.3 million to support the MOD.⁴⁴⁸ Additionally, as of August, CSTC-A has provided the equivalent of \$88.6 million to support the MOI. Of these funds, \$20.8 million was delivered via the UNDP-managed LOTFA, while \$67.8 million was provided directly to the Afghan government.⁴⁴⁹

This quarter, an independent audit assessed 23 conditions deemed necessary by donors to transfer police payroll administration from UNDP to MOI. Of these conditions, three applied to the MOF and 12 to the MOI.⁴⁵⁰ According to the audit, the MOF has successfully met their targets, including paying 90% of police and prison guard salaries through electronic funds transfers or mobile money (an increase of one percentage point from the baseline of 89% of salaries being paid in this manner).⁴⁵¹ While the MOI was found to be on track for all of the donor conditions assigned to it, CSTC-A reported that they did not see sufficient progress in the conditions designed to increase transparency. There two conditions required that the MOI conduct regular personnel and payroll data audits and take administrative, disciplinary, or legal action in response to payroll anomalies. According to CSTC-A, donors are disinclined to support the transition

of payroll responsibilities until the MOI shows improvements on these two conditions.⁴⁵²

According to CSTC-A, the MOD and MOI have extremely limited capability to effectively manage ASFF funding. Both ministries fail to understand the needs of soldiers and police officers. The MOD and MOI procurement processes are unnecessarily delayed, with multiple reviews often within the same ministry offices that create unnecessary delays. As of August, MOD and MOI take, on average, 169 days to obtain the necessary approvals for a procurement. Contracts average 220 days to award. With only four months left in Afghan fiscal year 1396, the MOD has approved 23% of its planned projects and executed 24% of its planned budget. The MOI has approved only 1% of its planned projects and executed 16% of its planned budget. In order to speed up procurement, CSTC-A is seeking to delegate MOD and MOI purchase authorities—such as facility and equipment repairs—to Corps-level commanders.⁴⁵³

CSTC-A reports that the involvement of the National Procurement Authority (NPA) and the National Procurement Commission (NPC) in MOD and MOI procurements has a negligible impact on procurement timelines. The NPC is responsible for approving approximately 93% of ASFF-funded Afghan government contracts for the MOD and MOI while requiring only about 14 days to complete the necessary reviews. According to CSTC-A, all MOD and MOI projects that are first reviewed by the NPA are subsequently approved by the NPC. However, only 20% of MOD and MOI projects that are executed without NPA procurement facilitation are returned for further work, resulting in project delays. CSTC-A concludes that NPA- and NPC-reviewed project awards benefit from being in compliance with Afghan law and policy for only a negligible impact on the time necessary for approval.⁴⁵⁴

DOD reports that they are resuming the procurement of fuel for the MOD and MOI. Previously, CSTC-A provided funds to the MOD and MOI to procure fuel using Afghan government contracts. DOD expects that all MOD and MOI fuel will be procured off-budget through U.S. contracts next year after the MOD and MOI conclude existing on-budget fuel contracts.⁴⁵⁵

This quarter, CSTC-A discovered that the MOF immediately transferred all CSTC-A-provided on-budget funds to the Afghan government's Treasury Single Account (TSA). A TSA is a bank account or a set of linked accounts through which the government transacts all its receipts and payments. According to CSTC-A, this MOF practice reduced traceability and auditability of CSTC-A-provided funds. In previous years, DOD was informed that this practice enabled the Afghan government to temporarily cover its overall funding needs using ASFF. In response, CSTC-A has reached an agreement that forces the MOF to keep all CSTC-A-provided on-budget funds in separate bank accounts until MOD and MOI expenditures reconciled with CSTC-A.⁴⁵⁶ This is not the first time CSTC-A has requested that the MOF use such bank accounts, however. As reported in the Governance

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section of the October 2014 *Quarterly Report to the United States Congress*, CSTC-A reported three years ago that they had requested that MOF establish special bank accounts for CSTC-A-provided funds after an audit found that MOF would immediately transfer CSTC-A-provided MOI funds into the TSA.⁴⁵⁷

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.⁴⁵⁸ As shown in Table 3.9, active programs include USAID's Afghan Civic Engagement Program (ACEP) that seeks to increase civil-society capacity.

TABLE 3.9

USAID CAPACITY-BUILDING PROGRAMS AT THE NATIONAL LEVEL					
Project Title	Afghan Government Partner	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)
Afghan Civic Engagement Program (ACEP)	N/A	12/4/2013	12/3/2018	\$70,000,000	\$52,309,826
Assistance to Legislative Bodies of Afghanistan (ALBA)	Parliament	3/28/2013	3/27/2018	24,990,827	22,223,350
Rasana (Media)	N/A	3/29/2017	3/28/2020	9,000,000	613,100

Source: USAID, response to SIGAR data call, 10/15/2017.

Last 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, work with local women's groups to advance women's causes in the media, and support gender-sensitive content production and programming.⁴⁵⁹ This quarter, Rasana identified 17 radio stations managed or owned by women who will employ female producers. These radio stations will produce radio content to broadcast with Rasana support. The Rasana program also worked with three Afghan media outlets to identify investigative-report topics that these outlets will develop and disseminate with Rasana support.⁴⁶⁰

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.⁴⁶¹

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 2016.⁴⁶² In May, donors assessed the Afghan government’s progress in meeting its original SMAF obligations to fill 800 CBR positions by December 2016. According to the European Union (EU), while the Afghan government reported that it had filled 819 positions via CBR, the World Bank reported that only 289 contracts had been signed. According to USAID, this SMAF deliverable has not been achieved, as more than 500 CBR-supported job candidates are reportedly still awaiting vetting by the Afghan government, particularly by the offices of the president and national security adviser.⁴⁶³

As of October, the Afghan government reported that 680 CBR posts have been contracted. Additionally, the government reported that 1,213 positions have completed the recruitment process. In June, however, the government reported that 83 CBR-hired individuals have resigned from their positions. The hiring process for 415 CBR-supported posts is in progress.⁴⁶⁴

National Assembly

For most of this quarter, July 23 until September 6, the upper and lower houses of parliament were in recess.⁴⁶⁵

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.⁴⁶⁶ President Ghani, meanwhile, ordered the ministers to continue working.⁴⁶⁷ According to the UN Secretary-General, the dispute is related to the legislature asserting its prerogatives against the executive branch.⁴⁶⁸

This quarter, Chief Executive Abdullah announced plans to nominate replacements for five of the seven ministers who received no-confidence votes. The ministers of foreign affairs and education did not receive replacement nominees.⁴⁶⁹

In September, the first deputy speaker of the lower house of parliament accused the speaker and first secretary of the lower house of parliament of corruption. The first deputy speaker said that parliamentary corruption is at an all-time high and called on the Attorney General’s Office (AGO) to take action. Both the speaker and first secretary rejected the accusation.⁴⁷⁰ Four parliamentary commissions have been assigned to investigate the corruption allegations.⁴⁷¹



A delegation of parliamentarians during a USAID ALBA-sponsored visit to Kapisa Province. (USAID photo)

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.⁴⁷² ALBA recently supported a number of parliamentary oversight visits to provinces. The most recent trips include Balkh and Samangan Provinces by the upper house's legislative and judicial affairs commission, Kapisa Province by the upper house's complaints commission, and Panjshir Province by the upper house's national economy commission. During the visit to Balkh Province, the delegation heard how insecurity in the districts makes it difficult for Afghan legal personnel to perform their duties. Some districts reportedly lack courts, legal staff, and detention centers. Additionally, the delegation heard how the police do not cooperate with Afghan justice officials.⁴⁷³

During the visit to Kapisa Province, the delegation provided the governor and 35 directorate representatives a briefing on the FY 1396 development-budget allocation of projects for the province. The delegation also visited the site of a government-contracted, 100-bed hospital that was planned to be completed in three years but remains only half complete after 10 years. The province governor and Ministry of Public Health (MOPH) representative reported that they had brought up the matter with the president's office as well as the MOPH, but still awaited resolution. The delegation also visited a recently contracted high-school construction project that appeared to be on schedule. The delegation that visited Panjshir Province also provided a briefing on the province's FY 1396 development-budget allotments. The delegation visited a cold-storage project, a high-school construction project, and a canal project.⁴⁷⁴

Civil Society

The Afghan Civic Engagement Program's (ACEP) 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.⁴⁷⁵

This quarter, ACEP finalized the development of reporting guidelines for nongovernmental organizations (NGOs) operating in Afghanistan in coordination with the Ministry of Economy. The guidelines were prepared based on the law for domestic and international nongovernmental organizations operating in Afghanistan. ACEP believes that these guidelines will help to ensure better implementation of the law in terms of NGO reporting requirements and will improve NGO coordination with government departments.

ACEP also completed a 20-day session on street-painting skills in Takhar Province. The training was aimed to build the capacity of 20 youth (17 women, three men) on street-painting art that include paintings and messages on government and nongovernmental buildings' walls. The messages contain slogans against narcotics use and gender-based violence and for social engagement and a number of other social issues.⁴⁷⁶

SUBNATIONAL GOVERNANCE

In September, the only remaining female provincial governor was replaced by a male. Masooma Muradi, the now former governor of Daykundi Province, faced strong resistance from religious conservatives and political opponents after being appointed in 2015. The Afghan government gave no explanation for her removal.⁴⁷⁷

On July 30, the Afghan government issued the Provincial Council Oversight Regulations, which laid out an enhanced role for the provincial councils in monitoring government departments and other entities. These regulations reversed a 2014 decision by the lower house of parliament that removed the oversight power of provincial councils. President Ghani agreed to improve coordination with the provincial councils by conducting regular regional meetings and inviting a representative of the councils to attend cabinet meetings.⁴⁷⁸

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 3.10 summarizes total program costs and disbursements to date.

TABLE 3.10

USAID SUBNATIONAL (PROVINCIAL AND MUNICIPAL) PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)
Strong Hubs for Afghan Hope and Resilience (SHAHAR)	11/30/2014	11/29/2017	\$46,000,000	\$38,162,540
Initiative to Strengthen Local Administrations (ISLA)	2/1/2015	1/31/2020	62,364,687	20,121,946

Source: USAID, response to SIGAR data call, 10/15/2017.

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.⁴⁷⁹

According to USAID, one of the key provisions of the Afghan government's provincial budget policy is to link the provincial development plans with the provincial budget process. ISLA has supported this process by delivering training to all 34 provinces, not just the 16 ISLA is designed to assist. According to USAID, ISLA's training curriculum has been endorsed and adopted by the MOF. This quarter, USAID reports that all 16 of the ISLA-supported provinces submitted their provincial development plans to the Ministry of Economy on time. Additionally, all but one ISLA-supported province submitted their initial budget requests to the Ministry of Finance. Once the province budget requests are finalized, ISLA will be able to determine how many ISLA-identified province priority projects were actually funded and implemented by the Afghan government.⁴⁸⁰



The Lashkar Gar deputy mayor opening a complaint box established with assistance by USAID's SHAHAR program. (USAID photo)

Strong Hubs for Afghan Hope and Resilience

The objective of the \$46 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.⁴⁸¹

In August, SHAHAR reported that partner municipalities increased their revenue by 39% compared to the same period in the previous year. Expenditures increased by 16% compared to the previous year. Also this quarter, SHAHAR assisted the deputy mayor of Lashkar Gar in Helmand Province with opening a complaint box. The Lashkar Gar mayor has reportedly tasked the deputy mayor with a weekly inspection of the complaint box for complaint letters and suggestions.⁴⁸²

RULE OF LAW AND ANTICORRUPTION

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 3.11.

USAID has a cooperation arrangement with the UK's Department for International Development to fund the Independent Joint Anti-Corruption Monitoring and Evaluation Committee (MEC). USAID funds the MEC's

GOVERNANCE

TABLE 3.11

RULE OF LAW AND ANTICORRUPTION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)
Justice System Support Program II (JSSP II)	6/16/2010	11/27/2017	\$298,290,903	\$279,969,144
Assistance for Development of Afghan Legal Access and Transparency (ADALAT)	4/15/2016	4/14/2021	68,163,468	7,990,263
Electoral Reform and Civic Advocacy (AERCA)*	7/13/2009	9/30/2017	51,302,682	49,998,320
Corrections System Support Program (CSSP IV)**	3/1/2016	8/27/2017	25,090,002	22,799,794
Justice Training Transition Program (JTTP) Follow On***	1/2/2013	11/30/2017	47,759,796	47,759,796
Corrections System Support Program (OASIS CSSP)**	6/1/2017	11/30/2022	13,574,083	1,500,402
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 8/27/2017.

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

Source: State, INL, response to SIGAR data call, 9/28/2017 and 10/12/2017; USAID, response to SIGAR data call, 10/15/2017.

monitoring, analysis, and reporting activities, including its vulnerability-to-corruption assessments.⁴⁸³

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.⁴⁸⁴

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 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 Ministry of Education (MOE).⁴⁸⁵ 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.⁴⁸⁶

This quarter, AERCA reported that it had supported printing hundreds of booklets on the new standard operating procedures for the Central Population Registration Department (CPRD). These booklets were distributed to provincial CPRD offices across the country. The distribution of these booklets means that AERCA's reform activities with the CPRD

in Kabul and Nangarhar Provinces are now completed. AERCA is also nearing the end of their assistance to the Kabul municipality to support small-business license reforms. AERCA has completed the handover of a business registration database to the municipal government. Kabul municipality has also hired 32 of former AERCA surveyors to continue their AERCA-related work with the municipality. Also this quarter, an AERCA-hired contractor completed renovations at the Ministry of Foreign Affairs that allow for the installation of an electronic queue-management system. These upgrades should allow the ministry to process more than 2,000 customers daily, up from 700.⁴⁸⁷ AERCA ended on September 30.⁴⁸⁸

State's Justice Sector Support Program (JSSP) is the largest rule-of-law program in Afghanistan. JSSP was established in 2005 to provide capacity-building support to the Afghan justice system through training, mentoring, and advisory services. The current JSSP began in 2010 and has an estimated cost of \$298 million.⁴⁸⁹

During the past year, JSSP continued to provide support to the Supreme Court and Attorney General's Office (AGO) to roll out and integrate the Case Management System (CMS). CMS is an online database that tracks the status of criminal cases in Afghanistan, across all criminal justice institutions, from the moment a case is initiated to the end of confinement. As of May, JSSP maintains 535 Case Management System (CMS) offices in 33 provinces. Of these CMS offices, 449 cover criminal matters and 86 cover civil cases. A total of 291,916 unique cases have been entered into the criminal CMS database and 32,394 cases into the civil CMS database.⁴⁹⁰

This past year, JSSP budget staff prepared the Supreme Court's financial closing report, or *Qatia*, covering the Supreme Court's operation and development budgets. This report was submitted to the MOF and Supreme Audit Office of Afghanistan. MOF requires year-end closing reports from all budget units and, after an SAO audit, MOF submits these *Qatia* reports to the parliament.⁴⁹¹ JSSP also assisted the Supreme Court in advertising 340 vacancies with the appellate courts in Kabul and the provinces. A total of 669 eligible applicants, including 52 women, attended the entrance exam. Ultimately, the Supreme Court, with JSSP assistance, prepared employment contracts for 62 candidates for positions at the Supreme Court headquarters and Kabul Province appellate court.⁴⁹²

This quarter, State's \$48 million Justice Training Transition Program (JTTP) finished administering institutional learning-needs assessments of the Ministry of Justice (MOJ) and AGO officials. JTTP assisted the MOJ and AGO to develop draft training and budget plans based on the initial findings of these assessments. According to State, 51 trainings are thought necessary to meet the learning needs of the legal professionals working in the three MOJ departments. JTTP plans to meet with MOJ to discuss the draft training

plan, assess whether further items should be added, and discuss availability of funding, trainers and curricula, and develop an implementation plan.⁴⁹³

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.⁴⁹⁴ This quarter, ADALAT began its coordination efforts with State's JSSP program through a discussion of JSSP's experience with embedded advisors at the Supreme Court to deconflict their activities. Also, after holding numerous meetings and developing plans over the past year to partner with the Afghan Independent Bar Association (AIBA), ADALAT reported this quarter that the AIBA ultimately declined to accept ADALAT's assistance. The AIBA reportedly did not agree to USAID-mandated reforms, including changing the organization's bylaws. After this rejection, USAID directed ADALAT to propose alternative activities to improve the legal and justice sectors.⁴⁹⁵

Afghan Correctional System

As of June 30, the General Directorate of Prisons and Detention Centers (GDPDC) incarcerated 28,065 males and 922 females, while the MOJ's Juvenile Rehabilitation Directorate (JRD) incarcerated 888 male and 101 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.⁴⁹⁶

Overcrowding is a persistent, substantial, and widespread problem within GDPDC facilities for adults, despite stagnant prison population numbers. As of June 30, the total male provincial-prison population was at 178% 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 119% of the ICRC-recommended capacity. The JRD's juvenile-rehabilitation centers' population was at 72% of ICRC-recommended capacity.⁴⁹⁷

According to State, its joint efforts with the MOJ in implementing alternatives to incarceration for juveniles has led to an 11% reduction of the juvenile rehabilitation center population. This quarter, State and CSSP facilitated an alternatives to incarceration conference to review the progress of the past year. According to State, the ever-increasing strain on resources in juvenile rehabilitation centers makes it imperative that JRD leadership expand the use of alternatives to incarceration. Conference participants (representing the corrections, law enforcement, and justice sectors) agreed upon a plan to expand the alternatives to incarceration program during the coming year and transition the program to the MOJ.⁴⁹⁸

Congress Directs SIGAR to Assess Afghanistan's Implementation of an Anticorruption Strategy

The Joint Explanatory Statement for the Consolidated Appropriations Act for Fiscal Year 2017 directs SIGAR to assess the Afghan government's implementation of an anticorruption strategy called for at the Brussels Conference on Afghanistan held October 4–5, 2016. SIGAR was further instructed to report its findings to the House and Senate Appropriations Committees no later than May 31, 2018. This congressional request is notable because it is the first time Congress has directed SIGAR to assess the Afghan government's performance, rather than that of a U.S. government agency, on a key reconstruction objective.

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 2017.⁴⁹⁹ On September 28, the High Council on Rule of Law and Anti-corruption approved the National Strategy for Combatting Corruption. In commenting on the strategy, President Ghani said that the drive against corruption should be “measurable and vision-oriented.” He also ordered that the government produce a comprehensive report every six months that covers the strategy's implementation.⁵⁰⁰

The anticorruption civil-society organization Integrity Watch Afghanistan (IWA) criticized the new strategy for not creating an independent commission to deal with corruption issues, labeling it a “half-hearted attempt to fight corruption.” IWA said the new strategy suffered from a “constricted strategy development process, weak institutional arrangements, and expanded timelines for achieving the benchmarks.” In particular, IWA said that the Afghan government backtracked on its “most important anti-corruption commitment: the creation of an independent and strong anti-corruption commission.” Instead, IWA reported that the strategy gives the central role to the AGO, the Independent Administrative Reform and Civil Service Commission (IARCSC), and the High Council on Rule of Law and Anticorruption. IWA believes that this approach does not meet the UN Convention against Corruption or internationally accepted principals on the independence of anti-corruption agencies.⁵⁰¹

According to this strategy, reformist government leaders with empowered teams and networks are necessary to overcome the corruption challenge. Among the causes of large-scale corruption, the strategy identified the lack of certainty about the political survival of the state leading to an emphasis on short-term goals; aid dependency resulting in a highly fragmented state system; limited incentives for government reformers; insufficiently developed political institutions connected to an elite settlement; and government capture by corrupt officials. The strategy critiqued previous anticorruption efforts that proposed a large number of discrete activities which lacked an overarching rationale and led to wish lists of well-intentioned, but ineffectual actions.⁵⁰² This perspective mirrors the statements President Ghani made at the G7+ meeting in March 2016. In that speech, President Ghani said at the time:

The solution to fragmented and captured states is never going to be more consultants, anticorruption plans, or good governance projects. Reform will come when reformist leadership is fully equipped with the tools it needs to rebuild core state systems, above all an ability to recruit likeminded reformers into the system and to have the flexibility to use reform to deliver results.⁵⁰³

In a recent interview with the *Wall Street Journal*, President Ghani described the critical challenge of responding to high-level corruption as one of balancing the need to maintain a political consensus with reform. President Ghani describe corruption in Afghanistan as “the system,” saying “every system has a breaking point [...] you’ve seen how much reaction there is to reform.”⁵⁰⁴

In August, Chief Executive Abdullah was quoted in Afghan media saying that the former minister of telecommunication and information technology, Abdul Razzaq Wahidi, was cleared by the AGO of charges of having manipulated the ministry’s revenue statistics. State, citing DOJ reporting, says that the charges against Wahidi were misuse of office for personal gain and practicing nepotism. Additionally, State reports that Wahidi’s case has reportedly been with the Supreme Court for consideration since July 2017. President Ghani had previously suspended Wahidi in January.⁵⁰⁵

Anti-Corruption Justice Center

In May 2016, President Ghani announced the establishment of a specialized anticorruption court, the Anti-Corruption Justice Center (ACJC).⁵⁰⁶ The ACJC brings together MCTF investigators, AGO prosecutors, and judges to combat serious corruption.⁵⁰⁷ 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).⁵⁰⁸

Since October 2016, the ACJC has considered 313 potential cases, of which 243 potential cases involve civilians and 79 potential cases involve military personnel. Of these potential cases, 44 have been referred to the ACJC’s primary court or primary prosecution office. The ACJC’s primary court has concluded 21 trials, convicting 83 offenders.⁵⁰⁹ Among the ACJC cases, a general was convicted and sentenced to 20 years’ imprisonment for fuel fraud and stealing equipment.⁵¹⁰

In August, the ACJC primary court sentenced five officials of Pule-Charkhi prison (including a former prison commander) each to three-year jail sentences. The five were found guilty of having modified a list of prisoners eligible for release under a presidential decree so that a prisoner sentenced to 20 years in jail for smuggling 36 kilograms of heroin replaced a prisoner jailed for only one year and one month for keeping and using alcohol. The ACJC judge also ordered the investigation of three other Afghan government officials (from the AGO, Afghanistan Independent Human Rights Commission, and the National Directorate of Security) whose signatures were on the release form.⁵¹¹

Additionally, in August, the ACJC sentenced Abdul Ghafar Dawi—one of the most successful and politically connected businessman in Afghanistan and director of a large fuel company—to a nine-year and nine-month prison sentence for contract manipulation, embezzlement, and failure to repay

SIGAR INTERCEPTS \$1.6 MILLION IN SMUGGLED GOLD AT BAGRAM AIRFIELD

This quarter, SIGAR Special Agents at Bagram Airfield (BAF) intercepted a traveler who had a large quantity of gold in his possession. The traveler could not show any documentation that authorized him to transport gold out of Afghanistan. But he did have papers indicating the nearly 92 pounds of gold he carried was worth about \$1.6 million. SIGAR took possession of the gold while further investigation was conducted. Given likely violations of Afghanistan’s laws, and pursuant to the U.S.-Afghan Status of Forces Agreement, SIGAR investigators requested that the gold bars be transferred from SIGAR to Afghan government officials.

President Ghani then formed a special working group to investigate the case. One of the working group’s first tasks was to coordinate the transfer of the gold from SIGAR to the central bank. Once that was completed, the working group and SIGAR began a joint investigation of the source and transport of the gold.

Whatever its final outcome, the case stands as a sterling example of what can be achieved when U.S. oversight agencies like SIGAR maintain good working relationships with Afghan officials.

Kabul Bank loans. Additionally, two deputy-minister-level Afghan government officials were also convicted as part of this case. State views this case as a significant victory for the ACJC.⁵¹²

Also in August, the ACJC primary court sentenced the former police commander of Helmand Province to three years in prison. The police general was accused of abusing authority, embezzlement of a government vehicle, and releasing two suspects from custody.⁵¹³

Independent Joint Anti-Corruption Monitoring and Evaluation Committee

President Karzai established the MEC by presidential decree in March 2010. The institution was reauthorized by President Ghani in September 2016 with a new decree that provided full independence from the High Office of Oversight and Anticorruption (HOOAC). The MEC's mandate is to develop anticorruption recommendations and benchmarks, to monitor 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.⁵¹⁴

This quarter, the MEC published its assessment of corruption vulnerabilities in the AGO. According to the MEC, the AGO has historically been viewed as a major contributor to corruption in Afghanistan with “bribery, patronage, nepotism and deliberately weak oversight practices [being] the status quo.” The MEC reports that the current attorney general has begun to implement a number of positive changes. These AGO-identified changes include dealing with public complaints, increasing the budget and salary of prosecutors, and establishing the ACJC. Despite these changes, the MEC found that bribery still occurs at all stages of the criminal process (although not as openly as in the past) and forms the main type of corruption. Also, the MEC found that communications between the AGO and detection and referring agencies, including the police and other agencies such as the HOOAC, Supreme Audit Office, MOF, could be improved as several agencies report that they are unaware of the outcome of cases that have been submitted to the AGO.⁵¹⁵

The MEC also published a report on the Ministry of Refugees and Repatriation (summarized on pages 177–178 of this report).

Major Crimes Task Force

The MCTF is an elite MOI unit chartered to investigate corruption, organized criminal networks, and high-profile kidnappings committed throughout Afghanistan. This quarter, the MCTF opened over 40 corruption cases. However, the MCTF submitted only one case to the AGO this quarter.⁵¹⁶

The size of the MCTF's Corruption Investigation Unit has increased in response to the increased number of corruption cases it is pursuing.

Additionally, the position of MCTF director has been upgraded from a brigadier general to major general billet. However, the current MCTF director has yet to receive a promotion to reflect this change and Resolute Support reports no indication that this will occur. In the past, Resolute Support has attributed MCTF improvements in part to the current director's "outstanding leadership" in the face of repeated threats against him.⁵¹⁷

In October, a member of the MCTF died after being shot outside his house in Kabul. This incident follows the assassination of two MCTF investigators in April.⁵¹⁸

According to Resolute Support, MCTF investigator morale is "at an all-time low." MCTF investigators reportedly feel they do not receive the support and protection from senior Afghan government officials necessary to operate without reprisal. MCTF investigators are afraid to work some high-level cases due to potential repercussions, which include being fired, transferred, or being put in jail for doing their job.⁵¹⁹

HUMAN RIGHTS

This quarter, the chairwoman of the Afghanistan Independent Human Rights Commission, Dr. Sima Samar, suggested that the International Criminal Court (ICC) launch an investigation into human-rights violations in Afghanistan. Dr. Samar said that in light of the weak state of the Afghan judicial system, the Afghan government could consider requesting assistance from the ICC.⁵²⁰

In August, the nongovernmental organization Save the Children (SCI) released a study on the knowledge, attitudes, and practices on violence and harmful practices against children. The study involved respondents from Balkh, Jowzjan, Sar-e Pul, Nangarhar, and Kabul (street working children only) Provinces. According to SCI, child respondents experienced high levels of all types of violence. The study considered various types of violence, including exposure to violence, psychological violence, physical and emotional neglect, physical violence, and sexual abuse. Only 9% of children reported not experiencing any type of violence, 21% experienced one to three types, 16% experienced four to six types, 10% experienced seven to nine types, 13% experienced 10 to 15 types, 9% experienced 16 to 20 types, 20% experienced 21 to 30 types, and 2.5% experienced more than 31 types. SCI was surprised to find that children from urban areas reported experiencing more violence (for an average exposure to 14 forms of violence) than children in rural areas (who reported experiencing an average of 10 forms of violence).⁵²¹

REFUGEES AND INTERNAL DISPLACEMENT

The high rate of refugee returns in 2016 has stabilized. 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.⁵²² As of September, 87,700 people have returned from Pakistan to Afghanistan and 375,599 from Iran in 2017. Of these returns, 51,801 were recognized refugees. The number of refugee returns in 2017 stands at approximately 38% of the number of refugee who returned to Afghanistan between January and September 2016. According to State, approximately 169,000 undocumented Afghan migrants returned to Afghanistan, with 160,000 being deported from Iran.⁵²³

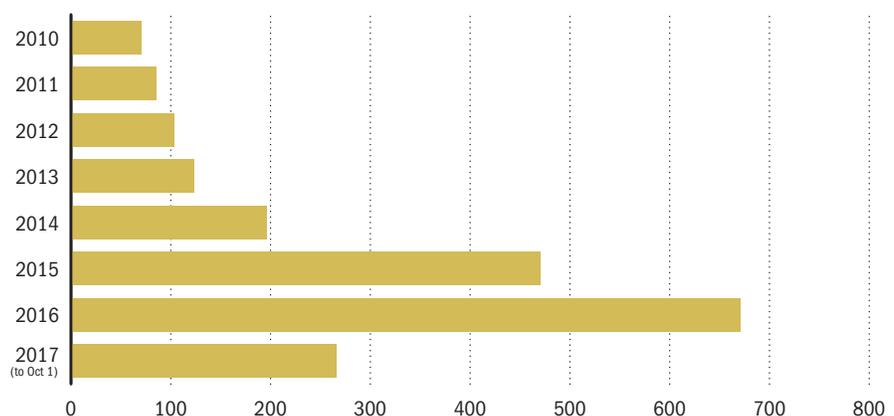
As shown in Figure 3.31, there has been a decrease in internal displacement this year compared to last. According to the UN's Office for the Coordination of Humanitarian Affairs (OCHA), as of October 1, 266,087 people have fled their homes due to conflict.⁵²⁴

As shown in Figure 3.32, as of September 16, approximately 6% of the estimated population of Uruzgan Province was displaced due to conflict. Badghis (4.93%), Kunduz (3.09%), Zabul (2.31%), Baghlan (2.12%), and Nangarhar (2.02%) Provinces registered more than 2% of their total estimated populations as displaced by conflict.⁵²⁵

Eurostat, the statistical office of the EU, reported 22,500 first-time Afghan asylum seekers in the EU in the first six months of 2017. As shown in Figure 3.33 on page 178, the number of Afghan asylum applications from April to June 2017 was 24.3% lower than the number for the previous three months.⁵²⁶

FIGURE 3.31

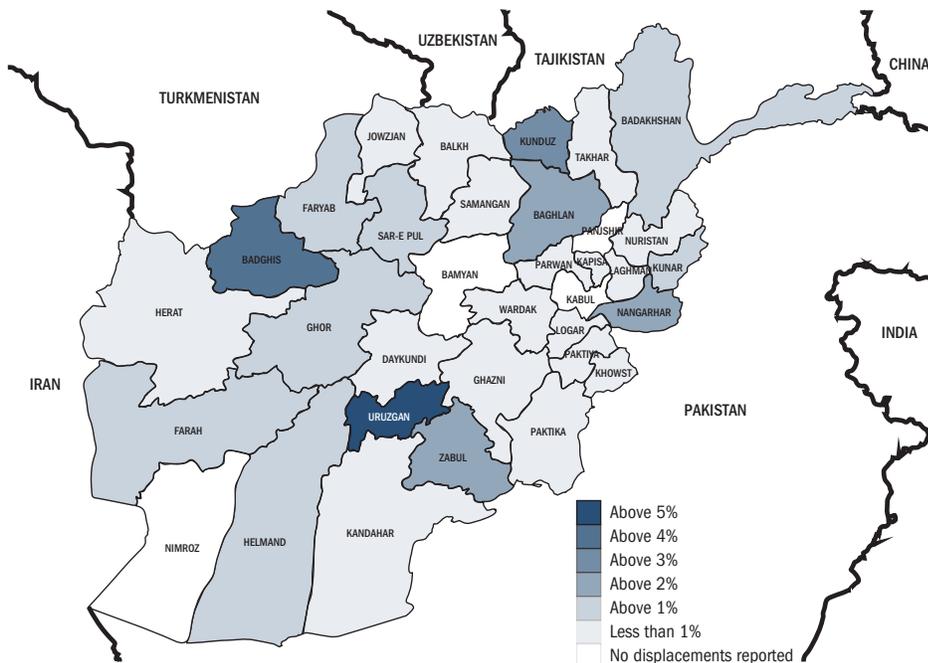
CONFLICT-INDUCED DISPLACEMENTS (THOUSANDS)



Source: UN OCHA, "Afghanistan: Conflict Induced Displacements in 2017 - Snapshot," 6/18/2017; UN, OCHA, "Afghanistan Weekly Field Report," 10/1/2017, p. 1.

FIGURE 3.32

PROVINCE POPULATION DISPLACED BY CONFLICT 2017



Source: Humanitarian Data Exchange, "OCHA Afghanistan: Afghanistan - Conflict Induced Displacements in 2017," 9/16/2017; Central Statistics Office, "Estimated Population by Civil Division, Urban, Rural, Nomadic and Sex-2017-18," n.d.

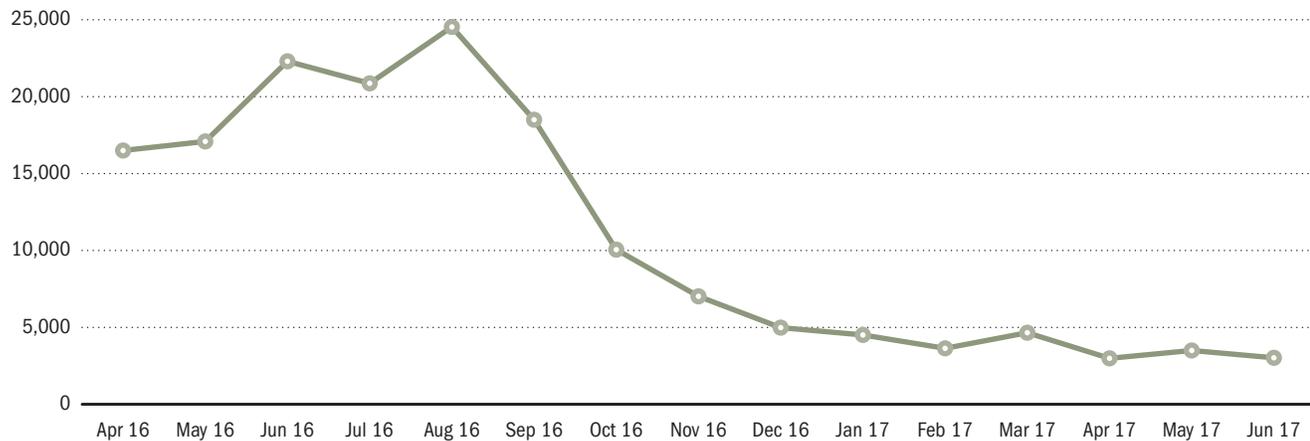
In August, the MEC issued their review of the Ministry of Refugees and Repatriation (MORR). Following a 2005 presidential decree, the MORR was mandated to work with municipalities and local governments to provide land to Afghan returnees. However, the MEC found that land distribution suffers from massive bribery, nepotism, and embezzlement. According to the MEC, this decree has facilitated corruption. For example, while returnees are required to have valid documents in order to receive shelter, the decree does not specify which documents. Additionally, various Afghan government actors have exploited the decree's ambiguous language to insert themselves into the process of land distribution for the purposes of selling land or taking bribes.⁵²⁷ The MORR has proposed rescinding the decree and has drafted ministry procedures for land distribution. These new procedures offer clear guidance, the MEC said.⁵²⁸

The MEC also found that humanitarian aid was plagued by the problem of fake beneficiaries. For example, MEC reported that some villagers living on the border with Pakistan will repeatedly cross the border for the sake of receiving refugee assistance. In response, the MORR and World Food

GOVERNANCE

FIGURE 3.33

FIRST-TIME AFGHAN ASYLUM APPLICANTS TO THE EUROPEAN UNION



Source: EUROSTAT, "First time asylum applicants in the EU-28 by citizenship, Q2 2016–Q2 2017," 9/21/2017.

Program (WFP) have launched a data-collection initiative at the Torkham border crossing that will register every returnee and provide that person with an electronic card. MEC reports that the MORR and WFP plan to expand the initiative across the country and jointly run the program for three years.⁵²⁹

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.⁵³⁰ USAID has committed \$280 million to Promote.⁵³¹ Table 3.12 show the current Promote programs.

As of July, 1,675 women have or are receiving civil service training and internships through Promote's Women in Government program. So far, 42 interns have gained full-time employment in either the government or private sector after one year of training. The Women in Leadership Development program has provided 5,743 young women with training. The Women in the Economy program has or is in the process of facilitating internships or apprenticeships for 4,124 women. The program has helped 806 interns gain full-time employment. Finally, the Women in Civil Society program reports that they have civil society organizations with members totaling 1,306 persons benefitting from the program.⁵³²

GOVERNANCE

TABLE 3.12

USAID GENDER PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)
Promote: Women in the Economy	7/1/2015	6/30/2019	\$71,571,543	\$21,646,950
Promote: Women's Leadership Development	9/23/2014	9/22/2019	41,959,377	24,140,885
Promote: Women in Government	4/21/2015	4/20/2020	37,997,644	13,759,096
Promote: Women's Rights Groups and Coalitions	9/2/2015	9/1/2020	29,534,401	9,208,197
Promote: Rolling Baseline and End-line Survey	2/21/2017	10/20/2020	7,577,638	1,016,098
Promote: Economic Empowerment of Women in Afghanistan	5/8/2015	5/7/2018	1,500,000	900,000
Promote: Scholarships	3/4/2015	3/3/2020	1,247,522	1,247,522

Source: USAID, response to SIGAR data call, 10/15/2017.

Also this quarter, the Women in Civil Society program reported that the implementation of the national technical assistance salary scale—a policy designed to reduce the disparity between Afghan government and donor-funded position salaries—continues to hinder the hiring of qualified staff since it has resulted in a significant decrease in salaries and benefits the program can offer. According to the Afghan government, international donors, including USAID, have directed their contractors to follow the Afghan government's national technical assistance salary scale to meet a SMART SMAF obligation.⁵³³

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 2016.⁵³⁴

In June, the Afghan government reported on its progress in meeting the SMART SMAF obligation to launch a women's economic empowerment plan by first half of 2017. According to the Afghan government, President Ghani launched the plan in March and a unit was established in the Ministry of Martyred, Disabled, Labor, and Social Affairs. Over the next three years, the World Bank is expected to provide \$5 million to support this unit.⁵³⁵ Additionally, as of October, the Supreme Court established special tribunals for the elimination of violence against women in 15 provinces.⁵³⁶

SIGAR AUDIT

SIGAR is currently conducting a performance audit of Promote that will assess contract compliance, program performance, and implementation challenges for the five Promote programs. The audit team's work includes examining contract documents and interviewing USAID and Afghan government officials, the Promote contractors, and program participants.

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ECONOMIC AND SOCIAL DEVELOPMENT

KEY ISSUES AND EVENTS

In the July 30, 2017, quarterly report, SIGAR reported that Afghanistan's total domestic revenues for the first six months of FY 1396 (which began December 22, 2016) decreased by 25% compared to the first six months of FY 1395. Using updated data, SIGAR analysis this quarter showed that aggregate domestic revenues remained roughly the same for the first eight months of FY 1396, compared to the first eight months of FY 1395. MOF senior officials told SIGAR this quarter that they classify revenues into "one-off" and "sustainable" categories. The MOF considers certain revenues—including customs, taxes, and non-tax fees—as "sustainable." Using the Afghan government's definition of sustainable domestic revenues, these categories collectively increased by about 12%, year-on-year, for the first eight months of FY 1396, compared to the first eight months of FY 1395.⁵³⁷

This quarter, the United States and the Afghan government announced the launch of the bilateral Kabul Compact.⁵³⁸ According to the State Department, the compact outlines the Afghan government's existing commitments under the 2012 Strategic Partnership Agreement that sought to define the relationship between the U.S. and Afghanistan following the drawdown of U.S. forces.⁵³⁹

The Kabul Compact comprises four key issue areas—security, economics, governance, and peace and reconciliation—each with a set of reform benchmarks.⁵⁴⁰ Economic benchmarks were selected to promote business-climate reform, create a more permissive macroeconomic environment, drive the development of key business sectors, and strengthen infrastructure.⁵⁴¹ A joint U.S.-Afghan statement described the compact as "an Afghan-led initiative" that was an "important factor upon which the United States relied when developing key components of the U.S. South Asia Policy, launched by President Trump on August 21."⁵⁴² For more on the compact, see pages 150–151 of this report. SIGAR will track Afghanistan's progress in meeting benchmarks in future quarterly reports.

Also this quarter, International Monetary Fund (IMF) staff completed their second Extended Credit Facility (ECF) review mission to Afghanistan, and announced preliminary findings. The ECF is an IMF financing vehicle that provides assistance to countries experiencing extended balance-of-payments problems. The IMF staff found Afghanistan's performance under

the ECF program to be satisfactory, but continued support from donors remains critical. The IMF's Executive Board was expected to discuss the mission's findings in December, and if approved, Afghanistan's central bank will have access to an additional \$6.1 million in financing.⁵⁴³

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

As of September 30, 2017, the U.S. government has provided approximately \$33 billion to support governance and economic and social development in Afghanistan. Most of these funds—nearly \$19.9 billion—were appropriated to the U.S. Agency for International Development's (USAID) Economic Support Fund (ESF). Of this amount, \$18.5 billion has been obligated and \$15.6 billion has been disbursed.⁵⁴⁴

According to its FY 2018 budget request, the State Department intends for U.S.-funded civilian-assistance programs in Afghanistan to reinforce and complement the U.S. military's ongoing train, advise, and assist (TAA) and counterterrorism (CT) efforts. Programs will focus on further consolidating the political, security, developmental, and social gains achieved since 2001, and aim to grow the Afghan economy. They are to be implemented under strict monitoring conditions to mitigate corruption.⁵⁴⁵

ESF investments will be made in key sectors like agriculture and natural resources. They target small and medium-size enterprises in prioritized value chains, provide support to public-private partnerships to improve infrastructure, and promote improved government capacity, including the Afghan government's ability to generate domestic revenue. The ESF is also being used to enhance civic engagement to combat violent extremism, and to empower women through increased access to education and employment opportunities.⁵⁴⁶

Implications of the FY 2017 Consolidated Appropriations Act and the New South Asia Strategy

The FY 2017 Consolidated Appropriations Act, which became law in May 2017, specifies that ESF funds may not be obligated for projects or activities that legitimize the Taliban in areas not under the Afghan government's control. According to the law, ESF funds are also not permitted to be used for projects or activities involving Afghan individuals or organizations involved in corrupt practices, as determined by the Secretary of State.⁵⁴⁷

In his speech at Fort Myer on August 21, 2017, about the U.S. strategy in Afghanistan and South Asia, President Trump stated that “one fundamental pillar of our new strategy is the integration of all instruments of American power—diplomatic, economic, and military—toward a successful outcome.” The President also emphasized his hope that India would begin to play a larger role in economic assistance to Afghanistan, and underscored

During the Inspector General's visit to Afghanistan this quarter, USAID officials said that the agency plans to concentrate future development assistance programming in urban centers, rather than in less-secure rural areas. The majority of the Afghan population lives in rural areas, where recent increases in poverty are concentrated.

Source: SIGAR, communications with USAID officials, 10/2017; World Bank, *Afghanistan Development Update*, 5/2017, p. 5.

that the U.S. would “participate in economic development to help defray the cost of [the] war.”⁵⁴⁸

ECONOMIC PROFILE

The IMF estimated Afghanistan’s real (net of inflation) gross domestic product (GDP), excluding opium, to have grown 2% in 2016, higher than the estimated 0.8% in 2015. The IMF said the 2016 rate remains far below that necessary to increase employment and improve living standards.⁵⁴⁹

In its first review under the Extended Credit Facility released in May 2017, the IMF projected Afghanistan’s GDP to grow 3% in 2017. However, in July the IMF adjusted its growth expectations downward to 2.5%, citing continuing governance and security challenges.⁵⁵⁰ The World Bank and Asian Development Bank (ADB) projected 2.6% and 2.5% growth for 2017, respectively. Growth outlooks remain contingent on improved security and revenue collection, political stability, investor and consumer confidence, strong donor support, successful implementation of reforms and favorable weather.⁵⁵¹

Afghanistan’s rapid population growth, estimated at 3% per year, is outpacing its licit economic growth. 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. Consequently, more than 23% of Afghanistan’s labor force was unemployed in 2016–2017, according to the most recent reporting. This is further exacerbated by deteriorating security conditions and repatriation of Afghans that adds to internal displacement. Unemployment is most severe among illiterate, low-skilled workers.⁵⁵²

Agriculture was the largest contributor to real GDP growth in 2016 due to favorable weather and greater output, according to the World Bank.⁵⁵³ However, economic growth based on this sector is volatile due to weather fluctuations.⁵⁵⁴ 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.⁵⁵⁵ Industry declined by 0.8% in 2016, largely a result of low construction activity, which had maintained strong growth in recent years. Manufacturing grew around 1% and services by 2.2%, which, according to the World Bank, was substantially lower than the historical average.⁵⁵⁶

Consumer prices remain low, but inflationary pressure on the Afghan currency, the afghani, combined with increasing global food prices caused domestic prices to rise by an IMF-estimated 4.4% in 2016, compared to a decrease of 1.5% in 2015.⁵⁵⁷ For 2017, the IMF projected inflation of 5.5%.⁵⁵⁸ According to the World Bank, exchange rates and global prices exert a significant impact on import-dependent nations like Afghanistan.⁵⁵⁹

The World Bank, IMF, and others exclude the value of opium production from their reported GDP estimates. Afghanistan’s Central Statistics Organization releases official GDP growth figures in two categories—one that includes and one that excludes opium value. Opium-related earnings boost domestic demand and are a significant source of foreign exchange.

The estimated net value of opium production was \$2.9 billion in 2016, representing 16% of GDP. The farm-gate value—the potential gross amount earned by farmers—was almost \$900 million, roughly 5% of GDP and a 57% increase over 2015.

Source: World Bank, *Afghanistan Development Update*, 5/2017, p. 2; IMF, “IMF Executive Board Completes First Review Under the ECF for the Islamic Republic of Afghanistan and Approves US \$6.2 million Disbursement,” Press Release No. 17/192, 5/24/2017; ADB, *Asian Development Outlook 2017*, 4/2017, p. 178; CSO, *Afghanistan Statistical Yearbook 2015–2016*; UNODC, *Afghanistan Opium Survey 2016, Sustainable Development in an Opium Production Environment*, 5/2017, pp. 44, 47.

Additionally, indicators suggested a decline in private investment in 2016, with the number of new firm registrations—a measure of investor confidence—dropping 9%. New vehicle registrations increased by 3.9%, indicating continued low-level economic activity.⁵⁶⁰

In spite of these challenges, the World Bank said this quarter that Afghan fiscal and policy reforms could deliver an annual average growth rate of 6.5% from 2017–2030. Key reforms included improved budget execution, reducing the costs and risks of doing business, and selective promotion of import substitution and exports, among others. However, the World Bank noted that the magnitude of public investment required to achieve this higher average annual growth rate would be substantial—up to \$2.6 billion per year through 2030.⁵⁶¹

IMF-defined domestic revenues: under its Extended Credit Facility arrangement with Afghanistan, the IMF defines domestic revenues in line with the Government Finance Statistics Manual, with some exceptions. Revenues include any increase in the central government's net worth resulting from a transaction. They exclude grants and are accounted for on a cash accounting basis. Transactions include taxes and additional compulsory transfers mandated by the central government, sales of goods and services, income derived from property ownership, interest, fines, penalties, forfeitures, voluntary transfers received from nongovernment entities, and social contributions.

In addition to grants, noncompulsory contributions from international organizations and foreign governments are excluded from the IMF's definition of revenue for program monitoring purposes. Also excluded are funds collected from the sale of nonfinancial assets and transactions in financial assets and liabilities (for example, borrowing but excepting interest payments), receipts collected by the central government on behalf of non-central government units, as well as profit transfers from the Central Bank to the Treasury.

Afghanistan's Fiscal Outlook

According to the IMF, Afghanistan remains poor, fragile, and heavily aid-dependent. Afghanistan's **IMF-defined domestic revenues** totaled afghani (AFN) 141.1 billion (approximately \$2.1 billion in current dollars) in 2016. This represents a 15.4% increase over 2015, surpassing the target set under the IMF's economic-support program.⁵⁶² The World Bank attributed this success to new tax policies introduced at the end of 2015 and to improved compliance and enforcement. Taxes were the greatest contributor to overall revenue, followed by non-tax revenue and customs duties.⁵⁶³

Budget expenditures continue to be significantly larger than revenues, with security being the largest recurrent cost. Even if security improves, the World Bank projects expenditures to be at least double likely revenues by 2030.⁵⁶⁴ For FY 1396 (2017), Afghanistan planned to contribute AFN 26.8 billion (\$401 million)—out of what DOD anticipates to be a \$4.9 billion requirement—to help cover the sustainment and operational costs of the ANDSF.⁵⁶⁵ Congress fully funded DOD's \$4.26 billion budget request for the ANDSF in FY 2017. The Afghan government and international donors are expected to help cover the rest.⁵⁶⁶ The IMF estimated Afghanistan's fiscal balance to remain balanced over the medium term, inclusive of donor contributions.⁵⁶⁷

According to the World Bank, improving Afghanistan's fiscal position will require a large increase in revenues, which is plausible only with mining development and with aid sustained at least at current levels. 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.⁵⁶⁸

Government Revenues and Expenditures

The U.S. government in its 2015 New Development Partnership listed an increase in Afghan government domestic revenues as an important result due by December 31, 2017. Achievement of this indicator is worth

Source: IMF, *First Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria*, 5/8/2017, p. 60.

\$20 million in U.S. on-budget funds.⁵⁶⁹ Since agreement on the partnership, the Afghan government has reported significant revenue increases.⁵⁷⁰ In May 2017, the IMF expressed uncertainty about the sustainability of these reported increases.⁵⁷¹ In July, SIGAR reported a nearly 25% year-on-year decrease in aggregate domestic revenues for the first six months of FY 1396, compared to the first six months of FY 1395.⁵⁷²

The July 30, 2017, quarterly report was the first time SIGAR had reported on Afghan government domestic revenues and expenditures using its own analysis of original Afghan government data exported from the Afghanistan Financial Management Information System (AFMIS). AFMIS is the MOF's government-wide accounting system. AFMIS data is entered by Afghan ministry staff, so data reliability largely depends on their diligence and accuracy in system-data entry. Following publication, SIGAR was contacted by senior MOF officials who expressed concern with the way SIGAR compared year-on-year revenues in the aggregate.⁵⁷³

The MOF officials said they categorize domestic revenue as either “sustainable” or “one-off.” They contended that SIGAR should have compared only “sustainable” domestic revenues when assessing year-on-year change, and that this conformed to the preferences of the World Bank and IMF. In subsequent conversations with IMF officials, SIGAR confirmed that the IMF does not include certain revenues, such as profit transfers from the Afghan Central Bank, in their definition of revenue when calculating year-on-year revenue changes for the purposes of its Extended Credit Facility program.⁵⁷⁴

However, SIGAR believes that providing aggregate domestic revenue figures presents a more complete picture of the Afghan government's overall fiscal position. According to our analysis, the MOF, at times, selectively includes and/or excludes one-off transfers in their own year-on-year revenue reporting. An MOF document presented at the October 2017 Senior Officials Meeting in Kabul stated, “In 2016, revenue collection improved by 26% compared to 2015, including one-off revenue.” In the same document, the MOF reported a nearly 10% increase in revenue in the first six months of 2017 that appears to exclude one-off revenue.⁵⁷⁵

AFMIS data provided to SIGAR this quarter showed sizable increases in revenues for the first six months of 1396 that were not reflected in the AFMIS data exported on July 11, 2017, which SIGAR used in the July quarterly report. Customs, for example, showed an increase from AFN 11,024,809,424 to AFN 18,339,254,349 (an increase of 66.3%). While some of this was attributable to underreporting of month six customs revenues, there were also a number of sizable increases in reported customs revenues in previous months. For example, AFN 1,113,540,048 in customs revenue for Nimroz Province in month three (representing about 45% of the province's total domestic revenue for that month and 15% of the province's total domestic revenues for the first six months) did not appear in the previous data SIGAR received (despite there being approximately four months

Why SIGAR Insists on Consistent Access to Raw Afghan Government Fiscal Data

SIGAR and others, including the World Bank and the IMF, have long reported on the Afghan government's fiscal struggles. Afghanistan has a mixed recent history with budget management: in October 2014, the MOF reported that, even with austerity measures, it was facing a substantial budget shortfall, and requested that donors provide an emergency infusion of \$537 million to cover this unfinanced deficit. Without this bailout, the government said it would have to defer bill payments, including civil servants' salaries.

Concerned about the apparently sudden request for a bailout, SIGAR asked the State Department for a U.S. government point of contact with access to the electronic Afghanistan Financial Management Information System (AFMIS), the country's government-wide accounting system, as well as a description of any efforts undertaken by the United States or the international community to independently validate the budget shortfall.

SIGAR discovered that the State Department did not have access to AFMIS, and that DOD's access was limited to information used to track Ministry of Interior and Ministry of Defense spending. When SIGAR asked USAID what the U.S. government determined Afghanistan's budget gap to actually be and how that figure was determined, USAID said the decision was based on figures publicly reported by the World Bank and IMF, rather than on analysis performed internally by the U.S. government.

As a result of these discussions, SIGAR urged State and USAID to press the MOF for complete access to AFMIS so the United States government

could independently track Afghanistan's fiscal progress, anticipate future budget needs and gaps, and hold the Afghan government accountable for its management of billions of dollars in U.S. and international donor assistance without having to rely on secondary reporting. The U.S. Embassy in Kabul made AFMIS access a condition for receiving \$25 million in U.S. funds. When access was granted in December 2014, the Afghan government received \$25 million from the State Department as a result.

SIGAR continues to emphasize the importance of U.S. government access to raw, unfiltered data for independent oversight and planning purposes. In an effort to provide more detailed fiscal reporting to Congress and the American public, SIGAR began to request and receive raw AFMIS data from USAID. SIGAR presented its first independent analysis of Afghanistan's fiscal position in the July 2017 *Quarterly Report to the United States Congress*. SIGAR has either shared, or offered to share, data used for this analysis with both the MOF and SIGAR's interagency partners, recognizing that they might benefit from the ability to conveniently analyze this data. For example, SIGAR proactively offered to share its processed spreadsheets with USAID when it began working with the agency to receive AFMIS data. Since that time SIGAR has provided analysis-friendly versions of AFMIS data to USAID and DOD officials, and is working to provide the same to our Treasury counterparts.

As long as the MOF offers full U.S.-access to AFMIS, SIGAR will continue to provide original reporting on the Afghan government's fiscal position to support its monitoring and accountability efforts.

Source: SIGAR, communications with IMF officials, 9/7/2017; GIROA, *Realizing Self-Reliance: Commitments to Reforms and Renewed Partnership*, 10/2014, p. 4; World Bank, *Afghanistan Development Update*, 5/2017, p. 16; World Bank, *Afghanistan: Country Snapshot*, 3/2014, p. 3; IMF, *First Review Under the Extended Credit Facility Arrangement and Request for Modification of Performance Criteria*, 5/8/2017, pp. 1, 12, 23; GIROA, MOF, *Afghanistan on the Road to Self-Reliance: A Year in Progress*, 10/2017, p. 5; MOF, *Request for Assistance to Address the Fiscal Situation*, 10/17/2014; GIROA, MOF, *Request for Assistance to Address the Fiscal Situation*, 12/15/2014; SIGAR-14-101-SP, 9/26/2014; State, response to SIGAR inquiry letter SIGAR-14-101-SP 10/10/2014; SIGAR, communications with State Department officials, 10/15/2014; State, response to SIGAR vetting, 10/16/2014; DOD, CSTCA, response to SIGAR data call, 9/29/2014; USAID, response to SIGAR data call, 12/28/2014; SIGAR, *Quarterly Report to the United States Congress*, 7/30/2017, pp. 160–162; SIGAR, *Quarterly Report to the United States Congress*, 1/30/2015, pp. 148–151; SIGAR, *Quarterly Report to the United States Congress*, 1/30/2016, pp. 137–139; SIGAR-15-45-SP, 4/15/2015; U.S. Embassy, Kabul, letter from Ambassador P. Michael McKinley to Acting Minister of Finance Mustafa Mastoor, 12/14/2014.

between month three and July 11, 2017).⁵⁷⁶ SIGAR will continue to follow this matter.

This quarter, based on updated data exported from AFMIS, SIGAR assessed that the government's aggregate domestic revenues remained roughly the same for the first eight months of FY 1396, compared to the first eight months of FY 1395. However, revenue identified as "sustainable" by the MOF increased 12% for the first eight months of FY 1396, year-on-year. During the same time period, expenditures decreased by about 9%.⁵⁷⁷

Table 3.13 compares the Afghan government's domestic revenues for the first eight months of FY 1396, compared to the first eight months of FY 1395. This table differs from that which SIGAR presented in July in two important ways. First, total domestic revenue for the first eight months of 1395 and 1396 is now presented with a subtotal of what MOF considers "sustainable"

and what MOF considers “one-off.” Second, percentage change is presented for both subtotals as well as the aggregate change.

SIGAR believes that this approach—presenting aggregate revenue while identifying one-off items—more accurately reflects the Afghan government’s overall fiscal situation. Table 3.14 on the following page shows expenditures for the first eight months of FY 1396, compared to the first eight months of FY 1395.

TABLE 3.13

DOMESTIC REVENUES, FIRST EIGHT MONTHS OF FISCAL YEARS 1395 AND 1396 COMPARED (IN AFGHANIS)				
Category		1395	1396	% Change
		(Through Month 8)^a	(Through Month 8)^b	
Ministry of Finance (MOF)-defined “Sustainable” Domestic Revenue				
Taxation & Customs Revenues	Fixed Taxes	6,084,652,810	8,265,215,840	35.84%
	Income Taxes	15,147,528,165	18,505,618,477	22.17%
	Property Taxes	243,307,378	300,344,683	23.44%
	Sales Taxes	17,019,916,700	21,994,231,536	29.23%
	Excise Taxes	0	0	N/A
	Other Taxes ^e	2,749,091,839	0	(-100.00%)
	Tax Penalties and Fines	0	1,823,493,976	N/A
	Customs Duties and Fees	17,543,832,180	24,319,279,898	38.62%
Social Contributions	Retirement contributions	2,616,116,417	3,034,890,618	16.01%
Other Revenue	Income from Capital Property	851,909,980	1,153,608,449	35.41%
	Sales of Goods and Services	3,479,742,504	4,845,007,830	39.23%
	Administrative Fees	14,176,414,495	16,625,543,808	17.28%
	Royalties	113,012,230	257,517,348	127.87%
	Non-Tax Fines and Penalties	711,502,733	460,438,595	(-35.29%)
	Extractive Industry Fees	642,585,456	1,105,729,135	72.08%
	Miscellaneous Revenue ^e	12,570,767,752	2,520,290,845	(-79.95%)
	Sale of Land and Buildings ^d	6,307,465	36,404,145	477.16%
Revenue Collected from Sources Under Claims	0	652,797	N/A	
Subtotal of MOF-defined “sustainable” domestic revenues		93,956,688,105	105,248,267,981	12.02%
MOF-defined “One-off” Domestic Revenue				
Other Revenue	Profit Transfer from Central Bank ^c	10,256,709,000	0	N/A
	Sale of Land and Buildings ^d	1,085,668,448	0	N/A
Subtotal of MOF-defined “One-off” domestic revenues		11,342,377,448	0	(-100.00%)
Total Domestic Revenue		105,299,065,553	105,248,267,981	(-0.05%)

Note:

^a These figures are derived from data publicly reported by MOF using AFMIS data exported on 9/4/2016.

^b These figures are derived from SIGAR’s analysis of data exported from AFMIS by USAID on 10/17/2017.

^c A significant component of FY 1395 revenues was an AFN 10.3 billion transfer of profits from the Afghan central bank to the MOF. Based on SIGAR’s analysis of AFMIS data, this profit transfer was initially recorded under Miscellaneous Revenues, and later re-categorized under a different code identified by the MOF as DABS exchange-rate gains. Because the FY 1395 Month 8 financial statement does not include the code under which this profit transfer was eventually classified in AFMIS, SIGAR has deducted approximately AFN 10.3 billion from the Miscellaneous Revenue figure presented in the FY 1395 Month 8 financial statement. SIGAR does include an approximately AFN 2.1 billion revenue item identified by the MOF as collections from New Kabul Bank debtors within sustainable domestic revenues. Although the MOF considers this one-off revenue, SIGAR observed that this revenue item moved in and out of categories in FY 1395, and was eventually classified under a revenue code not identified as one-off by the MOF.

^d In communications with MOF officials, SIGAR learned that the MOF classifies the sale of state-owned buildings in FY 1395 as “one-off” revenue. Thus, SIGAR splits the broader revenue category of Sale of Land and Buildings into separate “sustainable” and “one-off” revenue items. Sustainable revenues from this category include the sale of state-owned land.

^e SIGAR inadvertently omitted this category in the July 30, 2017, quarterly report.

Source: SIGAR analysis of USAID-provided AFMIS data exported 10/17/2017; MOF, Asad Financial Statements FY 1395, 9/4/2016; SIGAR, communications with MOF officials, 8/21/2017, 8/24/2017, and 9/4/2017.

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.14

EXPENDITURES, FIRST 8 MONTHS, FISCAL YEARS 1395 AND 1396 COMPARED (IN AFGHANIS)				
	Category	1395 (Through Month 8)^a	1396 (Through Month 8)^b	% Change
Personnel	Salaries in Cash	86,238,059,992	92,812,572,679	7.62%
	Salaries in Kind	13,502,772,726	14,931,670,917	10.58%
	Salaries and Wages Advance	289,712,052	487,226,880	68.18%
	Social Benefits in Cash	1,673,819,988	1,983,347,823	18.49%
	Social Benefits in Kind	0	0	N/A
Supplier Expenditures	Travel	1,662,247,958	1,653,241,988	(-0.54%)
	Food ^c	1,705,310,923	1,619,540,341	(-5.03%)
	Contracted Services	14,395,305,861	10,275,707,421	(-28.62%)
	Repairs and Maintenance	2,845,012,877	2,049,630,124	(-27.96%)
	Utilities	2,315,284,080	2,282,711,389	(-1.41%)
	Fuel	14,472,339,929	7,221,522,570	(-50.10%)
	Tools and Materials	1,938,172,336	3,021,829,423	55.91%
	Other	2,854,004,656	1,716,100,609	(-39.87%)
	Advances and Return of Expenditure	6,133,387,820	2,839,907,191	(-53.70%)
Subsidies, Grants, Contributions, and Pensions	Subsidies	1,068,550,000	699,201,377	(-34.57%)
	Grants to Foreign Governments	128,575,780	112,015,000	(-12.88%)
	Current Grants - General Government Units	0	52,567,000	N/A
	Social Security Benefits in Cash	14,710,488,123	15,111,432,971	2.73%
	Social Assistance Benefits in Cash	8,900,000	9,100,000	2.25%
	Subsidies, Grants, and Social Benefits Advance	757,639,436	480,410,250	(-36.59%)
Capital Expenditures	Buildings and Structures	17,094,892,378	13,296,340,639	(-22.22%)
	Machinery and Equipment ^d	7,210,691,418	864,415,448	(-88.01%)
	Valuables	820,776	415,600	(-49.36%)
	Land	268,300,877	243,580,809	(-9.21%)
	Capital Advance Payments>Returns	4,070,653,708	2,813,637,266	(-30.88%)
Interest and Principal^e		343,573,728	1,187,998,184	245.78%
Total		195,688,517,421	177,766,123,900	(-9.16%)

Note: The AFMIS data SIGAR received from USAID contained expenditure information in several different currencies, including U.S. dollars, Euros, and Australian dollars. Those additional expenditures included approximately \$248 million, 2.8 million Euros, and 584,000 Australian dollars over the first eight months of FY 1396. This was the first time SIGAR had received expenditure information in other currencies. SIGAR also received this quarter's AFMIS data just as it was finalizing this report. Given limited time, SIGAR was unable to determine whether or how previous reporting from the MOF treated these expenditures, and chose to report AFN expenditures only. SIGAR will address the issue of expenditures denominated in foreign currencies in future reports.

^a Figures based on the MOF's FY 1395 Month 8 Asad financial statement, which reflects AFMIS data exported on 9/4/2016.

^b Figures based on FY 1396 AFMIS data exported by USAID on 10/17/2017.

^c The MOF's FY 1395 monthly financial reports classify expenditure code 222 as "Communications." However, after reviewing both the FY 1395 and FY 1396 charts of accounts, SIGAR observed that expenditure code 222 designates food expenditures.

^d Applies to expenditures greater than 50,000 AFN, according to the FY 1396 Chart of Accounts.

^e The MOF's FY 1395 monthly financial reports contain a line item for interest. SIGAR's assumption is that this also includes principal, based on its interpretation of the FY 1395 and FY 1396 charts of accounts.

Source: SIGAR analysis of USAID-provided AFMIS data exported 10/17/2017; MOF, Asad Financial Statements FY 1395, 9/4/2016.

Trade

Temporary border closures, some import substitution, and weaker domestic demand in 2016 contributed to Afghanistan's improved trade balance, relative to 2015. However, trade performance remained weak, according to the IMF, and increases in the export of goods were offset by a fall in exported services.⁵⁷⁸

Afghanistan's trade balance was an IMF-estimated negative \$5.5 billion—equivalent to 29.3% of GDP. Afghanistan routinely sustains a large trade deficit, but donor aid helped the country maintain an IMF-estimated current-account surplus of \$1.3 billion in 2016 (equivalent to 7.1% of its GDP). The IMF estimated Afghanistan's current-account deficit at \$6.1 billion (equivalent to 32% of GDP) without donor assistance.⁵⁷⁹ The IMF said that donor grants financing Afghanistan's trade deficit helped the country maintain comfortable levels of international reserves.⁵⁸⁰

WTO membership may, over the medium term, help spur foreign direct investment by allowing Afghanistan to facilitate transit, resolve trade disputes, and gain access to global markets, according to the World Bank. The World Bank also said access to Iran's Chabahar seaport will open up a new low-cost transit route that may become the most important and cost-efficient port for Afghan trade, depending on security.⁵⁸¹

Export and Import Data

During 2014–2016, Afghanistan exported between \$1 billion and \$2 billion worth of goods and services annually, compared to imports ranging between \$7.4 billion and \$8.6 billion per year. Afghanistan's legal exports in 2016 consisted of goods (56.4%) and services (43.5%). Legal imports comprised goods (82.6%) and services (17.4%). The IMF projected Afghanistan's 2017 imports to be around \$7.9 billion, with more than \$6.3 billion paid for by official donor grants. Exports were projected at \$1.2 billion, not including illicit narcotics.⁵⁸² 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.⁵⁸³

IMF staff said that Afghanistan needs to increase and diversify its exports.⁵⁸⁴ The Afghan government pledged to reduce regulatory and operational barriers to facilitate this.⁵⁸⁵ 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.⁵⁸⁶ However, weather and rainfall would continue to exert a significant influence on agricultural output and income potential.

One business-climate benchmark targeted by the Afghan government in its recently launched compact with the United States is to become the 120th-ranked country by 2021 on the World Bank's *Doing Business* report for trading across borders (Afghanistan is currently ranked 175). To help meet this benchmark, the Afghan government also plans to reduce border compliance costs by 25% per year in 2018 and 2019. The World Bank's trading across borders indicator includes measurements for the costs and time associated with importing and exporting goods.

Source: State, "Afghanistan-United States Compact—Economic Benchmarks," 8/22/2017, p. 1; World Bank, "Trading Across Borders," <http://www.doingbusiness.org/data/exploretopics/trading-across-borders>, accessed 10/5/2017.



Boxes of the high-value spice saffron, part of a 7.4 ton shipment to Saudi Arabia, await export from Afghanistan. (USAID photo)

BANKING AND FINANCE

Afghanistan's banking sector comprises 15 banks—three state-owned, nine Afghan private-sector, and three foreign-owned commercial branches. The financial sector is only marginally profitable, and remains vulnerable to adverse shocks due to poor asset quality, capital shortfalls, and management deficiencies in several banks.⁵⁸⁷

In FY 1395 (December 22, 2015, to December 21, 2016), commercial bank loans to the private sector remained flat at AFN 46 billion (\$674 million), which may indicate a slowdown in private investments and/or a weak appetite for lending, according to the World Bank.⁵⁸⁸ Private banks dominate lending, with state-owned institutions presently focused on improving their governance structures and modernizing major bank functions and payment systems. While the state-owned banks were slightly profitable, the IMF reported that they currently lack viable business models, which the Ministry of Finance (MOF), Afghanistan's central bank, and the World Bank are addressing.⁵⁸⁹

A mere 10% of Afghan adults use formal financial institutions. Automatic teller machines are available in only eight of Afghanistan's 34 provinces, and credit cards are issued in only six. According to the IMF, creditworthy borrowers are in short supply due to difficult economic and security conditions, and Afghanistan's judicial system and legislative framework, weak bank management, limited professional capacity, poor bank governance and internal controls, and low financial literacy collectively represent significant impediments to developing a robust financial sector.⁵⁹⁰

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 hawalas, 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.⁵⁹¹

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 increasing 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 preparing a financial inclusion strategy to improve customer access to banking services.⁵⁹²

Following agreement to the IMF's Extended Credit Facility program, which included a benchmark to recapitalize New Kabul Bank, President Ghani chose to also recapitalize the banking sector as a whole. Because

Hawaladars: individuals engaged in an informal money transfer system (hawala) 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 the Afghan central bank, DAB. Hawaladars 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 safekeeping 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.

many Afghan banks remain undercapitalized, addressing nonperforming loans through recapitalization represented an attempt by the Afghan government to support new lending.⁵⁹³

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.⁵⁹⁴

Treasury continued to emphasize Afghanistan’s progress this quarter. Treasury said that the Financial Transactions and Reports Analysis Center of Afghanistan (FinTRACA), which is tasked with combating money laundering and terrorist financing, had reached satisfactory levels of operational effectiveness. Treasury noted that FinTRACA appeared to be adequately resourced, had functional policies and procedures in place, and was actively sharing information with both financial institutions and law enforcement entities.⁵⁹⁵

Department of Justice Assistance to Afghan Law Enforcement

The Department of Justice (DOJ) works with the Afghan government to help it better enforce the rule of law. This quarter, the DOJ’s Office of Justice Attaché conducted two training events for Afghan law enforcement officials. On August 1–2, 2017, DOJ hosted and moderated a series of discussions in Kabul for 45 Afghan law-enforcement officials, focusing on best practices in detecting and investigating financial crimes. On September 6, 2017, DOJ hosted a similar event for 25 Afghan law-enforcement officials focused on best practices for leveraging cooperators to help build more important cases, particularly those that are drug-related. DOJ said that it had no plans for future training.⁵⁹⁶

In addition to hosting training workshops, DOJ provides mentorship to FinTRACA, as well as to leadership within various investigative entities both within and outside the Attorney General’s Office (AGO), including the Military Anti-Corruption Unit, the Counter-Narcotics Justice Center, the Anti-Terrorism Prosecution Directorate, and the Anti-Corruption Justice Center. DOJ provides mentorship through bilateral and multilateral engagements in order to improve coordination among law enforcement organizations on common cases. However, no such meetings occurred this quarter. DOJ emphasized that both capacity issues and the current security situation were inhibiting its ability to provide mentorship and training.⁵⁹⁷

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.

Financial Supervision Department: a department established in 2003 and housed within Da Afghanistan Bank (DAB), Afghanistan's central bank, to regulate and oversee Afghanistan's financial system. FSD's 165 officials are to supervise the country's Money Service Providers, Electronic Money Institutions, Foreign Exchange Dealers, and banks.

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

Da Afghanistan Bank, website, "Financial Supervision Department," <http://dab.gov.af/en/page/about-the-bank/departments/financial-supervision>, accessed 10/02/2017.

Financial Action Task Force Compliance Update

In June 2017, the **Financial Action Task Force** (FATF) removed Afghanistan from its "Improving Global Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Compliance" document. Countries on this list have strategic AML/CFT deficiencies, but are implementing a FATF-approved corrective action plan to address them.⁵⁹⁸

Although FATF said Afghanistan has made significant progress in improving its AML/CFT administration, Treasury noted shortcomings in DAB's **Financial Supervision Department** (FSD), finding that its ability to provide effective oversight of money service providers remained weak. Treasury said that FSD examiners have little AML/CFT and banking experience, and were neither conducting sufficiently thorough analysis of suspicious activities nor producing detailed examination reports despite documented procedures.⁵⁹⁹

Kabul Bank Theft: Marginal Accountability

No efforts were made this quarter to seize, freeze, or investigate debtor accounts, or otherwise act on President Ghani's October 2014 decree requiring the Attorney General's Office (AGO) to indict and prosecute all those involved in the theft of approximately \$987 million from Kabul Bank in 2010 and to monitor enforcement of the courts' decisions.⁶⁰⁰

Officials from the Kabul Bank Receivership (KBR) communicated to DOJ that neither the AGO nor the Kabul Bank Clearance Committee are responding to the KBR's requests to pursue collection, and the KBR director himself may not be fully committed to recovery. The KBR—established to manage the bank's bad assets (for example, loans that are not being repaid)—is an administrative entity only, with no authority to investigate, prosecute, or recover debtor defaults.⁶⁰¹

Some debtors, such as associates of Balkh governor Ata Mohammad Noor, appear to be shielded by their close ties to former and current high-level government officials.⁶⁰² However, this quarter Kabul Bank debtor and former Dawi Oil Ltd. Chief Executive Abdul Ghafar Dawi was convicted in a separate case of embezzling millions of dollars through tax evasion and fuel contracts.⁶⁰³

In March 2017, KBR officials told DOJ that debt-collection efforts were directly undermined when a major debtor, with the assistance of First Vice President Dostum, successfully had his original financial judgment from the Kabul Bank Special Court dismissed, with one of three judges dissenting.⁶⁰⁴ This quarter, DOJ relayed the KBR's belief that other debtors effectively view their liabilities as dismissed, and are either challenging the original order, or have ceased making agreed-upon repayments.⁶⁰⁵

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 Dubai, United Arab Emirates (UAE). But the courts in Dubai view the language in the Afghan court decisions—particularly regarding the identification and seizure of properties and assets—as “conditional” and lacking “legal certainty or legitimacy.”⁶⁰⁶ The KBR said that although President Ghani has twice asked to meet with UAE officials to discuss this matter, those officials have yet to respond and no meeting was scheduled.⁶⁰⁷ A KBR representative said the entire judgment/decision is also legally unenforceable in Afghanistan. It is therefore unclear how the Afghan government can recover its stolen assets.⁶⁰⁸ The former deputy receiver of KBR also told SIGAR that the AGO’s office has expressed no interest in seeking an enforceable new judgment.⁶⁰⁹

The Afghan government officially requested UAE assistance in September 2016, but has received no response.⁶¹⁰ An April 2015 Afghan request for U.S. assistance was legally deficient. Although the Department of Justice (DOJ) outlined the corrective actions needed to move forward, the Afghan government did not respond or correct the deficiencies and the case was closed last quarter.⁶¹¹

Cash and Asset Recoveries: A Story Unchanged

The Kabul Bank Receivership (KBR) reported total recoveries of \$447.4 million, as of September 16, 2017, a slight decrease from reported recoveries last quarter. As shown in Figure 3.34 on the following page, total recoveries comprise cash, assets recovered by the government, interest waived by both the Karzai and Ghani administrations, assets of debtors identified in the UAE (but as yet unrecovered), and amounts still owed by major debtors who signed loan-repayment agreements. Total recoveries have remained effectively unchanged in the last year.⁶¹²

This quarter, DOJ and State reported that \$50 million in cash was transferred to the KBR from the MOF in order to account for “assets sold to government entities” that were originally recovered by the KBR, but which were subsequently “loaned” by the Karzai government to various ministries and agencies, yet not repaid. KBR officials believe that significant pressure from the international donor community resulted in this recent transfer, finally fulfilling numerous requests the KBR has made over the years. However, the transfer had no net effect on total recoveries.⁶¹³

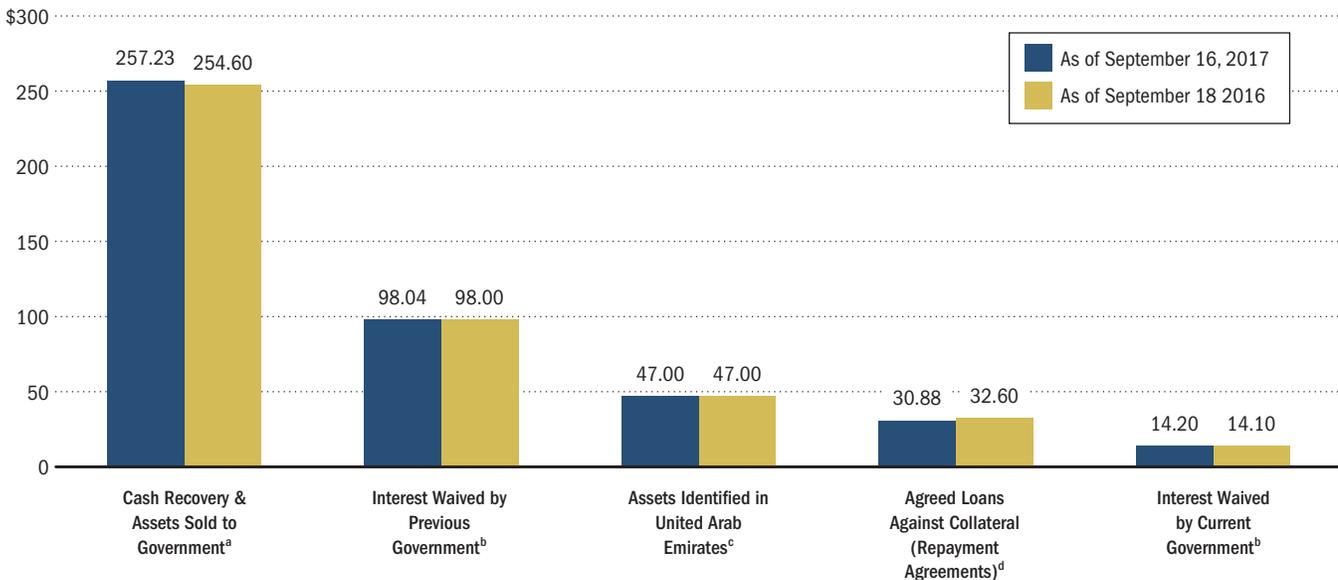
Recovery and accountability efforts are largely stalled.⁶¹⁴ The KBR reported \$596.9 million remains outstanding from 114 debtors (14 of whom owe \$578 million). Those figures remain unchanged since last quarter.⁶¹⁵ No recoveries from convicted ex-Kabul Bank chairman Sherkhan Farnood, who still owes \$272.8 million, were made this quarter; \$10,000 was collected from ex-CEO Khalilullah Ferozi, who still owes \$187.4 million, according to the KBR. This follows a pattern of the Afghan government’s failure to compel full repayment from the main architects of the fraud, both of whom are in jail, as of September 2017.⁶¹⁶

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.

FIGURE 3.34

KBR-REPORTED RECOVERIES, SEPTEMBER 2017 VS. SEPTEMBER 2016 (\$ MILLIONS)



Note:

^a Includes both cash recoveries and \$50 million in bank “assets sold to government entities” that was originally recovered by the KBR but were transferred or “loaned” by the Karzai government to various ministries and agencies, but not paid for until this quarter, when the MOF transferred \$50 million in cash to the KBR.

^b Represents accounted-for losses, not cash recoveries. Waivers were given as an incentive to enter repayment agreements.

^c These assets 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.

^d 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.

Source: Kabul Bank Receivership, “Kabul Bank Recovery and Loan Portfolio,” 9/16/2017; Kabul Bank Receivership, “Debts Recovery Table,” 9/18/2016; DOJ, response to SIGAR data call, 9/18/2017; State, SCA, response to SIGAR data call, 12/22/2016.

OTA received \$2 million from USAID on April 1, 2016, to provide budget, banking, and revenue-generation assistance to the Afghan government. This agreement expires on September 30, 2019. OTA also received \$178,437 from State’s Bureau of International Narcotics and Law Enforcement Affairs (INL) on September 1, 2016, to help Afghanistan combat economic crimes. This agreement, set to expire on May 30, 2017, was extended to September 30, 2017, and concluded this quarter.

Source: Treasury, response to SIGAR data call, 9/22/2017 and 6/23/2017.

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 MOF to develop and execute technical-assistance and capacity-building programs. OTA has carried out 13 program-assessment missions to Afghanistan so far, including two this quarter. Some OTA assistance to the MOF has been carried out remotely.⁶¹⁷ OTA assistance is focused on four areas:

Budgeting

Among other activities, OTA is helping the Afghan government develop baseline budgets and out-year estimates. From August 20–29, OTA worked with MOF officials in Kabul to follow up on progress made, and reported that the MOF had begun to incorporate methodological

changes recommended by OTA into its budgeting processes. MOF officials expressed their desire to implement additional inputs recommended by OTA. Treasury noted that the amount of technical assistance required to facilitate this implementation would be substantial.⁶¹⁸

OTA also said that USAID's Afghanistan Public Financial Management (APFM) project ended this quarter. As a result, USAID proposed an expansion of its \$2 million interagency agreement with OTA to continue portions of the work carried out under the APFM. OTA said that USAID's proposal would require its sustained effort and presence, and was reluctant to agree. Discussions between OTA and USAID on the nature of the proposed assistance were ongoing as this report went to press.⁶¹⁹

OTA is also reviewing the MOF's Fiscal Performance Improvement Plans (FPIP), and said that in late July, Treasury approved the development of a team to support FPIP. OTA said that while MOF officials were eager to work with Treasury, further coordination with the World Bank was required before initiating technical assistance in support of FPIP in order to avoid duplication of effort.⁶²⁰

Economic Crimes

OTA is 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.⁶²¹ This quarter, an OTA advisor deployed to Afghanistan from July 23 to August 3 and, in conjunction with a DOJ representative, helped conduct a workshop on best practices in detecting and investigating financial crimes. Additionally, OTA continued previous discussions with Afghan counterparts on interagency collaboration, particularly through the Afghanistan Financial Crimes Working Group, composed of stakeholders from various Afghan law enforcement entities.⁶²²

Banking

OTA works with Da Afghanistan Bank to improve electronic reporting, risk management, and state-bank restructuring (this assistance can be provided from the U.S. Embassy-Kabul and remotely). This quarter, OTA said that its banking team had scheduled a one-month mission, planned for October 20–November 21, to further support DAB's efforts in these areas. OTA said that future missions in 2018 would likely address private-sector growth, financial stability and inclusion, payment systems, and foreclosure procedures.⁶²³

Revenue

OTA is collaborating with the new customs and tax academy to design a curriculum, deliver courses, and supply course materials. An assessment mission took place in March 2016; technical assistance has not yet begun.⁶²⁴

Treasury reported that both security conditions and the challenging political environment constrained the efficacy of OTA's mission in Afghanistan. Treasury said the ultimate effectiveness of its 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.

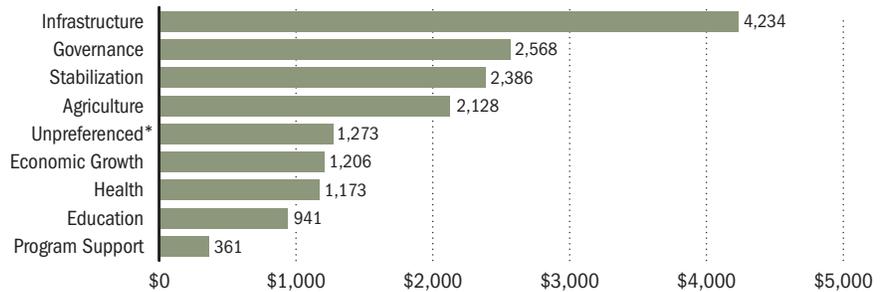
Source: Treasury, response to SIGAR data call, 9/22/2017.

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.⁶²⁵ Figure 3.35 shows USAID assistance by sector.

FIGURE 3.35

USAID DEVELOPMENT ASSISTANCE, CUMULATIVE DISBURSEMENTS, AS OF SEPTEMBER 30, 2017 (\$ MILLIONS)



Note: USAID Mission-managed funds. Numbers are 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, 10/15/2017; SIGAR analysis of World Bank, ARTF, Administrator’s Report on Financial Status, as of August 22, 2017.

One goal of the Afghanistan-U.S. compact launched this quarter is to develop Afghanistan’s mining and hydrocarbons sectors. The Afghan government plans to produce a roadmap for the extractive industries by December 2017 to provide a clear vision for the sustainable development of natural resources.

Source: State, “Afghanistan-United States Compact—Economic Benchmarks,” 8/22/2017, p. 1; USAID, OEG, response to SIGAR vetting, 10/10/2017.

Development of Natural Resources

Developing Afghanistan’s natural resources and reforming the fiscal administration of its extractives industries are essential to strengthening domestic revenue collection.⁶²⁶ Geological surveys show that Afghanistan is endowed with significant mineral resources, including granite, talc, nephrite, chromite, coal, gold, silver, iron, copper, and precious gemstones.⁶²⁷ Yet, mining has so far contributed little to the country’s licit GDP.⁶²⁸ Insufficient infrastructure, security conditions, declining global commodities prices, and inadequate capacity at the Ministry of Mines and Petroleum (MOMP) have all hampered the development of this sector.⁶²⁹

Moreover, illegal mining at an estimated 1,400–3,000 sites persists, curtailing Afghanistan’s economic development.⁶³⁰ 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, drives criminality, and exacerbates corruption.⁶³¹

In May 2017, the IMF reported that Afghan authorities were unable to advance an extractives reform agenda due to personnel turnover and lack

of political commitment. USAID said the MOMP currently cannot administer the country's approximately 488 existing extractives contracts.⁶³² A recent Afghanistan Research and Evaluation Unit report underscored ongoing challenges at MOMP, noting that the Ministry had lost much of the capacity acquired over the last decade. MOMP continues to lack permanent leadership at the highest level: Acting Minister Nargis Nehan, reportedly a reformer seeking increased transparency at MOMP, remained unconfirmed by the Afghan parliament this quarter.⁶³³

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.⁶³⁴

Despite these challenges, the United States expressed renewed interest in developing Afghanistan's natural resources this quarter. On September 21, 2017, President Donald Trump met with President Ghani while both were attending the United Nations General Assembly in New York. Among other topics, they discussed how American companies could rapidly develop Afghanistan's rare-earth minerals to lower the costs of U.S. assistance and render Afghanistan more self-reliant.⁶³⁵ In the meeting, President Ghani said, "The economic development and prosperity of Afghanistan depend on its mining sector."⁶³⁶ According to USAID, substantial investment in exploration and development is needed to expand the Afghan extractives sector.⁶³⁷ However, whether private investors would be interested remains debatable. In an interview with Foreign Policy this quarter, U.S. Secretary of Commerce Wilbur Ross noted, "There are myriad questions that have to be answered for [a] project to come to fruition."⁶³⁸

USAID Assistance

USAID has no major active mining or hydrocarbon programs. Despite apparently reinvigorated U.S. interest in developing Afghanistan's natural resources, none are planned. USAID's most recent mining and gas-generation programs ended March 31, 2017, and July 31, 2016, respectively. USAID said it needs a commitment to institutional reform from the highest levels of the Afghan government to ensure foreign assistance to the mining sector is used effectively.⁶³⁹

However, USAID continues to fund technical services and legal advising to MOMP through interagency agreements with the U.S. Geological Survey (USGS) and the Department of Commerce. Additionally, in partnership with DOD, USAID is currently funding a USGS assessment of lithium resources at three sites in western Afghanistan.⁶⁴⁰ USAID said the World Bank, the United Kingdom's Department for International Development, and the

SIGAR AUDIT

A SIGAR audit published in January 2016 examined the effectiveness of U.S. assistance to the MOMP, specifically through the Task Force for Business and Stability Operations (TFBSO), and USAID's Mining Investment and Development for Afghan Sustainability (MIDAS) and Sheberghan Gas Generation Activity (SGGA) programs. SIGAR found that these programs had mixed results, and that MOMP's management lacked the commitment necessary to implement needed reforms. A separate SIGAR performance audit of TFBSO is also ongoing. For more information, see: SIGAR, *Afghanistan's Oil, Gas, and Minerals Industries: \$488 million in U.S. Efforts Show Limited Progress Overall, and Challenges Prevent Further Investment and Growth*, SIGAR 16-11-AR.

Australian Agency for International Development are considering providing additional, unspecified assistance to MOMP. USAID added that it plans to work closely with these entities to avoid any duplication of effort.⁶⁴¹

According to USAID, the Trump Administration's recently announced South Asia strategy has reinforced a shift that emphasizes developing the private sector, with extractives viewed as an avenue for both increasing government revenue and effecting regional trade linkages. However, USAID did not specify how this shift might translate into specific programming. Overall, USAID remains concerned about MOMP's reputation for corruption.⁶⁴²

Agriculture

Agriculture is a 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 Afghan households that derive income from agricultural activities for their livelihoods.⁶⁴³ Within the broader agricultural sector, Afghanistan's horticultural products—for example, dried fruits and nuts—are modestly competitive: although it accounts for about one-third of agriculture's overall contribution to GDP, horticulture generates about 50% of export earnings.⁶⁴⁴

Growth in the agricultural sector has been constrained. According to the Afghan government, underinvestment in developing water resources, degrading natural resources, poor-quality inputs such as seeds and fertilizer, and weak domestic- and export-product marketing all hinder greater agricultural growth. The government hopes to transition from being an agrarian-subsistent and importing nation to an agro-industrial exporting one. To do so, the government plans to focus on areas with the largest potential to improve economic growth: promoting agro-industry, expanding cold-storage facilities, increasing quality control, and introducing better packaging to reduce waste and spoilage.⁶⁴⁵

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 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.⁶⁴⁶

Since 2002, USAID has disbursed more than \$2.1 billion to improve agricultural production, increase access to markets, and develop income alternatives to growing poppy for opium production.⁶⁴⁷ Pages 227–231 of this quarterly report discuss USAID's agriculture alternative-development

TABLE 3.15

USAID ACTIVE AGRICULTURE PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)
Regional Agriculture Development Program (RADP-South)	10/07/2013	10/06/2018	\$125,075,172	\$96,569,882
Strengthening Watershed and Irrigation Management (SWIM)	12/07/2016	12/06/2021	87,905,437	3,334,165
Regional Agriculture Development Program (RADP-North)	05/21/2014	05/20/2019	78,429,714	41,993,934
Commercial Horticulture and Agriculture Marketing Program (CHAMP)	02/01/2010	12/31/2019	61,294,444	50,424,711
Kandahar Food Zone (KFZ)	07/31/2013	08/30/2018	45,402,467	38,185,000
Regional Agriculture Development Program (RADP-East)	07/21/2016	07/20/2021	28,126,111	4,269,671
CBCMP-II (Capacity Building and Change Management Program II)	07/10/2014	07/09/2017	20,874,464	20,670,689
Afghanistan Agriculture Extension Project II (AAEP - II)	10/01/2014	07/31/2017	20,229,771	20,012,936
Grain Research and Innovation (GRAIN)	03/13/2017	09/30/2022	19,500,000	3,250,000
Promoting Value Chain - West	09/20/2017	09/19/2020	19,000,000	-
ACE II (Agriculture Credit Enhancement II)	06/24/2015	06/23/2018	18,234,849	9,276,554
Strengthening Afghanistan Agricultural Faculties (SAAF)	03/25/2011	08/31/2017	7,824,209	6,851,797
SERVIR	09/14/2015	09/30/2020	3,100,000	392,156
Program Evaluation for Effective Learning (PEEL)	02/16/2017	10/31/2017	1,475,177	382,881
HESN: Texas A&M University's Agrilife ConDev	11/08/2012	11/07/2017	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. 227–231 of this report.

Source: USAID, response to SIGAR data call, 10/15/2017.

programs. USAID's active agriculture programs have a total estimated cost of \$537 million and can be found in Table 3.15.

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 MAIL. ADF extends agriculture-related credit access to small- and medium-sized commercial farms and agribusinesses in all regional economic zones, particularly to those that add value to agricultural products, such as distributors, producers, processors, and exporters.⁶⁴⁸ USAID reported that with ACE II help, ADF has cumulatively disbursed approximately \$87.6 million in loans impacting 39,842 direct beneficiaries, as of September 2017.⁶⁴⁹

However, ACE II implementers continued to report that ongoing deterioration of both security and the economy is reducing demand for agricultural credit and negatively impacting loan repayments.⁶⁵⁰ In a draft annual report submitted to USAID on July 31, 2017, the implementers also said that security and economic challenges impacted the ADF just as weaknesses in the fund's loan evaluation criteria were emerging. Among other

factors, these circumstances have increased the time required for the ADF to achieve operating sustainability as a stand-alone entity. However, ACE II appeared to be on track to meet its FY 2017 targets for both the value of loans disbursed (\$15 million) and the percentage of loan losses (under 5%), and USAID said that no loans were written off by the ADF during the most recent reporting period (July to September 2017).⁶⁵¹

Among the business-climate reform goals included in the recently launched Kabul Compact between the United States and Afghanistan is improving the availability of electricity. The Afghan government aims to reach a rank of 120 on the World Bank's indicator for gaining access to electricity (Afghanistan is currently ranked 159). The government hopes to establish a power-sector regulator and reduce the costs of electricity installation for business consumers. The World Bank's access-to-electricity indicator measures the cost, time, and number of procedures required for a firm to gain access to a permanent electricity connection. It also accounts for the reliability of power supply and the transparency of electricity tariffs.

Source: State, "Afghanistan-United States Compact—Economic Benchmarks," 8/22/2017, p. 1; World Bank, "Getting Electricity," www.doingbusiness.org/data/exploretopics/gettingelectricity, accessed 10/5/2017.

NEPS: imports electricity from Central Asia 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.

ESSENTIAL SERVICES AND DEVELOPMENT

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

Power Supply

Afghanistan has one of the lowest rates of electrification in the world, with only an estimated 25–33% of Afghans connected to the power grid.⁶⁵² Over 89% of the population in large urban areas like Kabul, Herat, Kandahar, and Mazar-e Sharif has access to grid-connected power (although outages are common), in contrast to less than 11% of the rural population.⁶⁵³

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%.⁶⁵⁴ The World Bank noted that limited access to electricity is one of Afghanistan's biggest constraints to private-sector development.⁶⁵⁵ Afghanistan will need regional cooperation to meet its energy demands.⁶⁵⁶

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.⁶⁵⁷ 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.⁶⁵⁸

DOD has disbursed approximately \$180 million for power projects through the Commander's Emergency Response Program as of July 2015, and roughly \$494 million, as of August 31, 2017, through the Afghanistan Infrastructure Fund (AIF), which is jointly managed by DOD and State.⁶⁵⁹

Afghanistan's two primary power systems are the **Northeast Power System (NEPS)** and the **Southeast Power System (SEPS)**, which U.S.

Forces-Afghanistan (USFOR-A) and USAID aim to connect, increasing the electricity supply in both systems. USAID’s Power Transmission Expansion and Connectivity (PTEC) project is constructing a transmission line connecting Kabul with Kandahar and building the capacity of DABS to sustain energy-infrastructure investments.⁶⁶⁰ USAID’s active power-infrastructure projects have a total estimated cost of \$1 billion and are listed in Table 3.16.

TABLE 3.16

USAID ACTIVE POWER-INFRASTRUCTURE PROJECTS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 9/30/2017 (\$)
Power Transmission Expansion and Connectivity (PTEC)	1/1/2013	12/31/2018	\$725,000,000	\$154,270,363
Contributions to the Afghanistan Infrastructure Trust Fund (AITF)	3/7/2013	3/6/2018	153,670,184	153,670,184
Engineering Support Program	7/23/2016	7/22/2019	125,000,000	24,154,669
Kandahar Solar Project	2/23/2017	8/26/2018	10,000,000	0
Utility Executive Exchange	9/30/2007	9/30/2017	698,555	698,555

Source: USAID, response to SIGAR data call, 10/15/2017.

Kajaki Dam Power—Operations and Maintenance

The three turbines now in service at the Kajaki powerhouse have a total generating capacity of 50.5 MW and were online this quarter, but were operating at a peak level of 41.5 MW due to seasonal reservoir-level constraints.⁶⁶¹ It is not known how long this level of power generation will last.⁶⁶² Repairs on Unit 3 initially scheduled for September 2016 have been postponed indefinitely.⁶⁶³ USAID reported this quarter that it is unaware of any near-term plans to perform repairs on any of the three turbines.⁶⁶⁴ DABS assumed full responsibility for the Kajaki power plant, including operations and maintenance (O&M), starting in April 2017, and hired 11 operators to take charge of the powerhouse.⁶⁶⁵

SIGAR AUDIT

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

Power Transmission Expansion and Connectivity Program

The U.S.-funded PTEC program was designed to strengthen and expand Afghanistan’s power-generation, transmission, and distribution systems, including funding the 320-mile transmission line between Kabul and Kandahar to connect NEPS with SEPS.⁶⁶⁶ 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.⁶⁶⁷ Technical losses include energy lost to line heating and current leakage; commercial losses include customers’ nonpayment of bills and energy theft, by illegally tapping into lines or bypassing meters.

Although initially scheduled for completion by December 31, 2016, construction on the \$104 million transmission line and substations between Arghandi and Ghazni, the first segment of the NEPS-SEPS connector, was delayed to July 31, 2017, in order to repair and replace damage caused by fighting between Afghan security forces and the Taliban. This quarter, in response to a request from DABS, the date for construction completion was extended by an additional month to August 31, 2017, and was 98% complete by that date.⁶⁶⁸ This figure is inclusive of war-damage repairs that necessitated additional work. Although reporting from DABS indicated that the remaining work was completed in September, subsequent site visits disconfirmed this reporting, according to USAID.⁶⁶⁹

The project contractor reported that only 39% of repairs on the transmission line were complete through June 30, 2017, the most recent completion figure available to SIGAR. War-damage repairs have been complicated by both unresolved right-of-way issues and concerns related to site security.⁶⁷⁰ USAID said that DABS is responsible for remaining tasks, and has provided no estimate for when it plans to complete the project.⁶⁷¹

As of August 24, 2017, approximately \$87.8 million has been disbursed for the Arghandi-Ghazni transmission line and substations.⁶⁷² 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.⁶⁷³

USAID is providing as much as \$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. USAID said security will be a major challenge to implementing this project. On February 26, 2017, DABS signed a \$113 million contract for the transmission line. The award for the substations that had been under protest since September 2016 was resolved in March 2017. However, USAID revoked its consent for the substations award on May 21, 2017, after receiving information alleging impropriety, and reported the matter to USAID's Office of the Inspector General.⁶⁷⁴

On June 17, 2017, DABS officials reiterated their request for consent from USAID and on June 22, 2017, DABS provided a brief to USAID and SIGAR on its understanding of the documents and events associated with the alleged impropriety. In July, 2017, USAID's Office of the Inspector General issued an interim referral for consideration and action related to the procurement process. USAID subsequently revoked consent to DABS for any award related to the Ghazni-Kandahar substations on July 21, 2017. USAID also recommended to DABS that it reconsider all planning related to both the Ghazni-Kandahar substations and transmission lines, and that DABS provide a proposal for a way forward before the cancellation of \$179.5 million from the Afghanistan Infrastructure Fund (AIF) scheduled for September 30, 2019.⁶⁷⁵

For the SEPS Completion, Phase 2, \$55 million was transferred to USAID through the AIF 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.⁶⁷⁶ On January 21, 2017, USAID issued its consent to execute the transmission-line contract, but Afghanistan's National Procurement Commission must approve it before the contract can be signed. On June 24, 2017, DABS submitted its bid-evaluation report for the substations to USAID for review.⁶⁷⁷ This quarter, USAID said that contracts related to both the Kandahar-Kajaki transmission lines and substations remained in the procurement phase.⁶⁷⁸

Power Availability in Kandahar

U.S. fuel subsidies totaling \$141.7 million for power generation at two industrial parks in Kandahar City ended in September 2015.⁶⁷⁹ USAID reported that since then, energy 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 working altogether. Three other generators were transferred to Shorandam to replace units requiring scheduled maintenance, meaning that the Bagh-e Pol diesel power plant is no longer operational.⁶⁸⁰

The Shorandam generators are currently producing 480,000 kilowatt-hours (kWh) per week. According to USAID, this production level is insufficient to meet either the maximum energy demand of the industrial park's commercial customers, estimated at 1,680,000 kWh per week, or the minimum demand of 1,344,000 kWh per week. These circumstances reportedly prompted factories to go on strike in January 2017. For other commercial and residential customers in Kandahar, the electricity supply is also inadequate.⁶⁸¹

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.⁶⁸²

To help reduce the gap between Kandahar's electric-generation capacities and demand, 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-purchase agreement and contract were signed on February 22–23, 2017.⁶⁸³ This quarter, USAID issued a notice to proceed, and construction on the solar-power plant commenced with a ceremonial groundbreaking on September 24, 2017.⁶⁸⁴

SIGAR AUDIT

A SIGAR audit published this quarter on FY 2011 Afghanistan Infrastructure Fund projects found that none of the agencies responsible for implementation—neither DOD, the State Department, and USAID—assessed whether the projects supported the U.S. counterinsurgency strategy as intended. SIGAR also found that although three of the six FY 2011 AIF projects were complete, three others remained incomplete and up to five years behind their original schedule. For more, see pp. 24–29 in Section 2 of this report.

Afghanistan Infrastructure Fund Power Projects

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 completing the AIF-funded portions of the NEPS and SEPS.⁶⁸⁵

This quarter, USFOR-A said that fighting around SEPS sites continued to negatively impact AIF project completion schedules. The fighting compelled contractors to conduct time-consuming demining of sites before commencing work, and in some cases forced them to relocate to other segments of the transmission line. Violence frequently displaced land owners, slowing the Afghan government's land-acquisition process. For example, contractors were unable to construct five towers on the Sangin to Lashkar Gar contract because landowners had fled from their homes. USFOR-A said that these issues were likely to cause additional delays during the next reporting period.⁶⁸⁶

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 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 3.17.⁶⁸⁷

AIF projects use FY 2011–FY 2014 appropriated funds. No additional AIF money was requested or appropriated in subsequent fiscal years, but up to \$50 million from the FY 2017 Afghanistan Security Forces Fund (ASFF) may be used under limited circumstances to help finish existing projects.⁶⁸⁸ On September 22, 2017, DOD notified Congress that it would use as much as \$8 million of the FY 2017 ASFF to help complete Phase one of the NEPS Arghandi to Gardez transmission line project.⁶⁸⁹

Transportation

Afghanistan's lack of transportation infrastructure hinders domestic 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.⁶⁹⁰

Roads

Afghanistan has more than 76,400 miles of road, 28,000 of which have been rehabilitated or improved.⁶⁹¹ In 2016, SIGAR auditors assessed the conditions 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

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TABLE 3.17

AFGHANISTAN INFRASTRUCTURE FUND POWER PROJECTS, AS OF SEPTEMBER 10, 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 Gar	Repair, install transmission lines; rebuild, construct power substations	130.0	57.5	57.5	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	101.0 ^e	96.0	Overall project 98% complete; responsibility for completion turned over to DABS (No completion date specified)
	NEPS - Arghandi to Pul-e Alam	Design, construct transmission line, towers, and power substation	93.7	50.3	47.1	Transmission line and towers complete; substation under construction. (Completion: 12/2017) ^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	28.5	24.6	Under construction; tower excavation, tower erection, transmission line stringing ongoing. (Completion: 2/2018) ^b
	NEPS - Pul-e Alam to Gardez	Design, construct transmission line, towers, and power substation	120.0	68.5	66.7	Towers erected; transmission line (55 km) and substation complete. (Completion: 11/2017) ^c
	NEPS - Charikar to Gul Bahar and Nejrab	Design, construct transmission lines, towers, and power substation		38.8	36.9	All towers erected; transmission line and substations complete; addressing ROW issues. (Completion: 11/2017) ^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, towers, and power substation	33.0	24.1	23.5	All towers erected; transmission line and substations complete; addressing ROW issues. (Completion: 11/2017) ^d
	SEPS Completion - Phase 1	Civil, structural, architectural improvements to substations in Tangi, Sangin North and South	75.0	63.1	8.2	Civil, structural, and architectural improvements underway. (Completion: 1/2018) ^e
		Design, construct, transmission lines from Sangin North to Lashkar Gar			38.3	Transmission towers under construction; BOD shifted due to ROW issues; reroute awaiting approval; no security issues at this time. (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	Contract signed, but USAID revoked consent for all awards related to substations in 7/2017 due to allegations of impropriety; DABS reconsidering planning for both transmission line and substations (Completion: TBD)
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 contract, but not yet signed; no change from last quarter. (Completion: TBD)
	NEPS - Gardez to Khowst	Design, construct transmission line and substation; DOD's final contribution to NEPS	130.0	121.3	49.4	Transmission towers under construction; Khowst and Waza-Khvajeh substation designs under review; 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, the updated completion date has 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 8/31/2017. All other information is as of either 9/10/2017, 9/21/2017, or 9/23/2017, depending on the most recent project-specific information available to SIGAR. For the purposes of this table, project completion dates are defined as the Beneficial Occupancy Date (BOD).

^a Pul-e Alam substation 90% complete. ASFF funds transferred to complete testing and turnover in FY 2018.

^b 111 of 114 towers completed. Conductor lines 87% strung. Pushmol and Maiwand substations 87% and 82% complete, respectively.

^c Cannot test/commission this segment until NEPS, Phase 1 segment is energized to Pul-e Alam. Scheduled completion extended to 11/1/2017.

^d USACE inspection complete. Coordination with Ministry of Energy and Water to resolve ROW issues ongoing.

^e Tangi substation 75% complete. Sangin North substation 75% complete. Sangin South substation 79% complete.

^f Sangin to Durai Junction segment: 125 of 205 towers completed. Durai Junction to Lashkar Gar segment: 192 of 212 towers completed. Disbursed amount includes \$2.8 million for security.

^g Includes additional, non-AIF USAID funding.

^h 223 of 268 tower excavations completed. 123 tower foundations completed. Revised transmission line design to be submitted. Gardez substation line bay design review completed.

Source: USFOR-A, C-JENG, FY 2011–2014 AIF Program Status Report, 9/10/2017; USACE, Garrison and Infrastructure Working Group, AIF LIR, 9/23/2017; USAID, OI, response to SIGAR data call, 9/21/2017 and 3/24/2017; USAID, response to SIGAR vetting, 10/16/2017.

maintenance.⁶⁹² The World Bank similarly reported that 85% of Afghanistan's roads are in poor condition; the majority cannot be used year-round.⁶⁹³

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.⁶⁹⁴ DOD provided at least \$847 million for 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.⁶⁹⁵

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.⁶⁹⁶ A USAID implementing partner calculated that the Ministry of Public Works (MOPW) has funds to carry out adequate O&M on only 16% of its roads in 2016, a one-percentage-point increase over 2015.⁶⁹⁷ 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 and deteriorated beyond repair.⁶⁹⁸

Additionally, a USAID assessment from May 2015 found that MOPW needed organizational structure reforms, 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, and its assistance to the MOPW ended this quarter on August 2, 2017.⁶⁹⁹

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), ended on August 2, 2017. The purpose of TA-MOPW was to improve the capacity and effectiveness of the MOPW to manage Afghanistan's road network by aligning its policies and responsibilities with global best practices. Specifically, the program aimed to establish a road authority, road fund, and transportation institute.⁷⁰⁰

These objectives were not achieved. Although USAID approved a final transition plan on October 11, 2016, implementation was subject to Afghan cabinet and parliamentary approval, which is still pending.⁷⁰¹ USAID said that the Afghan government made no further progress this quarter. Because a road authority, road fund, and transportation institute have not been created, USAID decided to withhold funding from the MOPW after TA-MOPW

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TABLE 3.18

AFGHANISTAN INFRASTRUCTURE FUND ROAD PROJECTS, AS OF SEPTEMBER 10, 2017 (\$ MILLIONS)						
AIF Project	Description	Notified Amount	Obligated	Disbursed	Status	
AIF FY 11	Lashkar Gar to Nawar Road	Design, construct 22.5 km road in Helmand Province	\$22.0	\$20.5	\$20.5	Complete
AIF FY 12	RC-East Border Transportation Corridor	Saracha Bridge	35.6	6.8	6.8	Complete
		Ghulam Khan Corridor		12.7	12.7	Complete
	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 a bridge to complete Ghulam Khan Transportation Corridor	10.0	4.8	4.8	Complete: USFOR-A coordinating property transfer with MOPW

Note: Notified amount reflects estimated project ceiling cost. Obligations and disbursements are as of 8/31/2017. All other information is as of 9/10/2017.

Source: USFOR-A, C-JENG, FY 2011–2014 AIF Program Status Report, 9/10/2017.

ended, in line with SIGAR's recommendation.⁷⁰² A total of \$23.6 million had been disbursed for TA-MOPW as September 30, 2017.⁷⁰³

TA-MOPW's primary accomplishments included the preparation of a series of reports that collectively provided an institutional framework for better MOPW management of Afghanistan's road assets.⁷⁰⁴ These reports included a baseline assessment of the MOPW's organization and capabilities, a five-year road maintenance plan, and a ten-year maintenance budget plan. Business cases, legislative options, and high-level structures for a road authority, road fund, and transportation-infrastructure institute were also generated.⁷⁰⁵ Earlier this quarter, in its final monthly report, the implementer noted that all obligations associated with project closeout and demobilization were completed in July.⁷⁰⁶

At the completion of TA-MOPW, the implementer reported that despite substantial investment in the ministry and sustained interest in developing Afghanistan's transportation infrastructure on the part of donors, little has changed in the MOPW's capacity. The implementer underscored that due to a persistent lack of reform within the ministry, Afghanistan's Strategic Road Network, over which the MOPW has authority, was at serious risk, and in danger of losing 70% of its asset value by 2021 if current trends continue.⁷⁰⁷

According to the Afghanistan-U.S. Compact launched this quarter, the Afghan government aims, by 2021, to be the 120th-ranked country for enforcing contracts in the World Bank's *Doing Business* report (Afghanistan's current rank is 180). In support of achieving this benchmark, it also plans to reduce the amount of time required to obtain a judgement from a court system by 50% by December 2019.

Source: State, "Afghanistan-United States Compact—Economic Benchmarks," 8/22/2017, p. 1; World Bank, "Enforcing Contracts," www.doingbusiness.org/data/exploretopics/enforcing-contracts, accessed 10/5/2017.

The Afghanistan-India Air Corridor was inaugurated on June 19, 2017, with the intent of creating opportunities for Afghan exports, particularly agricultural products. Because Pakistan has strict limits on the volume of goods that Afghanistan can ship overland through its territory, the air corridor was envisioned as a way to export products directly to India. In August, multiple news reports highlighted problems with the air corridor. Some producers in Kandahar reportedly faced losses as tons of fruit rotted due to flight delays and a lack of cold-storage facilities. Both the U.S. and Afghan governments have promoted the Afghanistan-India Air Corridor as a recent trade success, and President Ashraf Ghani hopes to expand the corridor in an effort to increase trade ties with India.

Source: Reuters, "Ticket to rot for fruit stranded without flights in Afghanistan," 8/16/2017; Reuters, "India, Afghanistan plan air cargo link over Pakistan," 12/3/2017; *Wadsam*, "Afghan-India air cargo a 'failed process,'" 8/7/2017; *ToloNews*, "120 Tons Of Fruit Waiting to Reach India Markets By Air Cargo," August 6, 2017; U.S. Embassy in Afghanistan, "Statement by Ambassador Hugo Llorens on Economic Growth in Afghanistan," 8/4/2017; GIROA, Ministry of Foreign Affairs, "H.E. Salahuddin Rabbani Minister of Foreign Affairs of the Islamic Republic of Afghanistan Speech on India - Afghanistan Relationships: Recent Development and Implications," 9/12/2017; GIROA, Office of the President, "President Ghani Meets Indian Foreign Minister," 9/21/2017.

Afghanistan Infrastructure Fund Road Projects

DOD has obligated \$62 million and disbursed \$62 million for five road projects under the AIF, as of August 31, 2017. All five road projects, some consisting of multiple phases, are now complete. This quarter, the final seven km of the Ghulam Khan Transportation Corridor was finished. USFOR-A reported that as of September 10, 2017, it was coordinating with MOPW to facilitate property transfer. Table 3.18 on the previous page provides a summary of DOD's road projects executed under the AIF.⁷⁰⁸

ECONOMIC GROWTH

USAID has cumulatively disbursed over \$1.2 billion for economic-growth programs in Afghanistan.⁷⁰⁹ USAID active economic-growth programs have a total estimated cost of \$387 million and can be found in Table 3.19.

Afghanistan Trade and Revenue Project

USAID's four-year, \$77.8 million Afghanistan Trade and Revenue (ATAR) project aims to help Afghanistan realize its potential as a regional and global trading partner. ATAR is designed to promote trade-policy liberalization, enhance Afghanistan's access to regional markets, and improve its customs administration. ATAR is scheduled to end in November 2017.⁷¹⁰ As of September 30, 2017, USAID had obligated \$74 million and disbursed \$68.3 million for ATAR-related activities.⁷¹¹

This quarter, USAID implementers reported that ATAR provided support to the third WTO Inter-Ministerial Technical Committee at the Ministry of Commerce and Industries, which assessed progress in fulfilling pending WTO commitments. In support of Afghanistan's post-accession strategy, ATAR provided a completed English version of a WTO dispute-resolution manual to committee members and ministries. Among other key achievements noted this quarter, ATAR connected Afghan traders to the recently established Afghanistan-India Air Corridor initiative, working in conjunction with the Afghan Chamber of Commerce and Industries. ATAR also produced an improved customs clearance process map designed to significantly reduce the complexity of exporting products by air from Hamid Karzai International Airport in Kabul.⁷¹²

Among the challenges reported by ATAR implementers this quarter were obstacles to ratification of the Cross-Border Transit Agreement (CBTA), which aims to reduce the cost of trade among Kyrgyzstan, Tajikistan, and Afghanistan. Those obstacles included personnel turnover within the Kyrgyz government as well as its adherence to the Eurasian Economic Union (EAEU), composed of member states Belarus, Armenia, Kazakhstan, Kyrgyzstan, and Russia.⁷¹³ USAID said that although the CBTA and EAEU are not incompatible, Kyrgyzstan's accession to the

ECONOMIC AND SOCIAL DEVELOPMENT

TABLE 3.19

USAID ACTIVE ECONOMIC-GROWTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)
Assistance in Building Afghanistan by Developing Enterprise (ABADE)	10/16/2012	10/31/2017	\$104,997,656	\$104,949,972
Afghanistan Trade and Revenue Project (ATAR)	11/7/2013	11/6/2017	77,754,266	68,266,190
Women in the Economy (WIE)	7/1/2015	6/30/2019	71,571,543	21,646,950
Afghanistan Workforce Development Program (AWDP)	4/5/2012	6/30/2018	44,919,458	37,104,288
Multi-Input Area Development-Global Development Alliance	3/23/2013	3/22/2018	30,481,436	19,545,256
Afghanistan Public Financial Management (APFM)	7/27/2015	12/26/2017	18,347,339	14,562,462
Afghanistan Investment Climate Program	3/27/2015	3/26/2020	13,300,000	3,634,879
Commercial Law Development Program	3/1/2014	9/30/2019	13,000,000	8,179,161
Rebranding Afghanistan: Creating Jobs, Changing Perceptions, Empowering Women	11/2/2015	11/01/2018	4,800,000	3,150,000
Global Broadband and Innovation (GBI) Program	11/1/2016	11/1/2017	3,000,000	250,000
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	1,958,000	0
Market Assessment PIO Grant with ITC: Reconnecting Afghanistan to Global Markets	3/2/2017	7/31/2017	53,859	49,987

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

Source: USAID, response to SIGAR data call, 10/15/2017; USAID, Development Credit Authority, "Overview," 2/2/2015.

EAEU was a high priority for the country from 2015–16, and that as a result CBTA ratification had been delayed.⁷¹⁴

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.⁷¹⁵

Continuing security challenges have limited access to education in 2017. The United Nations Assistance Mission in Afghanistan (UNAMA) reported a total of 38 conflict-related incidents against either education facilities or education workers in the first six months of 2017, with the number of

SIGAR SPECIAL PROJECT

SIGAR's Office of Special Projects issued a report this quarter on ATAR's implementation of an e-payment system designed to provide a more efficient and effective method of collecting customs duties. ATAR implementers, in consultation with USAID, aimed to increase electronic collections to 75% of all customs collections by the end of the project in November 2017. SIGAR found that ATAR fell well short of this objective: by the end of December 2016, less than 1% of all customs duty collections were collected electronically. For more, see pp. 50–51.

incidents documented in the second quarter (24) substantially higher than the number reported in the first quarter (14). Girls' schools were the targets of six attacks.⁷¹⁶ Trends in school attendance appear to mirror trends in violence: the World Bank reported that fewer children attended primary school in 2013–2014 than in 2011–2012 due to heightened conflict. Primary school attendance rates of children in rural areas, where much of the fighting occurs, have been hit especially hard.⁷¹⁷

Girls' education, in particular, remains an ongoing challenge. Human Rights Watch (HRW) reported this quarter that due to worsening security conditions, gains in girls' education may be reversing. Citing figures from the United Nations Children's Fund, HRW estimated that two-thirds of Afghan girls ages 12–15 do not go to school. Overall, the ratio of girls to boys in every grade segment (grades 1–3, 4–6, 7–9, and 10–12) remains well below World Bank targets set for December 31, 2017. HRW observed that educational disparities between girls and boys is reflected in adolescent literacy rates: 66% of adolescent boys are literate, compared to just 37% of adolescent girls.⁷¹⁸

However, in a recent bright spot, an Afghan girls' robotics team traveled to Washington, DC, in July 2017 to compete in an international robotics competition, winning a silver medal for "courageous achievement."⁷¹⁹ Underscoring the obstacles to progress in Afghanistan, the father of the team captain was killed in a suicide attack in Herat in early August.⁷²⁰ Overall, decreases in school attendance among girls living in rural areas were particularly acute between 2011–12 and 2013–14, relative to decreases observed among other demographics.⁷²¹

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.

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.⁷²² The number of enrolled students includes both present and absent students.⁷²³ 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.⁷²⁴ 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.⁷²⁵

Education Management Information System Data

To better help the MOE gather school data to guide its 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 two assessments of EMIS data quality to identify and address gaps in the system.⁷²⁶ Despite its shortcomings and inability to answer key questions, the initial assessment found that EMIS provides the capacity to manage a nationwide information system. However, gaps remain between its actual capacity and what is needed to ensure accurate and reliable 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 other inefficiencies.⁷²⁷

A second assessment, released last quarter, focused on verifying EMIS data to assess its reliability and identifying inconsistencies at the national, provincial, and local school levels. The assessment found that EMIS data collection varied at the school-level and there was an urgent need for training. School officials lack a clear understanding of the EMIS form and how to fill it out—particularly student and teacher data—resulting in data discrepancies and inaccurate information.⁷²⁸

To assist USAID and the Afghan government to improve education-related data, SIGAR initiated a series of special projects to determine whether schools purportedly built or rehabilitated using U.S. funds were open and operational, and to assess their current condition. This quarter, SIGAR published its third report in this series, which detailed the findings of site visits to 23 USAID-funded schools in Khowst Province conducted from March 28 to May 1, 2017. SIGAR found that there may be problems with student and teacher absenteeism at several of the schools it visited that warrant further investigation by the Afghan government. SIGAR also observed that several schools lacked basic services, including electricity and clean water, and had structural deficiencies affecting the delivery of education.⁷²⁹ According to USAID, Khowst Province's Provincial Education Directorate emphasized that the inspections were conducted at the beginning of the school year (which began on March 22, 2017), and that higher rates of absenteeism were common at that particular time. However, USAID said that SIGAR's findings warranted follow-up with the MOE to ensure that proper monitoring and accountability mechanisms were in place.⁷³⁰

National Education Strategic Plan

Afghanistan's National Education Strategic Plan 2017–2021 sets out the government's priorities and goals for the next five years. These include improving curricula quality and relevance, and increasing student enrollment and attendance though equitable access to education, and building more schools. The common goal is to “prepare skilled and competent citizens through the education system to sustain Afghanistan's

SIGAR SPECIAL PROJECT

This quarter, SIGAR published its third report detailing findings from site visits at U.S.-built or U.S.-rehabilitated schools across Afghanistan, focusing on 23 USAID-funded schools in Khowst Province. In two previously released reports, SIGAR assessed the general usability and potential structural, operational, and maintenance issues for schools in Balkh and Herat Provinces. For more information on SIGAR's latest assessment in Khowst, see Section 2, pp. 51–52. For more information on SIGAR's previous school assessments, see: SIGAR, *Review: Schools in Balkh Province*, SIGAR 17-32-SP, 3/28/2017; SIGAR, *Schools in Herat Province: Observations from Site Visits at 25 Schools*, SIGAR 17-12-SP, 11/4/2016.



Students in a workforce-development program receive a briefing at a career center in Jowzjan. (USAID photo)

socioeconomic development and social cohesion.” To restore public trust and confidence, MOE pledged to be more transparent, develop a robust anticorruption strategy, streamline education operations both nationally and subnationally, increase efficiencies, and strengthen program management.⁷³¹

This quarter, USAID reported that the MOE, in support of the strategic plan, was working with donors to build new policies and implementation guidelines for Community Based Education (CBE).⁷³² CBE encompasses a joint effort on the part of USAID, other development partners, and the MOE to reach children who do not receive formal schooling due to geographical isolation or insecurity.⁷³³ CBE represents one component of the MOE’s plan to promote equitable access to education and is intended to reduce gaps in access between urban and rural areas.⁷³⁴ Currently supporting the CBE program in 13 provinces, USAID said that it expects new CBE policies to be completed and endorsed next quarter.⁷³⁵

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.⁷³⁶ USAID had disbursed approximately \$940 million for education programs in Afghanistan, as of June 30, 2017.⁷³⁷ USAID’s active education programs have a total estimated cost of \$443 million and can be found in Table 3.20.

TABLE 3.20

USAID ACTIVE EDUCATION PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursements, as of 9/30/2017 (\$)
Afghanistan University Support and Workforce Development Program	1/1/2014	12/31/2018	\$91,927,769	\$54,505,006
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	10,342,036
Support to the American University of Afghanistan (AUAF)	8/1/2013	11/29/2019	64,400,000	40,680,425
Strengthening Education in Afghanistan (SEA II)	5/19/2014	9/30/2020	44,835,920	19,616,106
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 Programme (GEC)	6/29/2016	6/28/2021	25,000,000	5,000,000
Capacity Building at the Ministry of Education	2/6/2017	2/5/2021	23,212,618	1,537,563
Afghanistan's Global Partnership for Education	10/11/2012	6/30/2018	10,019,464	3,683,414
Assessment of Learning Outcomes and Social Effects in Community-Based Education	1/01/2014	12/31/2017	7,262,016	4,264,210
PROMOTE Scholarships	3/04/2015	3/3/2020	1,247,522	1,247,522
Financial and Business Management Activity with AUAF	6/22/2017	12/21/2018	723,772	0

Source: USAID, response to SIGAR data call, 10/15/2017.

University Support and Workforce Development Program

The \$91.9 million University Support and Workforce Development Program (USWDP) is USAID's largest ongoing education initiative in Afghanistan. USWDP is a capacity-building program aimed at improving management within the Ministry of Higher Education (MOHE) and Afghanistan's 11 public universities. With the goal of increasing both the quality of higher education and its relevance to the demands of Afghanistan's labor market, USWDP is assisting the MOHE implement key strategies designed to promote high-quality education that delivers access to employment opportunities to Afghan men and women.⁷³⁸

In its latest quarterly performance report, which covered April–June 2017, USWDP implementers said that 72 students, including 14 women, graduated from three degree programs. An additional 289 individuals participated in a variety of training programs and workshops that covered topics ranging from data analysis to curriculum reform. The MOHE also received three policy documents relating to new degree programs for review and approval. These new degree programs included a master's in business administration from Herat University, a master's in public health from Kandahar University, and a bachelor's degree in communication from Balkh University.⁷³⁹

Several challenges related to the USWDP program remain. Among other obstacles, implementers reported that recent discussions regarding

the recognition of an associate-degree program piloted by USWDP have not been encouraging. USAID said that no legal framework for associate-degree programs exists and bylaws must be approved by President Ghani. Although USWDP has asked MOHE officials to address this issue with the Office of the President, these developments may set back investments made in this tier of education.⁷⁴⁰

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.⁷⁴¹ Insecurity also impacts health-delivery services. Between June 15, 2017, and August 15, 2017, UNAMA reported 26 conflict-related incidents against either health facilities or health workers, raising the total number of incidents in 2017 to 88.⁷⁴² There were 119 conflict-related incidents in 2016, with 10 killed, 13 injured, and 42 abducted.⁷⁴³

This quarter, the Taliban reportedly forced a majority of health clinics in southern Afghanistan's Uruzgan Province to shut down. The press reported different numbers of clinics and hospitals closed by the insurgency in late September, ranging from 46 to all 49 of the province's health facilities. According to the *New York Times*, provincial health officials stated that the Taliban demanded the opportunity to appoint its own health workers, to select the location of new clinics, and additional specialists and medical supplies for the treatment of wounded insurgents.⁷⁴⁴ USAID said that, according to the MOPH, efforts to re-open health facilities in Uruzgan were ongoing, and are being directed through community elders in coordination with provincial officials. According to the MOPH, 18 facilities have been reopened, including the provincial hospital.⁷⁴⁵ UNAMA reported that insurgents have forced the closure of dozens of health facilities in other provinces in 2017, including Laghman, Farah, and Badghis, in order to improve service provision for their fighters.⁷⁴⁶

Also this quarter, in response to multiple attacks on its staff members, the International Committee of the Red Cross (ICRC) announced a significant reduction in its presence in Afghanistan. The ICRC will close offices in Kunduz and Faryab Provinces while also reducing its footprint in Mazar-e Sharif. The ICRC, which provides assistance to the wounded and disabled (among other activities), has been directly targeted three times in northern Afghanistan since December 2016. In the most recent attack, in Mazar-e Sharif, a Spanish physiotherapist was killed by a long-term patient.⁷⁴⁷

Assessing the Condition of Health Facilities

This quarter, SIGAR published its first of two reviews detailing findings from site visits at CERP-funded health facilities in Afghanistan. Inspections sought to verify the locations and operating conditions at four health facilities that received CERP funds in Nangarhar Province. Working with an Afghan civil-society organization to conduct limited inspections between June and August, 2017, SIGAR found that all four facilities were open, generally well-maintained, and perceived as useful by community members. For more information, see Section 2, pages 52–53.⁷⁴⁸

In August, Integrity Watch Afghanistan (IWA) released a report assessing the conditions of 184 USAID-funded health facilities in eight provinces of Afghanistan. IWA relied on a list of facilities provided by SIGAR, but IWA produced the report independently. Overall, IWA underscored that while Afghanistan has made progress in health-care delivery, many challenges remain. IWA noted deficiencies in the physical condition, operations, and accessibility of the facilities surveyed. For example, 33% of the facilities reportedly required urgent repairs, while 20% had no electricity. Meanwhile, 64% possessed neither vehicles for staff nor ambulances for patients, precluding easy access. IWA also cited security conditions as a concern, but was unable to quantify the magnitude of the issue beyond noting that 34% of surveyed facilities were without boundary walls and gates. IWA reported that 99% of the facilities were open and operational, despite the issues noted.⁷⁴⁹

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.⁷⁵⁰ 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 public sector health-service delivery in Afghanistan—is critical to improving health outcomes for those who cannot access or afford private care.⁷⁵¹

USAID on-budget assistance to the MOPH provides basic health care and essential hospital services. Off-budget assistance includes activities to strengthen health systems, engage the private sector, reduce child and maternal deaths, reduce tuberculosis-related deaths, reduce child undernutrition, improve the use of modern family-planning methods, and eliminate polio.⁷⁵² U.S. on- and off-budget assistance to Afghanistan’s health sector totaled nearly \$1.2 billion as of September 30, 2017.⁷⁵³ USAID’s active health programs have a total estimated cost of \$310 million, and are listed in Table 3.21 on the next page.

In addition to its site inspections of CERP-funded facilities in Nangarhar Province, SIGAR previously conducted a series of reviews of USAID-supported health facilities throughout Afghanistan. Those reviews consisted of inspections of USAID-funded healthcare facilities located in Takhar, Ghazni, Baghlan, Badakhshan, Kabul, and Herat.

For more, see: SIGAR, *Review: USAID Supported Health Facilities in Takhar Province*, SIGAR 17-51-SP 7/6/2017; SIGAR, *Review: USAID Supported Health Facilities in Ghazni Province*, SIGAR 17-34-SP 3/30/2017; SIGAR, *Review Letter: USAID-Supported Health Facilities in Baghlan*, SIGAR 17-18-SP 12/12/2016; SIGAR, *Review Letter: USAID-Supported Health Facilities in Badakhshan*, SIGAR 16-40-SP 6/30/2016; SIGAR, *Review Letter: USAID-Supported Health Facilities in Kabul*, SIGAR 16-19-SP 1/5/2016; and SIGAR, *Alert Letter: USAID-Supported Health Facilities in Herat*, SIGAR 16-1-SP 10/20/2015.

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

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

Source: SIGAR 13-9-AR, *Health Services in Afghanistan: Two New USAID-Funded Hospitals May Not be Sustainable and Existing Hospitals are Facing Shortages in Some Key Medical Positions*, 4/2013, p. 1.

TABLE 3.21

USAID ACTIVE HEALTH PROGRAMS				
Project Title	Start Date	End Date	Total Estimated Cost (\$)	Cumulative Disbursement, as of 9/30/2017 (\$)
Initiative for Hygiene, Sanitation, and Nutrition (IHSAN)	5/11/2016	5/10/2021	75,503,848	\$4,213,592
Helping Mother and Children Thrive (HEMAYAT)	1/7/2015	1/6/2020	60,000,000	33,400,397
Health Sector Resiliency (HSR)	9/28/2015	9/27/2020	37,936,471	7,974,122
Strengthening Pharmaceutical System (SPS)	8/28/2011	12/28/2017	37,010,919	34,840,616
Disease Early Warning System Plus (DEWS Plus)	1/1/2015	12/30/2020	32,728,000	21,244,397
Enhance Community Access, Use of Zinc, Oral Rehydration Salts for Management of Childhood Diarrhea	7/21/2015	7/7/2020	15,002,610	9,400,000
Challenge Tuberculosis	1/1/2015	9/29/2019	15,000,000	6,646,790
Central Contraceptive Procurement	11/1/2011	12/31/2018	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	4,991,499
Weekly Iron Folic Acid Supplementation	11/7/2014	12/31/2017	5,610,012	5,610,012
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
Global Health Supply Chain-Procurement and Supply Management-HIV/AIDS Task Order #1	4/15/2015	9/29/2021	176,568	161,000
Coordinating Comprehensive Care for Children (4 Children)	9/15/2014	9/16/2019	20,000	20,000

Source: USAID, response to SIGAR data call, 10/15/2017; USAID, response to SIGAR data call, 7/10/2017.

Chlorhexidine: an antiseptic antibacterial agent that kills or prevents the growth of bacteria. As part of a solution or gel, it is applied topically to the skin before a surgery or injection, after an injury, or onto a newborn after birth in order to prevent infection resulting from the severing of the umbilical cord. Chlorhexidine has been proven to prevent 15% of newborn deaths.

Source: Mayo Clinic, "Chlorhexidine (Topical Application Route)." <http://www.mayoclinic.org/drugs-supplements/chlorhexidine-topical-application-route/description/drg-20070874>, accessed 9/30/17; USAID, OHN, Fact Sheet, "HEMAYAT: Helping Mothers And Children Thrive," 9/11/17, p. 3.

Helping Mothers and Children Thrive

USAID's Helping Mothers and Children Thrive (HEMAYAT) program aims to increase access to and utilization of family-planning and maternal, neonatal, and child health services through BPHS and the private sector. A second goal is to strengthen referral systems to hospitals through EPHS at the provincial level. HEMAYAT was initiated to address high child mortality rates and pregnancy-related deaths for mothers in Afghanistan.⁷⁵⁴

From April to June 2017, the HEMAYAT team continued to facilitate reproductive, maternal, and newborn interventions. Some 28,945 newborns in ten provinces received Chlorhexidine (CHX) to prevent umbilical-cord infection. A total of 839 health workers received training on the use of CHX for newborn umbilical cord care. During home births, 1,230 mothers in 20 districts of four provinces received Misoprostol, a drug used to prevent postpartum hemorrhage.⁷⁵⁵

Among the challenges listed by HEMAYAT implementers this reporting period was the deteriorating security situation, which resulted in delays of

some field activities. For example, the team was unable to conduct assessments of 33 health facilities.⁷⁵⁶

Polio

As of September 27, Afghanistan reported six new polio cases in 2017, the most recent one in Zabul Province.⁷⁵⁷ Polio cases were also reported in Kunduz, Helmand, and Kandahar Provinces.⁷⁵⁸ There were 13 polio cases in 2016.⁷⁵⁹ Afghanistan and Pakistan, which share a 1,500-mile border, are two of only three countries where polio was still endemic in 2016 (Nigeria, since removed from the list, was the third).⁷⁶⁰ Large-scale population movements between Afghanistan and Pakistan increase the risk of cross-border transmission, and a fatwa issued by the Pakistani Taliban targeting polio workers complicates vaccination outreach.⁷⁶¹

On July 25, 2017, representatives from Afghanistan's Polio High Council met in Kabul to discuss joint polio-eradication efforts, stressing that polio eradication was one of the country's top health-care priorities, and highlighting progress made in recent years.⁷⁶² The World Health Organization said that new transmission of the polio virus in 2016–2017 had been restricted both temporally and geographically, and the United Nations reported that a case from February 2017 in Kunduz Province was effectively contained.⁷⁶³

This quarter, the MOPH launched the third and fourth rounds of polio National Immunization Days (NIDs) in August and September, respectively. Over the course of a year, through four annual NID campaigns, the MOPH aimed to vaccinate 9.9 million children under the age of 5.⁷⁶⁴ However, security and access challenges continue to constrain vaccination campaigns in some areas. Access to certain parts of southern Afghanistan, where 64,000 children in Kandahar were unable to receive vaccinations in July due to a ban on immunizations, remained fragile this quarter.⁷⁶⁵ USAID reported this quarter that Islamic State-Khorasan continues to ban polio immunization in areas it controls. USAID also said that while the Taliban and the Haqqani network are not opposed to vaccination, they disrupt campaigns for other reasons.⁷⁶⁶ Recent vaccination efforts were also unable to reach 60,000 children in other areas of the country.⁷⁶⁷

As of December 31, 2016, USAID has obligated more than \$25.7 million and disbursed about \$14.5 million for polio eradication in Afghanistan since FY 2003. USAID said that it does not yet have expenditure figures for FY 2017, as it is awaiting the year-end financial report scheduled for release this month.⁷⁶⁸



A midwife disinfects a newborn's umbilical-cord stump at a health facility in Kandahar Province. (USAID photo)

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COUNTERNARCOTICS

KEY ISSUES AND EVENTS

A United Nations opium-cultivation report released this quarter found that the estimated value of opiates produced in Afghanistan nearly doubled from \$1.56 billion in 2015 to \$3.02 billion in 2016. The increase is a result of a higher level of opium production—43% more than in 2015—and higher heroin prices in neighboring countries. The current value of the opiates is worth more than two-thirds of the output of the country's entire agricultural sector.⁷⁶⁹

Despite a U.S. investment of \$8.6 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 opium. The narcotics industry—coupled with rampant corruption and fraud—is a major source of illicit revenue for the country.⁷⁷⁰

In 2017, Afghan authorities reported having eradicated 685 hectares in Balkh, Badghis, Herat, Kunar, Kabul, Kandahar, Laghman, Nangarhar, and Nimroz Provinces, as of May 2017. This represents a marked increase over 2016, when only 355 hectares were eradicated.⁷⁷¹ (One hectare is roughly 2.5 acres.) However, the 685 hectares eradicated amount to less than 0.35% of the estimated 201,000 hectares under cultivation in 2016 for opium poppy.⁷⁷² The Ministry of Counter Narcotics (MCN) reported 750 hectares eradicated as of September 1. However, these results are not yet verified by UNODC and remain subject to change until MCN and UNODC release an agreed-upon figure. INL anticipates that the UNODC Opium Survey, to be released mid-November, will contain final figures.⁷⁷³

Media reports and MCN officials indicate 2017 totals for cultivation will likely exceed last year's totals. Opium is even grown on government-controlled land or in the vicinity of security check points in some provinces.⁷⁷⁴ In May 2017, the MCN deputy minister was quoted as saying, "Unfortunately, the narcotics production is on the rise this year. ... We are concerned that narcotics would increase this year, including in areas and provinces where previously we had zero opium production."⁷⁷⁵

Following President Donald Trump's announcement of a new strategy for South Asia in August, State informed SIGAR that the responsible U.S. departments and agencies are coordinating to finalize an updated U.S. counternarcotics strategy for the country.⁷⁷⁶ A new counternarcotics strategy for Afghanistan has been on hold since 2015.⁷⁷⁷

COUNTERNARCOTICS

The Afghan government launched the Kabul Compact with the United States in August 2017. Working groups developed benchmarks that focus on governance, economic development, peace and reconciliation, and security.⁷⁷⁸ Counternarcotics efforts do not figure prominently in the compact, with only three benchmarks included.⁷⁷⁹

- double the number of interdiction operations conducted in 2016 by April 2018
- reduce opium cultivation by half in at least five provinces by December 2018
- hold quarterly meetings of the Counter Narcotics High Commission by October 2017

More information regarding the Kabul Compact is available on pages 150–151 of this report.

A Department of Defense Inspector General report released this quarter on Drug Enforcement Administration (DEA) operations in Afghanistan found that the DOD/DEA Global Discovery counternarcotics program that ran between 2009 and 2016 was mismanaged. The program was designed for DEA to conduct aviation operations in Afghanistan with surveillance equipment and other capabilities. DEA personnel never used the aircraft for counternarcotics operations, and DOD potentially wasted \$64.8 million.⁷⁸⁰

Between July and September 18, 2017, Afghan law-enforcement personnel conducted 16 interdiction operations. Seizures included over 300 kilograms (kg) of opium, 7,100 kg of morphine, 150 kg of heroin, nearly 1,300 kg of hashish, and 15,595 kg of precursor chemicals.⁷⁸¹ A kilogram is about 2.2 pounds.

In addition to exporting opiates, Afghanistan suffers from widespread illegal drug use. A 2015 Afghanistan National Drug Use Survey estimated that roughly 11% of the population would test positive for one or more drugs, including 5.3% of the urban population and 13% of the rural population. Drug use among men, women and children is among the highest documented worldwide, and 30.6% of rural households tested positive for some form of illicit drug.⁷⁸² Afghans' illicit drug use spawns other crimes, funds the insurgency, and costs the Afghan government hundreds of millions of dollars in health care costs, crime prevention, and lost economic productivity.⁷⁸³

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*, 2008, viii.

U.S. RECONSTRUCTION FUNDING FOR COUNTERNARCOTICS

As of September 30, 2017, the United States has provided \$8.6 billion for counternarcotics (CN) efforts in Afghanistan since 2002. Congress appropriated most CN funds for Afghanistan through the DOD Drug Interdiction and Counter-Drug Activities (DOD CN) Fund (\$3.1 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).⁷⁸⁴

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 counternarcotics efforts of the Ministries of Defense (MOD) and Interior (MOI).⁷⁸⁵

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 Drug Enforcement Administration (DEA) receives funds through direct appropriations to operate in Afghanistan.⁷⁸⁶

SIGAR is preparing a Lessons Learned Program report that will examine U.S. counternarcotics efforts from 2002 through 2016. 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:⁷⁸⁷

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.

The CNPA, comprising regular narcotics police and specialized units, leads counternarcotics efforts among Afghan security forces.⁷⁸⁸ Afghan Uniform Police and Afghan Border Police also participate in counternarcotic activities.⁷⁸⁹ The specialized units include the Sensitive Investigative Unit (SIU), National Interdiction Unit (NIU), and the Intelligence Investigation Unit. The CNPA has approximately 2,000 assigned personnel; roughly half of them are based in Kabul.⁷⁹⁰ The NIU maintains forward-based personnel in Kandahar, Kunduz, and Herat Provinces.⁸⁰⁵

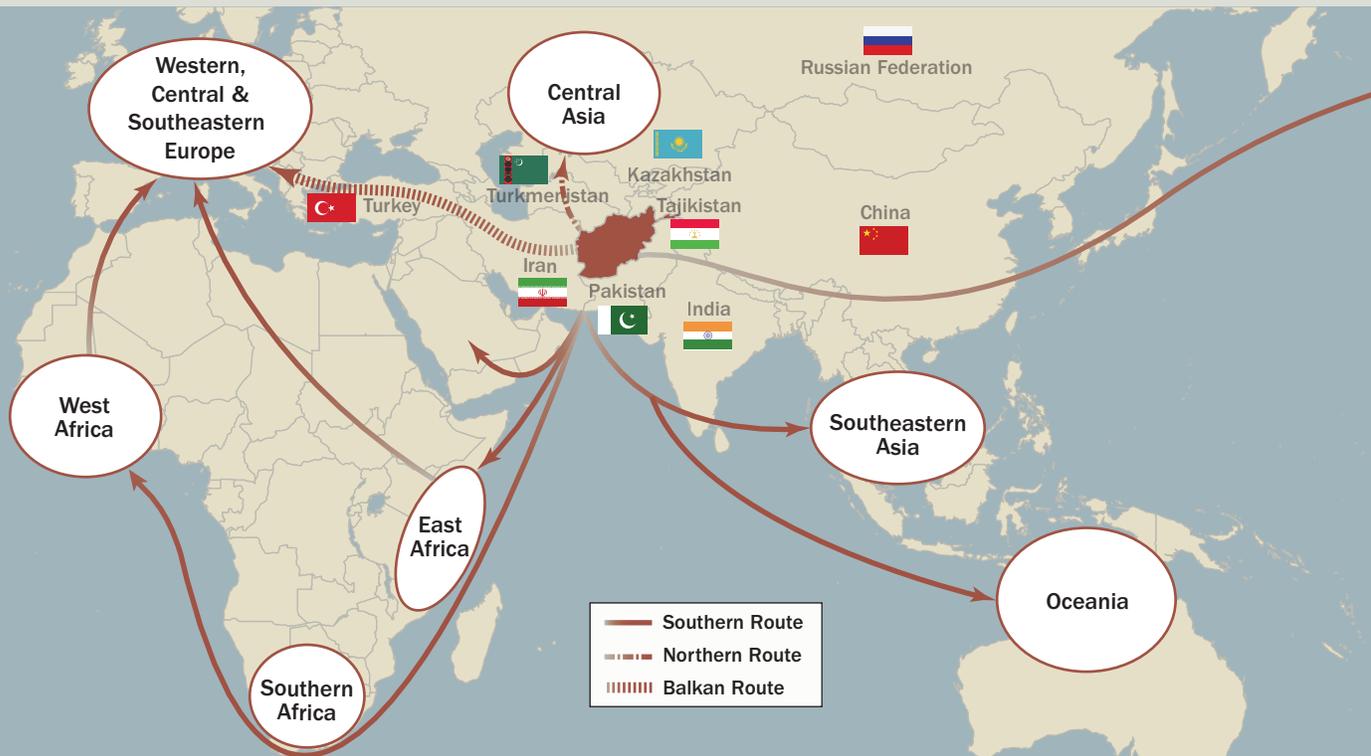
MAJOR AFGHAN DRUG TRAFFICKING ROUTES

According to UNODC, Afghanistan accounts for nearly two-thirds of the world's areas under illicit opium poppy cultivation.⁷⁹¹ The opiates produced in Afghanistan reach their primary markets in Europe, Asia, and Africa through several routes. The Balkan route supplies western and central Europe, through Iran and Turkey via southeastern Europe. In 2014, the largest aggregate opiate seizures worldwide were reported by Iran.⁷⁹² Based on data reported during 2009–2012, UNODC estimates the value of opiates trafficked on the Balkan route at \$28 billion per year. Profit by Iranian traffickers is higher than any other country on the Balkan route: \$7.5 billion or 27% of the total value of drug traffic.⁷⁹³ Heroin flows into Europe along three branches of the Balkan route:

- one branch from the Turkish border through the eastern Balkans, by way of Bulgaria and Romania to western and central Europe,
 - another branch from Turkey across Greece by way of Italy, and
 - one branch passing through the western Balkans by land and sea into Europe
- Trafficking routes may change over time.⁷⁹⁴

The southern route serves many destinations, including Asia, Africa, and Western and Central Europe.⁷⁹⁵ Drugs are shipped by sea from Pakistan, Iran, Asia, and the Middle East; air shipments are made from Pakistan to Bangkok, and via circuitous courier attempts to the Middle East, Europe, Southeast Asia, and Australia.

DRUG TRAFFICKING ROUTES FROM AFGHANISTAN



QUARTERLY HIGHLIGHT

Drugs also travel by land through Pakistan's Balochistan Province and Iran's southeastern provinces.⁷⁹⁶ The main destination for Afghan heroin smuggled via the southern route appears to be India. Since the 2000s, Afghan heroin has become more prominent in China, but remains a minority share of that market. Myanmar is China's dominant heroin supplier.⁷⁹⁷ Smuggling of Afghan opiates via the southern route has increased in recent years.⁷⁹⁸ Between 2009 and 2012, the total gross profit averaged \$357 million per year in Afghanistan, compared with \$28 billion along the rest of the Balkan route.⁷⁹⁹

The northern route, delivers opiates to neighboring Central Asian states, Russia, and other countries of the Commonwealth of Independent States.⁸⁰⁰ Traffickers choose Tajikistan, Uzbekistan, and Turkmenistan—mainly Tajikistan—to transport drugs mostly in private and commercial vehicles, along established trade and transit routes. Once in Tajikistan, loads are separated into smaller quantities for shipment across the border by

land, rail, and air. When heroin reaches Kazakhstan, the largest portion passes through the northwestern borders into southwestern Russia and western Siberia.⁸⁰¹ Most Central Asian heroin is processed in and trafficked from southern Afghanistan.⁸⁰²

Seizure data suggest that the Balkan route remains the world's most significant opiate trafficking route. Profit tends to be the highest at the final stage of the drug production and distribution chain. A UNODC study estimated that nearly half of the profit made along the major heroin trafficking routes from Afghanistan to Europe was made in the four largest European consumer markets: France, Germany, Italy, and the United Kingdom.⁸⁰³

In North America, 90% of the heroin seized in Canada originates in Afghanistan. The southern route is the main conduit for the Canadian shipments by way of India, Iran, and Pakistan. The majority of heroin reaching the United States comes from Latin America.⁸⁰⁴



Note: Afghanistan is the world's leading producer of opium. The Balkan route supplies western and central Europe with opiates from Afghanistan. The southern route funnels opiates through Pakistan or Iran by sea to the Gulf region, Africa, and South Asia. The northern route runs through neighboring Central Asian states, Russia, and countries of the Commonwealth of Independent States. Ninety percent of the heroin in Canada originates in Afghanistan. Latin America is the primary supplier of heroin to the United States.

Source: UNODC, *World Drug Report 2016*, 6/2016, xii-xiv; UNODC, *World Drug Report 2015*, 5/2015, xiii-xiv, p. 47; DOJ/DEA, *2016 National Drug Threat Assessment Summary*, 11/2016, p. 54.

Conflict, criminality, and narcotics continue to be critical threats to personal safety, public service delivery, and private investment.

DOD, *Enhancing Security and Stability in Afghanistan*, 6/2017, p. 27.

The Technical Investigative Unit (TIU), a group within the SIU, operates the Judicial Wire Intercept Program (JWIP).⁸⁰⁶ To date, DOD has obligated \$3.5 million for security for the CNPA's training facility in Kabul. DOD has also obligated \$1.4 million for linguistic support for the TIU, as well as \$1 million for its training.⁸⁰⁷

INL estimates that its total funding for operations and maintenance for the NIU and SIU is approximately \$26 million per year. Costs directly attributable to NIU and SIU include \$2.47 million in support of the JWIP program under an interagency agreement with DEA and \$425,000 per year for NIU salary supplements. SIU supplements are funded by DEA.⁸⁰⁸ Salary supplements are used to attract and retain the most qualified and highly trained officers to the specialized units. Supplements are provided to all NIU officers, from the police officer to the unit commander; the amount of the supplement is based on the individual's rank.⁸⁰⁹

Interdiction Results

In Afghanistan, INL partners with DEA and DOD to build the capacity of the CNPA, with particular focus on support for two specialized units mentored by DEA: the SIU and the NIU.⁸¹⁰ During the fourth quarter of FY 2017, most interdiction activities occurred in the capital and the eastern and southwest regions. These events included routine patrols, cordon-and-search operations, vehicle interdictions, and detention operations. Between July and September 18, 2017, Afghan combined operations resulted in the following seizures and destruction of multiple labs: over 300 kg of opium, 7,100 kg of morphine, 150 kg of heroin, nearly 1,300 kg of hashish, and 15,595 kg of precursor chemicals.⁸¹¹

Afghan law-enforcement personnel in the specialized units conducted 16 interdiction operations during the quarter.⁸¹² According to DOD, the poor security situation in Afghanistan makes conducting interdiction activities a challenge.⁸¹³ Regional cooperation continued with a meeting on precursor cases held August 30 in Kazakhstan. Four cases were reviewed and regional backtracking investigations were launched.⁸¹⁴

Afghanistan's main opium-producing regions are also major opiate-processing locations. According to CNPA data, nearly two-thirds of the heroin-processing laboratories are located in the south with other major sites in western provinces as well as Nangarhar in the east and Badakhshan in the north.⁸¹⁵

As shown in Table 3.22, from 2008 through September 18, 2017, over 3,400 interdiction operations have resulted in the seizure of 455,376 kg of opium. However, over a nearly 10-year period, these seizures would account for less than one-tenth of 1% of the opium produced in Afghanistan in 2016 alone. According to the 2016 Opium Survey by the UN Office on Drugs and Crime (UNODC), Afghanistan's potential opium production in 2016 was approximately 4,800 metric tons (or 4.8 million kg).⁸¹⁶



Afghan forces prepare to destroy lab materials and narcotics after they seized about \$19 million worth of drugs, equipment, vehicles, weapons and communication gear in Nad Ali District, Helmand Province in August. (DVIDS photo by Lieutenant Junior Grade Egdanis Torres Sierra)

COUNTERNARCOTICS

TABLE 3.22

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	134	3,419
Detainees	49	190	484	862	535	386	442	394	301	131	3,774
Hashish seized (kg)	241,353	58,677	25,044	182,213	183,776	37,826	19,088	24,785	123,063	227,320	1,123,145
Heroin seized (kg)	277	576	8,392	10,982	3,441	2,489	3,056	2,859	3,532	1,974	37,578
Morphine seized (kg)	409	5,195	2,279	18,040	10,042	11,067	5,925	505	13,041	105,667	172,170
Opium seized (kg)	15,361	79,110	49,750	98,327	70,814	41,350	38,379	27,600	10,487	24,198	455,376
Precursor chemicals seized (kg)	4,709	93,031	20,397	122,150	30,846	36,250	53,184	234,981	42,314	89,828	827,690

Note: The significant difference in precursor chemicals total seizures between 2014 and 2015 is due to a 12/22/2014 seizure of 135,000 kg of precursor chemicals.
*Results for period 10/1/2016–9/18/2017.

Source: DOD, response to SIGAR data call, 7/29/2015, 7/20/2017, and 9/28/2017.

The United States is supporting Afghan CN missions through train, advise, and assist activities. DOD supports training and equipping the specialized Counternarcotics Police of Afghanistan (CNPA) units who investigate high-value targets and conduct drug interdiction operations. Although this quarter's interdictions results decreased, overall the specialized units within the CNPA have demonstrated a significant increase in interdiction operations tempo and effectiveness since they have been mentored by DEA and a U.S. Army Special Forces unit, starting in 2016.⁸¹⁷

DOD created, equipped, and continues to provide training and maintenance support to the Special Mission Wing (SMW) to support CN and counter-terrorism (CT) operations.⁸¹⁸ The SMW is the only ANDSF organization with night-vision, rotary-wing air assault, and fixed-wing intelligence, surveillance, and reconnaissance capabilities.⁸¹⁹ According to DOD, the SMW will expand to include additional helicopter crews, consolidate the fixed-wing PC-12 aircraft into a new fixed-wing *kandak* (battalion), and create an aviation-support *kandak*.⁸²⁰ The SMW is essential to expanding the reach and range of the CN/CT units to engage high-value targets. CN units have become increasingly reliant on aviation support as the areas under the control of the Afghan government diminish. The high demand on the SMW from units across the ANDSF, and the limited number of aircraft and aircrews, has sometimes resulted in SMW being unable to support counternarcotics missions.⁸²¹ The SMW is used by the Afghan Special Security Forces to conduct helicopter assault raids throughout the country.⁸²² More information on the SMW is available on pages 135–136 of this report.

Eradication Results

Compared to the previous year, the total area under poppy cultivation in 2016 increased 10% from 183,000 to 201,000 hectares. Opium



Provincial council administrative building completed under GPI in Panjshir Province, August 2017. (MCN Photo)

production was estimated at 4,800 tons—a 43% increase from its 2015 level. Afghanistan’s increased poppy yield was largely responsible for the worldwide opium production increase between 2015 and 2016, in which global opium production increased by a third, to 6,380 tons, compared to the previous year.⁸²³ The value of the illicit opiate economy nearly doubled from \$1.56 billion in 2015 to \$3.02 billion in 2016. The increase is a result of the higher level of opium production—43% more than in 2015—and higher heroin prices in neighboring countries.⁸²⁴

Governor-Led Eradication

Under the Governor-Led Eradication (GLE) program, INL reimburses provincial governors \$250 for every UNODC-verified hectare of eradicated poppy.⁸²⁵ INL has obligated \$6.8 million to date on GLE.⁸²⁶ A total of 750 hectares were eradicated nationwide this year, according to the MCN. However, that result remains subject to change until MCN and UNODC release an agreed-upon figure. One hectare is roughly 2.5 acres.⁸²⁷ GLE is the only eradication program supported by the U.S. government and annually accounts for less than 2% of INL’s Afghanistan counternarcotics budget.⁸²⁸ The 2017 UNODC opium survey is scheduled to be released in November.⁸²⁹

Good Performers Initiative

The INL-funded Good Performers Initiative (GPI) 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. However, GPI is no longer taking on new projects.

From June 2012 to April 2016, INL funded GPI projects on-budget through the Afghan Ministry of Finance. However, INL phased out GPI due to MCN’s inability to adequately manage the program, approving no new GPI projects after April 30, 2016. INL performed a risk assessment of MCN’s financial risk-management system in 2015 and found 24 internal-control deficiencies that increased the potential for a material misstatement in financial reporting, ineffective operations, and noncompliance with Afghan laws and regulations.⁸³⁰ According to GPI’s 2014 annual report, procurement was slow and the ministry assigned unprofessional staff. Insufficient coordination and lengthy processing of on-budget payments caused the slow implementation of projects.⁸³¹

As of September 1, 2017, INL reported that 286 projects valued at \$126.4 million had been contracted. Of those, 255 projects have been completed; 31 are still in progress and will continue to receive INL funding until their completion.⁸³² INL is also working on an alternative-development project called Boost Alternative Development Intervention through Licit Livelihoods (BADILL), formerly known as Strengthen and Diversify Licit Livelihoods through Alternative Development Interventions. BADILL is

expected to follow through on INL's commitments to those provinces most affected by the GPI cancellation.⁸³³

Ministry of Counter Narcotics Capacity-Building

Since 2008, INL has obligated \$35.2 million and expended \$27.4 million to build capacity at the Ministry of Counter Narcotics (MCN).⁸³⁴ During the third quarter of FY 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.⁸³⁵

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 2016.⁸³⁶ However, that original schedule changed following delays in solicitation. According to INL, the financial-remediation plan was still on schedule to be completed in October 2017.⁸³⁷ The contractor, the Afghanistan Holding Group, has developed standard operating procedures, databases, and training manuals for implementing effective financial controls.⁸³⁸

INL has another capacity-building program under the **Colombo Plan** where Asian University for Women (AUW) fellows are assigned to the ministry.⁸³⁹ The Colombo Plan selected the 10 AUW fellows and recruited the first MCN advisor who will assist in revising the National Drug Action Plan.⁸⁴⁰ The MCN led the list of top Afghan institutions performing badly according to a report released by the Independent Administration Reform and Civil Service Commission on October 3. The report found that reforms and recruitment have been "delicate" and many institutions have not met their recruitment targets during the first six months of the 1396 Afghan solar year (approximately March 21, 2017, to March 20, 2018).⁸⁴¹

Colombo Plan: Instituted as a regional intergovernmental organization to further economic and social development, it was conceived at a conference held in Colombo, Sri Lanka (then Ceylon), in 1950 with seven founding-member countries. It has since expanded to 26 member countries. INL supports the Colombo Plan's Universal Treatment Curriculum, a national-level training and certification system for drug-addiction counselors aimed at improving the delivery of drug treatment services in Africa, Asia, and Latin America.

Source: The Colombo Plan Secretariat website, "History," www.colombo-plan.org, accessed 7/1/2017; INL, *International Narcotics Control Strategy Report: Volume I, Drug and Chemical Control*, 3/2017, p. 26.

ALTERNATIVE DEVELOPMENT

USAID's alternative-development (AD) programs support U.S. counternarcotics objectives by helping host countries develop economically viable alternatives to narcotics production. INL funding supports supply-reduction and alternative-development programs. INL holds biweekly meetings with USAID to coordinate their AD efforts and ensure that INL AD efforts complement and leverage ongoing USAID activities.⁸⁴² 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.⁸⁴³

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.⁸⁴⁴

Boost Alternative Development Intervention Through Licit Livelihoods

INL chose UNODC as the BADILL project's implementer because of its global expertise in alternative development. According to INL, UNODC has technically qualified and experienced staff at the provincial level, including strong working relations with Afghan government counterparts and other stakeholders.⁸⁴⁵

UNODC's plan for large- and small-scale projects in various provinces in its project proposal for BADILL runs counter to recommendations of its own internal evaluation. The evaluation said it should not be involved in delivering construction or equipment.⁸⁴⁶ However, the proposal calls for a rose-oil processing facility to be built in Nangarhar; and dams and terraces to be built to protect agricultural land for watershed management and rehabilitation projects.⁸⁴⁷

INL has obligated \$20 million for BADILL and informed SIGAR in January 2017 that it had transferred all funds to UNODC. INL says that the performance-monitoring plan has not yet been drafted.⁸⁴⁸ Between April and June of this year, some of UNODC's highlights were:⁸⁴⁹

- procurement of two large projects for Helmand and Uruzgan Provinces
- ongoing procurement of a large project in Nimroz Province
- recruitment of national staff, including program associates and coordinators, liaison officers, and a monitoring and evaluation officer
- holding coordination meetings with ministerial and donor representatives

Community-Based Agriculture and Rural Development

INL has obligated and disbursed \$17.8 million for its Community-Based Agriculture and Rural Development (CBARD) project: \$2.8 million to UNODC and \$15 million to UNDP, its two implementing partners. The program 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, respectively, according to UNODC.⁸⁵⁰

According to INL, CBARD will improve the local production and marketing of high-value crops. The high-value crops proposed are grapes and jojoba in Farah, apples and pistachio nuts in Badghis, oranges and grapes in Nangarhar, with greenhouse products, such as cucumber and tomatoes. The project will also develop and strengthen community-based business infrastructure, such as irrigation, transportation, and facilities. The project is scheduled to end in 2020.⁸⁵¹

From April to June 2017, UNODC conducted security assessments in Farah, Badghis, and Nangarhar Provinces. The team identified nearly 200 communities for project implementation and met with community leaders, elders, farmers, and community development councils. The team also selected lead farmers and common interest groups to establish farmer field schools. The project prepared a counternarcotics campaign for farmers using multi-media techniques. The campaign introduces gender-sensitive messages through events, mobile drama shows, and printed material.⁸⁵²

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. The program started in 2010 and is scheduled to end in December 2019.⁸⁵³

According to USAID, the program has helped export 52,000 tons of produce valued at \$57 million to markets in Pakistan, Canada, India, the United Arab Emirates (UAE), and Russia. In addition, USAID said the program created more than 7,840 agribusiness jobs, trained 112,500 farmers, and benefitted 38,400 households.⁸⁵⁴ Under the current extension, CHAMP is focusing on supply chain, marketing, and export promotion of Afghan fresh and dry fruits and nuts. It continues to support traders through trade offices in India and the UAE.⁸⁵⁵ Between April and June 2017, CHAMP finalized the Afghan Export Management Information System (MIS) which will capture export data from various government sources.⁸⁵⁶

This quarter, CHAMP conducted training and business-to-business meetings for 80 commercial apricot and cherry farmers. It also reported the export of 19.8 metric tons of fruit valued at \$31,804 to Indonesia. CHAMP collaborated with USAID's Afghanistan Trade and Revenue (ATAR) project in organizing the India Expo and Investment Summit that took place in Delhi from September 27–29. CHAMP also partnered with USAID's Agricultural Credit Enhancement-II Project (ACE-II) and Agricultural Development Fund (ADF) to hold a Women's Agricultural Credit Shura in May for about 75 women.⁸⁵⁷ As of September 30, 2017, approximately \$50.4 million have been disbursed.⁸⁵⁸

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

SIGAR SPECIAL PROJECT

SIGAR's Special Projects Directorate issued an inquiry letter in September on the Kandahar Food Zone requesting detailed information such as status, cost, and location of infrastructure projects.

Intercropping: the cultivation of two or more crops at the same time in the same field. The most common goal of intercropping is to produce greater yield on a given piece of land.

Source: *Agriculture and Biology Journal of North America*, George Ouma and P. Jeruto, "Sustainable horticultural crop production through intercropping: The case of fruits and vegetable crops: A review," 2010, pp. 1098, 1100.

the MCN to develop effective alternative-development policies. The project started in 2013 and is scheduled to end in August 2018.⁸⁵⁹ The target for the next two years is to renovate an additional 127 kilometers of 14 irrigation canals, continue vineyard trellising, **intercropping**, planting new orchards, and agribusiness development to increase international sales.⁸⁶⁰

During the third quarter of FY 2017, KFZ rehabilitated 11 canals and is awaiting approval on rehabilitating three more canals. The program repaired 41 damaged greenhouses, provided on-farm technical assistance to 38 greenhouse farmers and 100 women in maintenance and production of off-season vegetables. KFZ also provided on-the-job business skills training. The Afghan Red Pomegranate Company sold over 33 tons of apple and pomegranate juice in national markets with KFZ assistance. KFZ launched a radio drama to promote alternative crops and the importance of women's roles in rural households.⁸⁶¹ As of September 30, 2017, approximately \$38.2 million has been disbursed.⁸⁶²

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 Afghanistan's southern, eastern, and northern regions. The project focuses on strengthening the capacity of farmers to improve the productivity of wheat, 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.⁸⁶³

RADP-East (RADP-E) is a USAID-funded, \$28.1 million program designed to expand sustainable agriculture-led economic growth in the Ghazni, Kapisa, Laghman, Logar, Nangarhar, Parwan, Wardak, and Kabul Provinces. RADP-E works with the private sector to identify constraints to business and value-chain performance, and implement market-based solutions. RADP-E aims to increase sales of agricultural goods and services by \$57 million by the final year of the program. RADP-E started in 2016 and is expected to end in 2021.⁸⁶⁴ As of September 30, 2017, approximately \$4.6 million have been disbursed.⁸⁶⁵

Between April 1 and June 30, 2017, RADP-E completed and received approval for its activity monitoring and evaluation plan, the baseline data report and other studies and surveys. RADP-E awarded two grants, one to the Afghanistan Institute of Banking and Finance and another to the Kia Research and Development Company.⁸⁶⁶ The program sponsored business-to-business events to strengthen linkages between suppliers, farmers, and food processors.⁸⁶⁷

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,

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, transportation, and wholesale and retail sales.

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

high-value crops, and livestock—in rural areas of Badakhshan, Baghlan, Balkh, Jowzjan, Kunduz, and Samangan Provinces.⁸⁶⁸ Between April 1 and June 30, 2017, RADP-N conducted numerous trainings, implemented 22 activities and issued six grants valued at nearly \$76,000. RADP-N held demonstration field days for approximately 1,800 farmers which resulted in contracts for 18 farmers, generating AFN 297,150 (approximately \$4,338) in revenue. RADP-N continued its market linkage activities between seed companies, mills and processors of Afghan wheat. RADP-N supported the participation of 14 agribusinesses to the Second Balkh International Agricultural Fair held in April 2017 in Mazar-e Sharif. The fair generated over \$11,000 in direct sales and about \$10,000 in sales contracts.⁸⁶⁹ As of September 30, 2017, approximately \$42 million has been disbursed.⁸⁷⁰

RADP-South (RADP-S) is a USAID-funded, \$125 million program that started in 2013 and is scheduled to end in October 2018.⁸⁷¹ The purpose of RADP-S is to improve food and economic security for rural Afghans in Kandahar, Helmand, Uruzgan, and Zabul 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 reform. RADP-S is working to increase the incomes of farmers, agribusinesses, and veterinary professionals, while raising awareness among farming families of proper nutrition and balanced diets.⁸⁷² Some key accomplishments during the April 1 to June 30, 2017 period, are:⁸⁷³

- training more than 6,700 new farmers in post-harvesting techniques for wheat, including more than 5,100 women
- training more than 4,100 new farmers in post-harvesting techniques for high-value crops
- benefiting more than 28,000 individuals (6,400 of them women) with program interventions
- benefiting 10,480 households—nearly 6,400 of them in poppy-growing districts—with agriculture and alternative-development interventions

As of September 30, 2017, approximately \$101.1 million has been expended.⁸⁷⁴

DRUG DEMAND REDUCTION

Based on its survey, the 2015 Afghanistan National Drug Use Survey conservatively estimated that roughly 11% of the population would test positive for one or more drugs, including 5.3% of the urban population and 13% of the rural population. Drug use among men, women and children is among the highest documented worldwide, and 30.6% of rural households tested positive for some form of illicit drug.⁸⁷⁵ According to the UN, 0.6% of the global adult population suffer from substance use disorders. Opioids, including heroin, remain the most harmful type of drug used.⁸⁷⁶ INL has obligated and

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expended \$97.16 million to support drug demand reduction in Afghanistan since 2002.⁸⁷⁷

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 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 NGOs.⁸⁷⁸ It also supports an antidrug curriculum in Afghan schools that has trained over 300 teachers and reached over 30,000 students.⁸⁷⁹ INL started a pilot rural treatment program last quarter.⁸⁸⁰ The target villages and implementing partners have been selected and the rural curriculum is ready for translation before its dissemination.⁸⁸¹ INL informed SIGAR that the Colombo Plan will roll out the rural treatment pilots in October 2017.⁸⁸²

Since 2015, INL has transitioned responsibility for 28 of the 86 U.S.-funded drug treatment centers to the MOPH. Transition of other treatment centers, originally scheduled for January 2017, has been suspended while INL, the MOPH, the MCN, and the NGOs renegotiate the transition plan. The majority of the transition plan has been accepted and INL and MOPH are working out the final details.⁸⁸³ The remaining treatment centers are to transition by the end of 2019. INL reduced funding to all facilities (including the 28 MOPH centers) by approximately 20% in 2015, another 15% in 2016, and another 25% in 2017.⁸⁸⁴ According to INL, with MOPH's collaboration, funding has been decreased to treatment centers to redirect funding to other critical drug demand reduction programs.⁸⁸⁵

Since 2002, INL has obligated the following amounts on drug-treatment centers.⁸⁸⁶

- \$11.4 million to train clinical staff and expended \$10 million to date
- \$18.0 million for all drug-treatment staff (\$12 million for clinical staff and \$6 million for non-clinical staff)
- \$32.3 million to maintain drug treatment clinics, of which \$31 million has been expended

INL has been working with the Afghan government and the Colombo Plan drug advisory program to develop and maintain the country's drug-treatment system since 2003.⁸⁸⁷ Most patients at the treatment centers are adult males. Of the 86 facilities, 66 are residential and 20 are outpatient centers. Among the residential treatment centers, 44 also offer home-based services. The residential treatment centers consist of 40 centers for adult males, eight for adult females, eight for children, five for adolescent males and five for adolescent females. Twelve of the 44 home-based programs

provide services to adult females.⁸⁸⁸ More than 5,600 clients were treated from April 1 through June 30, 2017.⁸⁸⁹

INL has obligated and spent \$12.5 million in FY 2016 and \$16.1 million in FY 2017.⁸⁹⁰ INL estimates that approximately 105,000 patients have been treated to date.⁸⁹¹

Counter-Narcotics Community Engagement

INL has obligated \$12.7 million and expended \$11.9 million to fund its Counter-Narcotics Community Engagement (CNCE) program since the program began in April 2013.⁸⁹² CNCE funds communication and outreach programs aimed at discouraging poppy cultivation, preventing drug use, and encouraging licit crops. According to INL, surveys indicate that the public messaging campaigns are having a slow but steady impact on Afghan attitudes about illicit narcotics.⁸⁹³

CNCE is in its third phase, which began May 2016 and ends November 2017.⁸⁹⁴ During the quarter, the implementer, Sayara, held 17 meetings (jirgas) across 12 provinces; 2,100 farmers and village elders participated. Sayara continued to mentor MCN staff on the creation of public-information campaigns.⁸⁹⁵

